Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

華南城
China South City

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2021	2020	
	HK$'000	*HK$'000*	**Change**
	(Unaudited)	(Unaudited)	
Contracted sales	**7,020,236**	8,070,818	**-13.0%**
Revenue	**6,166,251**	7,106,901	**-13.2%**
Among which, Recurring income	**1,683,065**	1,323,506	**+27.2%**
Gross profit margin	**36.6%**	38.0%	**-1.4 p.p.**
Core net profit attributable to owners of the parent*	**649,201**	734,731	**-11.6%**
Profit attributable to owners of the parent	**656,721**	653,542	**+0.5%**
Earnings per share – Basic	**HK8.12 cents**	HK8.08 cents	**+0.5%**
	30 September	31 March	
As at	**2021**	2021	
	(Unaudited)	(Audited)	
Cash and bank balances	**9,599,459**	9,442,782	**+1.7%**
Gearing ratio	**63.9%**	67.6%	**-3.7 p.p.**
Net assets per share	**HK$5.22**	HK$5.10	**+2.4%**

* 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..

INTERIM RESULTS

The board of directors (the "Board") of China South City Holdings Limited (the "Company"), together with its subsidiaries ("China South City" or the "Group") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2021 ("1H FY2021/22" or the "Reporting Period") together with the comparative figures for the previous financial period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021

		For the six months ended 30 September	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**6,166,251**	7,106,901
Cost of sales		**(3,908,027)**	(4,404,229)
Gross profit		**2,258,224**	2,702,672
Other income and gains/(losses)	*4*	**144,029**	(88,382)
Fair value gains on investment properties	*4*	**10,041**	23,044
Selling and distribution expenses		**(167,455)**	(236,376)
Administrative expenses		**(508,159)**	(511,112)
Other expenses		**(9,107)**	(199,159)
Finance costs	*5*	**(315,832)**	(346,670)
PROFIT BEFORE TAX	*6*	**1,411,741**	1,344,017
Income tax expenses	*7*	**(755,395)**	(690,992)
PROFIT FOR THE PERIOD		**656,346**	653,025
Attributable to:			
Owners of the parent		**656,721**	653,542
Non-controlling interests		**(375)**	(517)
		656,346	653,025
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic			
– For profit for the period		**HK8.12 cents**	HK8.08 cents
Diluted			
– For profit for the period		**HK8.12 cents**	HK8.08 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	For the six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**656,346**	653,025
OTHER COMPREHENSIVE INCOME		
Other comprehensive income may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**320,159**	2,221,641
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**320,159**	2,221,641
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**976,505**	2,874,666
Attributable to:		
Owners of the parent	**976,482**	2,871,892
Non-controlling interests	**23**	2,774
	976,505	2,874,666

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021

	Notes	**30 September 2021 *HK$'000* (Unaudited)**	31 March 2021 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**983,759**	949,329
Investment properties		**55,822,187**	55,695,354
Right-of-use assets		**602,027**	993,811
Properties under development		**2,055,518**	2,499,166
Financial assets at fair value through profit or loss		**9,348**	9,214
Other long-term receivables		**209,981**	807,013
Deposits paid for purchase of land use rights		**16,217**	15,985
Deferred tax assets		**3,489,761**	3,358,987
Total non-current assets		**63,188,798**	64,328,859
CURRENT ASSETS			
Properties held for finance lease		**134,222**	212,451
Properties held for sale		**45,161,348**	42,259,146
Inventories		**64,237**	55,894
Trade receivables	*10*	**3,266,633**	824,705
Prepayments, other receivables and other assets		**4,554,128**	3,407,024
Financial assets at fair value through profit or loss		**240**	12,069
Cash and bank balances		**9,599,459**	9,442,782
Total current assets		**62,780,267**	56,214,071
CURRENT LIABILITIES			
Trade and other payables	*11*	**14,683,437**	11,281,121
Contract liabilities		**17,254,923**	16,212,034
Interest-bearing bank and other borrowings		**6,086,111**	7,232,328
Senior notes		**6,005,118**	7,681,918
Medium-term notes		**746,534**	60,343
Domestic company bonds		**1,680,889**	1,378,177
Financial liabilities at fair value through profit or loss		**10,213**	19,010
Tax payables		**4,534,043**	3,921,272
Total current liabilities		**51,001,268**	47,786,203
NET CURRENT ASSETS		**11,778,999**	8,427,868
TOTAL ASSETS LESS CURRENT LIABILITIES		**74,967,797**	72,756,727

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
As at 30 September 2021

	30 September 2021 *HK$'000* **(Unaudited)**	31 March 2021 *HK$'000* (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**16,090,303**	11,666,645
Senior notes	**5,998,776**	8,265,791
Medium-term notes	**–**	705,279
Domestic company bonds	**–**	354,960
Other long-term payables	**12,314**	36,044
Deferred tax liabilities	**10,589,390**	10,431,458
Total non-current liabilities	**32,690,783**	31,460,177
Net assets	**42,277,014**	41,296,550
EQUITY		
Equity attributable to owners of the parent		
Share capital	**7,222,312**	7,222,312
Other reserves	**35,037,010**	34,056,569
	42,259,322	41,278,881
Non-controlling interests	**17,692**	17,669
Total equity	**42,277,014**	41,296,550

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. BASIS OF PREPARATION AND OTHER INFORMATION

Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 September 2021 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2021.

Other Information

The financial information relating to the year ended 31 March 2021 that is included in the interim condensed consolidated financial statements for the six months ended 30 September 2021 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2021, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 April 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phrase 2*
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The adoption of the above revised HKFRSs has had no significant financial effect on the Group's unaudited condensed consolidated interim financial information and there have been no significant changes to the accounting policies applied in the unaudited condensed consolidated interim financial information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

