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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2023	2022	**Change**
	HK$'000	*HK$'000*	
		(Restated)	
CONTINUING OPERATIONS			
Revenue	**4,052,262**	9,615,923	-57.9%
Among which, recurring income	**1,679,487**	2,262,445	-25.8%
Gross profit margin	**20.2%**	29.6%	-9.4 p.p.
(Loss)/profit for the year from continuing operations	**(1,555,306)**	676,564	N/A
Profit for the year from a discontinued operation	**2,254,801**	82,560	2,631.1%
Profit attributable to owners of the parent	**699,984**	760,200	-7.9%
Basic earnings per Share attributable to the owners of the parent			
– For profit for the year	**HK6.34 cents**	HK9.39 cents	-32.5%
As at	**31 March 2023**	31 March 2022	
Asset-liability ratio	**62.6%**	63.8%	-1.2 p.p.
Weighted average financing cost	**8.1%**	9.0%	-0.9 p.p.

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2023

The board of directors (the "**Board**") of China South City Holdings Limited (the "**Company**"), together with its subsidiaries ("**China South City**" or the "**Group**") announces herewith the consolidated annual results of the Group for the year ended 31 March 2023 ("**FY2022/23**" or the "**Year**") together with the comparative figures for the previous year (year ended 31 March 2022 ("**FY2021/22**")) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023

		For the year ended 31 March	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
			(Restated)
CONTINUING OPERATIONS			
Revenue	3	**4,052,262**	9,615,923
Cost of sales		**(3,232,227)**	(6,768,284)
Gross profit		**820,035**	2,847,639
Other income and gains, net	3	**139,687**	1,098,654
Fair value gains on investment properties	3	**151,588**	148,244
Selling and distribution expenses		**(218,710)**	(369,156)
Administrative expenses		**(846,710)**	(982,754)
Other expenses		**(871,695)**	(443,537)
Finance costs	5	**(769,426)**	(787,788)
Share of profit of an associate		**36,069**	–
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	4	**(1,559,162)**	1,511,302
Income tax credit/(expenses)	6	**3,856**	(834,738)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(1,555,306)**	676,564
DISCONTINUED OPERATION	7		
Profit for the year from a discontinued operation		**2,254,801**	82,560