	Property Development *HK$'000* (Unaudited)	Property Investment and Management *HK$'000* (Unaudited)	Others *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Six months ended 30 September 2021				
Segment revenue:				
Sales to external customers	**4,483,186**	**875,653**	**807,412**	**6,166,251**
Segment results before increase in fair value of investment properties	**1,447,701**	**533,993**	**312,150**	**2,293,844**
Increase in fair value of investment properties	**–**	**10,041**	**–**	**10,041**
Segment results after increase in fair value of investment properties	**1,447,701**	**544,034**	**312,150**	**2,303,885**
Unallocated cost of sales				**(35,620)**
Interest income				**108,666**
Fair value losses on financial assets/liabilities at fair value through profit or loss, net				**(3,929)**
Unallocated income and gains				**39,292**
Unallocated expenses				**(684,721)**
Finance costs				**(315,832)**
Profit before tax				**1,411,741**
As at 30 September 2021				
Segment assets	**56,501,682**	**52,734,013**	**2,503,746**	**111,739,441**
Reconciliation:				
Unallocated assets				**14,229,624**
Total assets				**125,969,065**
Segment liabilities	**26,142,933**	**8,693,023**	**1,022,009**	**35,857,965**
Reconciliation:				
Unallocated liabilities				**47,834,086**
Total liabilities				**83,692,051**

	Property Development HK$'000 (Unaudited)	Property Investment and Management HK$'000 (Unaudited)	Others HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Six months ended 30 September 2020				
Segment revenue:				
Sales to external customers	5,783,395	748,688	574,818	7,106,901
Segment results before increase in fair value of investment properties	1,977,160	498,933	291,661	2,767,754
Increase in fair value of investment properties	–	23,044	–	23,044
Impairment of goodwill	–	–	(34,128)	(34,128)
Segment results after increase in fair value of investment properties	1,977,160	521,977	257,533	2,756,670
Unallocated cost of sales				(65,082)
Interest income				29,843
Fair value losses on financial assets/liabilities at fair value through profit or loss, net				(96,122)
Unallocated income and losses				(22,103)
Unallocated expenses				(912,519)
Finance costs				(346,670)
Profit before tax				1,344,017
As at 31 March 2021 (Audited)				
Segment assets	54,277,006	50,145,678	3,193,034	107,615,718
Reconciliation:				
Unallocated assets				12,927,212
Total assets				120,542,930
Segment liabilities	20,304,589	8,948,257	1,109,604	30,362,450
Reconciliation:				
Unallocated liabilities				48,883,930
Total liabilities				79,246,380

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/(losses) is as follows:

	For the six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue*		
Revenue from contracts with customers	**4,886,774**	6,487,555
Revenue from other sources		
Rental income	**509,722**	413,417
Finance lease income	**587,352**	6,428
Others	**182,403**	199,501
	6,166,251	7,106,901
Other income		
Interest income	**108,666**	29,843
Government grants**	**6,654**	9,322
Others	**15,939**	16,141
	131,259	55,306
Gains/(losses)		
Fair value losses on financial assets/liabilities at fair value through profit or loss, net	**(3,929)**	(96,122)
Gains/(losses) on disposal of subsidiaries	**5,894**	(57,505)
Losses on redemption/repurchase of asset-backed securities	**–**	(9,111)
Gain on repurchase of the senior notes	**–**	20,062
Exchange gains/(losses), net	**10,805**	(1,012)
	12,770	(143,688)
	144,029	(88,382)
Fair value gains on investment properties	**10,041**	23,044

* Included amounts of HK$230,175,000 (six months ended 30 September 2020: HK$223,050,000) related to income from outlet operations and HK$228,749,000 (six months ended 30 September 2020: HK$203,273,000) 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 subsidies.

5. FINANCE COST

An analysis of finance costs is as follows:

	For the six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings (including senior notes, medium-term notes and domestic company bonds)	**1,616,496**	1,601,466
Interest on lease liabilities	**2,485**	3,295
	1,618,981	1,604,761
Less: Interest capitalised	**(1,303,149)**	(1,258,091)
Total	**315,832**	346,670

6. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**2,659,884**	3,803,046
Cost of properties held for finance lease	**375,601**	3,189
Depreciation of property, plant and equipment	**68,251**	66,923
Less: Depreciation capitalised in respect of properties under development	**(158)**	(241)
	68,093	66,682
Depreciation of right-of-use assets	**59,525**	47,227
Lease payments not included in the measurement of lease liabilities	**4,719**	4,167
(Written back)/impairment of trade receivables*	**(30,619)**	106,602
Equity-settled share option expense	**2,510**	4,090
Impairment of financial assets included in prepayments, other receivables and other assets and other long-term receivables*	**27,802**	13,884
Impairment of goodwill*	**–**	34,128

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

7. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (six months ended 30 September 2020: 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% (six months ended 30 September 2020: 25%) on their respective taxable income during the period.

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 periods ended 30 September 2021 and 2020.

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

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

	For the six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current:		
Mainland China CIT	**428,071**	181,020
LAT in Mainland China	**399,731**	154,213
Deferred:		
Mainland China CIT	**20,744**	382,738
LAT in Mainland China	**(99,558)**	(38,553)
Withholding tax on dividends	**6,407**	11,574
Total tax charged for the period	**755,395**	690,992

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

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

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 2021 and 2020 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	For the six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**656,721**	653,542

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and dilute earnings per share calculation	**8,091,892,848**	8,091,892,848

9. DIVIDENDS

The final dividend of HK3.0 cents per share amounting to HK$242,757,000 for financial year ended 31 March 2021 was approved on 28 September 2021.

At a meeting of the Board held on 29 November 2021, the directors resolved not to pay an interim dividend to shareholders (six months ended 30 September 2020: Nil).

10. TRADE RECEIVABLES

Trade receivables represent sales income, rental receivables and service income receivables from customers which are payable on issuance of invoices or in accordance with the terms of the related sale and purchase agreements. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 30 September 2021 and 31 March 2021 based on the payment due date, net of loss allowance, is as follows:

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**2,559,843**	561,290
Over 3 months	**706,790**	263,415
Total	**3,266,633**	824,705

11. TRADE AND OTHER PAYABLES

		30 September 2021	31 March 2021
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Other payables and accruals		**4,364,438**	3,364,420
Notes payable	*(i)*	**1,694,605**	1,628,850
Advanced rental and other receipts		**3,427,146**	2,948,287
Due to non-controlling interests		**696,261**	398,767
Lease liabilities		**39,680**	52,830
Dividend payable		**242,757**	–
Construction fee and retention payables	*(ii)*	**4,218,550**	2,887,967
Total		**14,683,437**	11,281,121

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

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**326,029**	405,566
Over 3 months	**1,368,576**	1,223,284
Total	**1,694,605**	1,628,850

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

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 year	**2,583,569**	1,945,718
Over 1 year	**1,634,981**	942,249
Total	**4,218,550**	2,887,967

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

CHAIRMAN STATEMENT

On behalf of the board of directors (the "Board") of the Company together with its subsidiaries, I am pleased to report the unaudited consolidated interim results of the Group for the six months ended 30 September 2021 ("1H FY2021/22" or the "Reporting Period").

Market, operational and financial review

In the first three quarters of 2021, China's GDP grew by 9.8% year-on-year, including 4.9% in the third quarter. According to the data of the National Bureau of Statistics, China's economic growth rate has gradually declined in the first three quarters of this year, and the downward pressure on the economy has further increased. In the first half of the fiscal year, affected by factors such as macro economy and domestic and foreign capital environments, the overall growth of a number of industries was weak, and some well-known listed companies experienced liquidity crisis, which further affected market sentiment. In October, 2021 alone, international rating agencies downgraded the credit ratings of nearly 30 listed companies in Mainland China. The financing environment has deteriorated sharply, and offshore financing channels and refinancing have almost stagnated. Numbers of companies encountered financing difficulties, and financing costs have significantly increased. In mainland China, the review of bank financing and lending approval process has become more stringent, and continuous strengthening of government supervision, the debt crisis, as well as the lack of consumer confidence in the market have caused several industries to face tremendous pressure. As a leading developer and operator of large-scale integrated commercial logistics and trade centres, the Group has been affected by the onshore and offshore financing environment and market downward trend, making overall operations more difficult.

During the Reporting Period, the Group suffered from multiple adverse effects such as international trade friction, repeatedly outbreaks of the COVID-19 epidemics, and rare occurrence torrential rain in CSC Zhengzhou. The Sino-US trade friction as well as the complex and ever-changing international trading environment have brought instability to the development of the cross-border e-commerce industry in China South City, and the effects of early support and investment in the e-commerce industry has been affected. The repeatedly outbreak of epidemic further increased the difficulty in the operation of commerce and trade industries. In projects deployed by the Group, including Zhengzhou, Chongqing, Harbin, etc., daily planning and operation activities were forced to reduce, the flow of visitors were declined, while logistics costs were increased. The Group's key project, CSC Zhengzhou, suffered from a very rare torrential rain, as well as the local epidemic control measures were superimposed, and therefore the normal operations of related projects were affected by restrictions for a long time.

During the Reporting Period, facing with sluggish market environment, China South City, on the basis of stabilizing the operation, made every effort to proceed assets realization, accelerate the return of capital funds, and put cash flow first. Meanwhile, the Group also improved the efficiency of the operations, further optimized management and staff structure, reduced organizational cost and increase efficiency, increased the company's liquidity, while maintained safe and stable operations. The gearing ratio decreased to 63.9% and the net assets per share increased to HK$5.22. In terms of the operation, China South City, in various regions, combined local characteristics to accurately introduce new industries and new business model that are in line with the future development trends. The new fourth-generation Wanda Plaza opened in CSC Shenzhen and two national-level bases centered in CSC Nanchang, are two examples to achieve new business models and new consumption patterns breakthroughs. Qianlong Logistics, a subsidiary of the Group, is actively developing the cold chain business, and the related warehousing and leasing business has achieved growth in reversal trend and is discussing development opportunities with strategic investors.

In terms of transportation infrastructure, CSC Xi'an ushered in the opening of the Metro line 14, and CSC Hefei Metro south line 4 is under construction. Whilst the continuous of multiple China South City Metro and main railway lines will be put into operation, the overall regional advantages of China South City will be strengthened.

In addition, China South City has officially launched the Urban Renewal Project plan in CSC Shenzhen, which includes land area of 430,000 sq.m. The Company will make further announcements in due course.

In the face of numerous challenges such as the epidemic, a rare torrential rain, and the downward trend of the macro environment, the Group has made every effort to stabilize operations with the joint efforts of all employees, to overcome difficulties and actively sprinted towards performance goals.

During the Reporting Period, the Group's contracted sales decreased by 13.0% to HK$7,020.2 million (1H FY2020/21: HK$8,070.8 million); revenue decreased by 13.2% to HK$6,166.3 million (1H FY2020/21: HK$7,106.9 million), of which recurring income increased by 27.2% to HK$1,683.1 million (1H FY2020/21: HK$1,323.5 million).

Net profit attributable to owners of the parent increased by 0.5% to HK$656.7 million (1H FY2020/21: HK$653.5 million), while 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$649.2 million (1H FY2020/21: HK$734.7 million). Basic earnings per share increased to HK8.12 cents (1H FY2020/21: HK8.08 cents).

As a leading developer and operator of a large-scale integrated commercial logistics and trade centres in China, the Group keeps abreast of market changes, continuously improves the operation level, continuously promotes transformation and upgrading, introduces new industries, and strives to achieve multi-business collaborative development.

During the Reporting Period, due to the macro environment of the epidemic and the real estate market downward trend, the overall performance of the Investment and Development division was affected to a certain extent and destocking as well as deleveraging will continuously be executed in the later period. In terms of management and team building, the Investment and Development division strives to implement refined management, optimize the organizational structure, and strives to maintain stable operations.

During the Reporting Period, the Business Management division integrated resources, continuously introduced high-quality industries and business, and vigorously promoted new industries, new momentum, and new services, and strengthened the operation capabilities. Specifically, on 17 September, the brand-new fourth-generation Wanda Plaza was opened in CSC Shenzhen, featuring new experiences of technology and fashion. It attracted more than 200,000 visitors flow on the first day of opening, with an average daily flow of more than 100,000 visitors in the first month. CSC Nanchang was approved as the "National E-Commerce Demonstration Base", and the park is transforming from a traditional trade market to the national industrial base. CSC Chongqing's hotel supplies market exceeded 60,000 sq.m., became a well-known local hotel supplies cluster. CSC Nanning successfully introduced two major sports projects, furthering the transformation of the sports industry. In addition, undertaking the relocation of old markets, China South City in many projects also ushered in upsurge of merchants signing up to settle in. The continuous cultivation and introduction of new business models are supplementary to the existing business, benefiting the Group's collaborative development of commercial and trade business.

Qianlong Logistics provided customers with comprehensive supply chain integrated logistics solutions through three business platforms with the "logistics park operation platform" as the foundation, the "warehousing service platform" as the core and the "forwarder distribution platform" as the substance. During the Reporting Period, leveraging its wealth of quality services and experiences throughout the years, it has gained a number of high-quality clients, and was awarded the first batch of "MNC Regional Headquarter in Shenzhen" and "Outstanding Logistics and Supply Chain Service Provider".

Huasheng Outlet held a "10th Anniversary Celebration" and a series of activities, resulting in an increase in visitors and sales performance. In addition, in order to expand and consolidate Huasheng Outlet's influential and reputation in the industry, it has successfully launched the first Brand Supplier Alliance and has earned recognition from broad suppliers. It was also awarded the "Outstanding Performance Award of 2021 Shenzhen Shopping Festival", "High-quality Economic Development Growth Award" of Jiangnan District in Nanning City, and the "Outstanding Enterprise in Industrial Development Contribution" by the Xi'an International Trade and Logistics Park and other honors during the Reporting Period.

While maintaining China South City's leading position in the existing multi-industry trading centres, logistics and warehousing distribution, conference and exhibition, local amenities and comprehensive property management services, the Group has been continuously exploring new businesses and nurtures new growth drivers. The introduction of new businesses has presented new opportunities for the Group's development, as well as enhancing the business ecosystem of the projects which brings in rental income and customer flow, that helps to promote the collaborative development of the related industries.

PRUDENT FINANCIAL MANAGEMENT

During the Reporting Period, the Group faced a severe challenge of the environment and policies to reduce its interest-bearing debts while ensuring the smooth operation of the Group. In August and September 2021, together with the repurchase and cancellation of USD-denominated senior notes, the Group repaid senior notes and notes interest of approximately US$594.4 million. The Group will continue to maintain prudent financial management and strengthen asset deleverage to further reduce interest-bearing debts.

FUTURE PROSPECTS

Looking ahead to the second half of the fiscal year, the complex and volatile international environment and the overall weakness of the real estate market will bring continuous impact and challenges to business development. Offshore financing channels are blocked, and the increase of financing costs has become a common problem affecting the development of the industry. In order to maintain the Group's financial liquidity, we will increase efforts to destock, to protect cash flow as our top priority.

The Group will continue to adopt a prudent attitude, and actively face challenges, relying on the "Trade and Logistics+" model adhered to for many years, coupled with market procurement trade pilot, national e-commerce demonstration base and other policy advantages. The Group will continue to enhance the business industry ecosystem, and strive to create a "Integrating Industries into Projects, Building Beautiful New City Conductive to Work and Life". For investment and business development, the Group will rely on Urban Renewal Projects in CSC Shenzhen and other projects, with the full operation of the projects, to generate new growth potential.

Last but not least, on behalf of the Board, I wish to express my deepest gratitude to our shareholders, customers and business partners for their consistent trust and support to the Group. I would also like to thank the management and members of staff for their dedication and wholehearted commitment, which have helped China South City grow from strength to strength.

Chairman and Executive Director
Cheng Chung Hing

Hong Kong, 29 November 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Merchants Recruitment Made a Progress with New Businesses Opening Up

During 1H FY2021/22, trade frictions continued, domestic and offshore financing environments deteriorated sharply, and economic downward pressure gradually became apparent. Some well-known listed companies experienced debt crisis one after another. The continued tightening of policy supervision and liquidity crisis severely affected the market consumer confidence. According to data released by the National Bureau of Statistics, China's Manufacturing Purchasing Managers Index (PMI) was 49.2% in October, decreased by 0.4% from the previous month, and continued to be below the 50% threshold. As many industries such as real estate enter the downward trend, many upstream and downstream industries such as commerce and logistics have been affected. Constrained by the weak market environment, the Group's overall operations have been greatly and significantly affected and under tremendous pressure.

In response to the economic downward, the ever-evolving domestic and international circumstances, the Company's management together with all colleagues worked hard to overcome the difficulties, enabled timely and effective adjustments to operating strategies; promoted assets disposal using multiple channels such as bulk asset sales in order to increase cash flow return; enhanced operation and management standard such as further optimized staffing structure, as well as reduced costs and increased efficiency to ensure cash flow and maintained safe and stable operations.

On the basis of stable project site operations and safe development of the Company, the Group vigorously expanded to more new industries and new businesses, and achieved collaborative development of multiple industries by continuously improving the standard of merchants recruitment and operation. For example, grand opening of the first fourth-generation Wanda Plaza in CSC Shenzhen demonstrated a perfect complement to the existing businesses of CSC Shenzhen; CSC Nanchang was approved as the "National E-Commerce Demonstration Base" and became the second national e-commerce base following CSC Shenzhen; CSC Chongqing built a famous hotel supplies cluster and CSC Nanning introduced sports industry projects; another example of promoting new industry cluster. In addition, various CSC projects were benefiting from demolition and transformation of the old markets, this attracted a large number of new merchants contracted to move in CSC project sites. Currently, the Group's new industries started to commence business and create business synergies with existing industries such as e-commerce and influencer marketing, membership-only supermarkets, cost-effective home furnishing stores and outlets. This further improved the online-and-offline combined logistics and trade integrated ecosystem at the project sites.

During the Reporting Period, the total revenue of the Group decreased by 13.2% to HK$6,166.3 million (1H FY2020/21: HK$7,106.9 million). Its recurring income grew by 27.2% year-on-year from HK$1,323.5 million in 1H FY2020/21 to HK$1,683.1 million in the Reporting Period, accounting for 27.3% of the total revenue (1H FY2020/21: 18.6%). Gross profit margin was 36.6% (1H FY2020/21: 38.0%). Net profit attributable to owners of the parent was HK$656.7 million (1H FY2020/21: HK$653.5 million). Basic earnings per share amounted to HK8.12 cents (1H FY2020/21: HK8.08 cents).

Investment and Development Division

Project Investment and Development

The investment and development division mainly focuses on the Group's project investment, development and construction, laying a solid foundation for subsequent merchants recruitment and project operation. To meet local demands of projects in different places, the Group has developed various types of commercial complexes. Multi-purpose commercial properties and auxiliary facilities have been developed in various projects such as Zhengzhou, Xi'an, Nanchang and Shenzhen. Furthermore, government service centres, science and education industries and the e-commerce industry have been introduced to certain projects. During the first half of the financial year, the investment and development division further promoted cost reduction and efficiency improvement, carried out de-stocking, de-leveraging and optimized the staffing structure to create a stable corporate development environment.

CSC Shenzhen

As of 30 September 2021, construction of a GFA of approximately 2.39 million sq.m. was completed in CSC Shenzhen, and planned construction of a GFA of approximately 250,000 sq.m. was underway.

CSC Nanchang

As of 30 September 2021, construction of a GFA of approximately 2.40 million sq.m. was completed in CSC Nanchang, and planned construction of a GFA of approximately 710,000 sq.m. was underway.

CSC Nanning

As of 30 September 2021, construction of a GFA of approximately 1.95 million sq.m. was completed in CSC Nanning, and planned construction of a GFA of approximately 150,000 sq.m. was underway.

CSC Xi'an

As of 30 September 2021, the development of CSC Xi'an is well underway with construction of a GFA of approximately 2.12 million sq.m. completed, and planned construction of a GFA of approximately 840,000 sq.m. was underway.

CSC Harbin

As of 30 September 2021, the development of CSC Harbin is well underway with construction of a GFA of approximately 1.97 million sq.m. completed, and planned construction of a GFA of approximately 880,000 sq.m. was underway.

CSC Zhengzhou

As of 30 September 2021, the development of CSC Zhengzhou is well underway with construction of a GFA of approximately 3.86 million sq.m. completed, and planned construction of a GFA of approximately 2.40 million sq.m. was underway.

CSC Hefei

As of 30 September 2021, the development of CSC Hefei is well underway with construction of a GFA of approximately 3.16 million sq.m. completed, and planned construction of a GFA of approximately 720,000 sq.m. was underway.

CSC Chongqing

As of 30 September 2021, the development of CSC Chongqing is well underway with construction of a GFA of approximately 2.21 million sq.m. completed, and planned construction of a GFA of approximately 620,000 sq.m. was underway.

Logistics and Warehousing Services

Qianlong Logistics, a subsidiary of the Group, is an integrated modern logistics enterprise. As a professional operator of e-commerce, logistics and information industrial parks, it adopted the "Internet + Logistics Parks" operation mode to realize the integration of information and resources between transportation, warehousing, distribution and other logistics services providers and production, manufacturing, sales, e-commerce and other cargo owners across the country through the platform and focused on the establishment of the integrated CSC logistics network. Built on the base of stable "logistics park operation", Qianlong Logistics actively expanded its comprehensive third-party logistics services of warehousing and distribution. At the same time, it actively developed cold chain business and invested and operated a 50,000-ton capacity cold storage in Shenzhen. The occupancy rate of the project reached 100%, the average rental income has more than doubled. It has set up subsidiaries in 16 core cities in China and vigorously develops logistics resources in the Greater Bay Area and Yangtze River Delta. It has built more than 1 million sq.m. of standardized and modernized e-commerce logistics industrial parks that are already in operation adopting various technical means and applications such as big data, artificial intelligence, automated equipment, visualization, sensors etc., striving to transform and upgrade itself to intelligent and digital modern logistics in all aspects. During the Reporting Period, Qianlong Logistics completed warehousing area reached cooperation with renowned manufacturers both at home and abroad. It also enhanced its service level by upgrading the warehouse standard. As a result, it was awarded the first batch of "MNC Regional Headquarter in Shenzhen" and the "Outstanding Logistics and Supply Chain Service Provider" in the 2021 China (Shenzhen) International Logistics and Supply Chain Fair.

Outlet Operations

Huasheng Outlet, a subsidiary of the Group, specialized in outlet development and operation, increasingly enhances its commercial value through professional and effective management. Benefiting from upgrading transportation, improving auxiliary facilities and the opening of Wanda Plaza, Huasheng Outlet continued to attract huge customer flows. It also held the "10th Anniversary Celebration" activities and the Brand Supplier Alliance to further expand its influence and lay the foundation for future development. During the Reporting Period, Huasheng Outlet won the honors of "Outstanding Performance Award of 2021 Shenzhen Shopping Festival", "High-Quality Economic Development Growth Award" of Jiangnan District in Nanning City and "Outstanding Enterprise in Industrial Development Contribution" of Xi'an International Trade and Logistics Park.

Business Management Division

Strengthening Primary Businesses While Effectively Expanding and Upgrading

The Business Management team is mainly dedicated to the Group's project tenant recruitment and operation management, providing professional operation and management services for all links of China South City including development, investing and financing. The business scope includes trade centres, logistics parks, hotels, comprehensive business centres, commercial blocks, ancillary residential, multi-functional properties, etc.

During the Reporting Period, domestic epidemics were repeatedly outbreak, some exhibition and marketing activities were reduced, visitors flow decreased, and operating costs further increased. In response to many unfavorable external factors such as economic downward pressure, epidemics, torrential rain, the Business Management team actively stabilizes its operations, continuously enriches the commercial trading models in the project site, promotes industrial clusters, and provides or introduces various supporting facilities and services according to the needs of site management and expansion, aiming to create a comprehensive business portfolio.

During the Reporting Period, the Group conscientiously implemented the strategy of "Emphasizing on Merchants Recruitment and Strengthening Operation" to ensure more professional performance in project management, merchants recruitment and introduction of emerging and new targeted industries that are aligned with the upcoming development trend. Based on trade and logistics business, CSC Shenzhen integrated the fourth-generation Wanda Plaza, Heung Kong Furniture, Huasheng Outlet, "National E-commerce Demonstration Bases" and "Market Procurement Trade Pilot Units" to advance regional industry upgrade and business innovation. Longgang Wanda Plaza, the first fourth-generation Wanda Plaza in CSC Shenzhen was opened in September, which aims to create an urban micro-tourism destination with innovation in technology, content and scenario, and attracted more than 200,000 visitors on the first day with an average daily flow of more than 100,000 visitors in a single month. With strong business atmosphere and a remarkable effect of industry-city integration, it has become a renowned business ecosystem. CSC Zhengzhou continued to make efforts in commercial operation and organized the industry benchmark event – CSC Home Building Materials Expo, which provided an influential and aggregated exhibition platform for businesses, shared market opportunities with them and empowered their operation. With the opportunity of the "14th National Games", CSC Xi'an comprehensively enhanced the quality of the project site so as to provide a regulated, clean, safe and orderly market environment for businesses and consumers. CSC Nanning focused on industry upgrade and successfully introduced sports industry projects; CSC Nanchang was awarded the “National E-commerce Demonstration Base” and its B2B offline supermarket supply warehouse project commenced in September, the project is transforming from a traditional trade market to a national industrial base. CSC Hefei continued to expand its education and training business. CSC Chongqing and CSC Harbin made a progress in relocation of old markets. CSC Harbin attracted old market merchants to renew business contract, CSC Chongqing successfully developed the hotel supplies market and created a preferred platform for wholesale procurement in the hotel supplies industry in Southwest China.

During the Reporting Period, benefiting from the opportunities presented by the Greater Bay Area and the Plan to Build Shenzhen into a Demonstration Area of Socialism with Chinese Characteristics, coupled with the policy supports regarding the implementation of the Market Procurement Trade Pilot Program and the opening of the national e-commerce demonstration base, China South City, driven by technology, proactively explored digital operation and provided merchants and owners with convenient services such as online payment and online reporting through the smart park mini app thus empowering traditional trade businesses.

Property Leasing and Property Management

The Group implements a diversified property management model. As a leading developer and operator of large-scale integrated commercial logistics and trade centres in China, China South City has adapted to changes and has developed a diversified and flexible model for property 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 create synergy. Business is tuned and optimized according to local market demands. After years of development, the property management segment has gained National First-Class Property Management Qualification. It is one of the few integrated commercial property management firms in China that can manage both trade centre premises and residential properties. During the Reporting Period, China South City was listed as the “2021 China Excellent Corporations of Operating the Characteristic Industrial New Town” by China Index Academy.

As the projects in various cities matured over time, the Group continuously seeks additional streams of revenue to complement its operation such as advertising and exhibitions, pop-up space leasing and car parking etc. Meanwhile, the Group continued to strengthen digitalization 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 and increasing efficiency.

Exhibitions and Events

During the Reporting Period, the pandemic has been repeated from time to time, and due to the requirements of epidemic prevention and control, it has adversely affected the development of various exhibition activities. The Group actively implements the epidemic prevention requirements of local governments, and organized several large-scale exhibitions and events.

In April, the "Zhuang Ethnic Group March 3 Carnival" and the 6th China South City "March 3" Folk Culture Festival was held, topping the hot searches at Douyin's same city section and attracting more than 150,000 visits.

In May, China South City held the 2021 Home Building Materials Expo and CSC Zhengzhou Central Region Building Materials and Hardware Trade Fair-Spring covering an area of nearly 40,000 sq.m. with more than 1,600 standard booths including more than 1,200 booths for the existing merchants of China South City and the remaining 400 booths open to the public.

In September, China South City and Qianlong Logistics attended the 2021 16th China (Shenzhen) International Logistics and Supply Chain Fair. During the Fair, Qianlong Logistics was also awarded the "Outstanding Logistics and Supply Chain Service Provider" in the 2021 China (Shenzhen) International Logistics and Supply Chain Fair organized by the Shenzhen Logistics and Supply Chain Management Association.

In October, CSC Zhengzhou held the "2021 Central Region Building Materials and Hardware Trade Fair-Spring" covering a total area of approximately 40,000 sq.m. offering a total of 1,200 standard booths to more than 1,000 exhibitors. Within the three-event days, it achieved sales of approximately RMB60 million, acquired intended orders of approximately RMB150 million and attracted many citizens nearby.

In addition, China South City also held various marketing campaigns and small-scale exhibitions across its various projects to attract more customer flows and expand its brand influence.

Land Bank

Adapting a unique and flexible business model, the Group intends to retain commercial properties including logistics and warehousing facilities and hotels as well as certain trade centre units for self-use or long-term leasing purposes in order to generate stable recurring income and achieve asset appreciation. The remaining trade centre units and residential facilities will be listed for sale to generate cash flow for the Group's development. The Group's current land bank is mainly for residential and commercial purposes.

Projects	Completed properties(1)		Properties under development	Properties planned for future development on GFA acquired(2)	Total planned GFA(3)	Planned GFA for acquired land	
(in sq. m.)	Sold	Saleable and in operation		Estimated	Estimated		(% to total planned GFA)(4)
CSC Shenzhen	924,000	1,468,300	248,800	66,200	2,707,300	2,707,300	100%
CSC Nanchang	1,407,100	993,800	710,700	1,682,800	6,866,000	4,794,400	70%
CSC Nanning	694,700	1,258,400	154,800	372,100	4,880,000	2,480,000	51%
CSC Xi'an	1,280,800	841,100	835,200	1,719,500	17,500,000	4,676,600	27%
CSC Harbin	706,600	1,266,800	881,400	2,980,400	12,000,000	5,835,200	49%
CSC Zhengzhou	1,845,100	2,012,300	2,398,700	3,936,100	12,000,000	10,192,200	85%
CSC Hefei	1,868,100	1,291,100	721,500	2,112,300	12,000,000	5,993,000	50%
CSC Chongqing	881,800	1,331,900	615,800	3,672,300	13,100,000	6,501,800	50%
Total	**9,608,200**	**10,463,700**	**6,566,900**	**16,541,700**	**81,053,300**	**43,180,500**	**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 centres 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.

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 liquidity while uphold growth momentum.

The Group actively manages its financing structure through various financing channels, from onshore and offshore bank loans to different interbank and capital market instruments, in order to achieve an optimal capital structure and maturity profile. As at 30 September 2021, the total interest-bearing debts of the Group were HK$36.6077 billion (31 March 2021: HK$37.3454 billion). The gearing ratio was 63.9% (31 March 2021: 67.6%). Furthermore, as at 30 September 2021, cash and bank balances were HK$9.5995 billion (31 March 2021: HK$9.4428 billion) and the Group had unused banking facilities of approximately HK$18.1851 billion.

For the Reporting Period, comparing with the same period last year, the revenue of the Group decreased by 13.2% to HK$6.1663 billion (1H FY2020/21: HK$7.1069 billion). Net profit attributable to owners of the parent increased by 0.5% to HK$656.7 million (1H FY2020/21: HK$653.5 million) and the basic earnings per share increased to HK8.12 cents (1H FY2020/21: HK8.08 cents). The increase in net profit attributable to owners of the parent and basic earnings per share are mainly due to effective cost control measures.

Revenue

Revenue for the Reporting Period decreased by 13.2% to HK$6.1663 billion (1H FY2020/21: 7.1069 billion) comparing with the same period last year. The decrease was mainly attributable to less properties were sold and delivered during the Reporting Period.

	For the six months ended 30 September		
	2021	2020	Change
	HK$'000	*HK$'000*	*%*
Sale of properties and finance lease income	**4,483,186**	5,783,395	-22.5
Recurring income	**1,683,065**	1,323,506	+27.2
Property leasing and management service income	***875,653***	*748,688*	*+17.0*
Other recurring revenue	***807,412***	*574,818*	*+40.5*
	6,166,251	7,106,901	-13.2

Sales of Properties and Finance Lease income

Revenue from sale of properties decreased by 32.6% to HK$3.8958 billion (1H FY2020/21: HK$5.7770 billion). The decrease was mainly attributable to less sales and delivery of properties during the Reporting Period.

Finance lease income derived from the leasing of office buildings increased by 9,037.4% to HK$587.4 million (1H FY2020/21: HK$6.4 million). The increment was primarily attributable to more finance lease on office building at CSC Shenzhen made during the Reporting Period.

Property Leasing and Management Service Income

The Group intends to retain certain of the trade centre units for self-use or rental purposes. Meanwhile, the Group also provides property management services for its trade centres, 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 continued to provide diversified leasing and property management services, to cater to the needs of different property types and industries across respective projects during the Reporting Period. Property leasing and management service income will become an important component of the recurring income of the Group 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. During the Reporting Period, property leasing and property management service income of the Group increased by 17.0% to HK$875.7 million (1H FY2020/21: HK$748.7 million) compared with the same period last year.

Other Recurring Revenue

Other recurring revenue increased by 40.5% to HK$807.4 million (1H FY2020/21: HK$574.8 million). As a result of the gradual recovery of different business sectors from the pandemic, the revenue from outlet operations increased by 3.2% to HK$230.2 million (1H FY2020/21: HK$223.1 million), and revenue from logistics and warehousing services increased by 12.5% to HK$228.7 million (1H FY2020/21: HK$203.3 million) during the Reporting Period.

Cost of Sales

The Group's cost of sales mainly includes construction costs, borrowing costs and land costs of properties sold and properties sold under finance lease, and operating costs of recurring business. During the Reporting Period, the cost of sales decreased by 11.3% to HK$3.9080 billion (1H FY2020/21: HK$4.4042 billion). The decrease in cost of sales was in line with the decrease of total recognised sales during the Reporting Period.

Gross Profit

Gross profit decreased by 16.4% to HK$2.2582 billion (1H FY2020/21: HK$2.7027 billion). During the Reporting Period, gross profit margin decreased slightly to 36.6% (1H FY2020/21: 38.0%), which was mainly due to the decrease in average selling price of properties sold and increase of construction cost.

Other Income and Gains/(Losses)

During the Reporting Period, other income increased by 137.3% to HK$131.3 million (1H FY2020/21: HK$55.3 million), which was mainly attributable to the increase in interest income. In addition, during the Reporting Period, other gains turned back to the gains of HK$12.8 million from other losses of HK$143.7 million, which was mainly attributable to decrease in the fair value losses on financial assets/liabilities at fair value through profit or loss and losses on disposal of subsidiaries for the corresponding period of last year that had no such occurrence for the Reporting Period.

Fair Value Gains on Investment Properties

The fair value gains on investment properties was HK$10.0 million (1H FY2020/21: HK$23.0 million).

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 and 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 change in the volume of 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

Selling and distribution expenses decreased by 29.2% to HK$167.5 million (1H FY2020/21: HK$236.4 million). The decrease was mainly attributable to the implementation of effective cost control measures over marketing activities on the sales of properties during the Reporting Period.

Administrative Expenses

Administrative expenses slightly decreased by 0.6% to HK$508.2 million (1H FY2020/21: HK$511.1 million). The decrease was primarily due to effective control of administrative costs taken by the Group.

Other Expenses

Other expenses decreased by 95.4% to HK$9.1 million (1H FY2020/21: HK$199.2 million), which was mainly attributable to written back of HK$30.6 million of impairment of trade receivables, whereas a provision of HK$106.6 million was made for the corresponding period of last year. In addition, there was no impairment of goodwill for the Reporting Period (1H FY2020/21: HK$34.1 million).

Finance Costs

Finance costs decreased by 8.9% to HK$315.8 million (1H FY2019/20: HK$346.7 million). Due to the change in capital market conditions, the Group's weighted average financing cost increased to 8.51% as at 30 September 2021 (31 March 2021: 8.39%). The average financing cost of bank and other borrowings, medium term notes, domestic company bonds and senior notes are 7.5%, 8.5%, 8.0% and 10.5% respectively as at 30 September 2021 (31 March 2021: 7.1%, 8.5%, 8.0% and 10.0%).

Tax

Income tax expenses recorded an increase of 9.3% to HK$755.4 million (1H FY2020/21: HK$691.0 million). The increase in income tax expenses was mainly due to the increase in profit before taxation for the Period.

Liquidity and Financial Resources

The Group finances its development and operations primarily through internally generated funds, bank and other borrowings, and the issuance of different types of bonds and 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 30 September 2021, the Group had HK$9.5995 billion cash and bank balances (31 March 2021: HK$9.4428 billion). 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 30 September 2021, the total interest-bearing debts of the Group were HK$36.6077 billion (31 March 2021: HK$37.3454 billion). 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$22.1764 billion as at 30 September 2021 (31 March 2021: HK$18.8990 billion), of which HK$6.0861 billion is repayable within one year or on demand, HK$8.1358 billion will be repayable in the second year, HK$3.0739 billion will be repayable in the third to fifth years and HK$4.8806 billion will be repayable after five years. As at 30 September 2021, the Group's interest-bearing bank and other borrowings of approximately HK$21.4637 billion 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$50.3385 billion.

All interest-bearing bank and other borrowings of the Group were denominated in Renminbi or US dollars with interest rates range from 3.75% to 15.00% (31 March 2021: 3.75% to 12.00%) per annum. Furthermore, as at 30 September 2021, the Group had unused banking facilities of approximately HK$18.1851 billion. The Group will, depending on the needs of project development and working capital status, utilize these banking facilities as appropriate.

Issuance of Notes

Senior Notes

During the Reporting Period, the Company repaid 11.5% senior notes due 2021 with a principal amount of US$200 million upon maturity in August 2021 and 6.75% senior notes due 2021 with a principal amount of US$315.9 million upon maturity in September 2021.

During the Reporting Period, the Company made on-market repurchase of 6.75% senior notes due 2021 with a principal amount of US$16.8 million in July and August 2021; 11.5% senior notes due 2022 with a principal amount of US$2 million in July 2021 and 10.875% senior notes due 2022 with a principal amount of US$4 million in July 2021. The repurchased notes were cancelled accordingly.

Details of movement is set out below:

Issued Date	**Aug 2020**	**Sep and Oct 2016**	**Dec 2019 and Jan 2020**	**Feb and Jun 2020**	**Nov 2017**	**Sep 2020 and Jan 2021**	**Mar 2021**
	11.5% senior notes due 2021	**6.75% senior notes due 2021**	**11.5% senior notes due 2022**	**10.875% senior notes due 2022**	**7.25% senior notes due 2022**	**10.75% senior notes due 2023**	**11.95% senior notes due 2023**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Issued nominal value	200,000	350,000	350,000	350,000	300,000	370,000	225,000
As at 1 April 2021	200,000	332,700	350,000	350,000	276,500	370,000	225,000
Repayment upon maturity	(200,000)	(315,892)	–	–	–	–	–
Repurchase and cancellation	–	(16,808)	(2,000)	(4,000)	–	–	–
As at 30 September 2021	–	–	348,000	346,000	276,500	370,000	225,000

All of the notes above are listed and traded on the Singapore Stock Exchange.

As at 30 September 2021, the carrying value of senior notes were HK$12.0039 billion (31 March 2021: HK$15.9477 billion). 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 April 2019, China South International Industrial Materials City (Shenzhen) Company Limited ("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.

Domestic Company Bonds

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. In July 2021, the principal amount of RMB12,000,000 of domestic company bonds were sold back to China South International and then the outstanding principal balance was RMB1.388 billion.

As at 30 September 2021, the carrying values of China South International's medium-term notes were HK$746.5 million (31 March 2021: HK$765.6 million) and domestic company bonds were HK$1.6809 billion (31 March 2021: HK$1.7331 billion).

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 63.9% as at 30 September 2021, 67.6% as at 31 March 2021 and 67.3% as at 30 September 2020 respectively.

Net Current Assets and Current Ratio

As at 30 September 2021, the Group had net current assets of HK$11.7790 billion (31 March 2021: HK$8.4279 billion) and a current ratio of 1.23 (31 March 2021: 1.18).

Contingent Liabilities

The Group has provided guarantees mainly with respect to banking facilities granted by certain banks in connection with mortgage loans made by purchasers of the Group's trade centres and residential properties, and bank loans made by lessees of the Group's residential and commercial properties. The guarantees granted to purchasers of trade centres 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. Further details to the above and other matters will be set out in notes to the financial statements.

Commitments

As at 30 September 2021, the Group had future capital expenditure contracted but not yet provided for amounting to HK$15.2056 billion (31 March 2021: HK$15.4291 billion).

Acquisition and Disposal of Subsidiary and Associated Companies

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

Foreign Exchange Risk

The Group conducts its business primarily in Renminbi. The income and bank deposits of the Group were substantially denominated in Renminbi to meet the Group's development and operation needs in the PRC. Other than the bank deposits, bank borrowings and senior notes denominated in foreign currency, the Group does not have any other material exposure to foreign exchange risk. During the Reporting Period, the Group entered into certain forward currency contract with a bank to hedge the amount of approximately US$70 million against the foreign exchange exposure. All forward currency contract had been settled during the Reporting Period.

The Group continues to adopt a proactive approach to closely monitor the foreign currency market and explore the domestic capital market for financing opportunities. Other hedging arrangements will be made if such need arises.

Economic, Commercial and Other Risks

The Group may be exposed to the risks 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 risks of the quality and safety of the products and services provided to 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 businesses of the Group. Changes in the political environment in such territories may also affect the businesses of the Group. The management of the Group will keep abreast of the environment and policy changes and make the necessary adjustments in response to such changes, if any. Further steps taken by the Group to manage the financial risk can be read in conjunction with note 45 to the financial statements as set out in the Company's 2020/21 Annual Report.

Land for Projects and Restriction on Sales

The Group enters into 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 acquisitions of lands, land area and terms and conditions of such acquisition are subject to the relevant regulations and local governments' requirements, the Group's development plans and the results of the relevant public tender, auction and listing. Since the development of each of these projects may last for more than ten years, the Group and the local government may discuss to adjust the details of these agreements to align with the actual needs of developments.

The 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. According to the Group's business model, the Group intends to hold certain trade centres and commercial facilities for leasing and self-use, the related sales restrictions will not have significant impact on the Group.

Human Resources

As at 30 September 2021, the Group had a workforce of 3,947 employees. The Group aims to recruit, retain and develop competent individuals who are committed to the Group's long-term success and growth. Remunerations and other benefits of employees are reviewed annually in response to both market conditions and trends, and are based on qualifications, experience, responsibilities and performance. In addition to basic salaries and other staff benefits, discretionary bonuses and share options may be awarded to employees who display outstanding performance and contributions to the Group. During the Reporting Period, the Company granted in aggregate of 55,000,000 share options to an executive director and certain employees of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the guidelines for the directors' dealing in the securities of the Company. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2021.

AUDIT COMMITTEE

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

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

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Company and its subsidiaries for the six months ended 30 September 2021 have been reviewed and approved by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Company and a subsidiary of the Company repurchased and cancelled part of the senior notes with an aggregated principal amount of US$22.808 million from the open market. Details are set out in the section headed "Senior Notes".

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

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

Hong Kong, 29 November 2021

As at the date of this announcement, the Executive Directors of the Company are Mr. Cheng Chung Hing, Ms. Geng Mei and Ms. Cheng Ka Man Carman; the Non-Executive Directors of the Company are Mr. Cheng Tai Po and Mr. Lei Ming; and the Independent Non-Executive Directors of the Company are Mr. Leung Kwan Yuen Andrew, GBM, GBS, JP, Mr. Li Wai Keung and Mr. Hui Chiu Chung, JP.

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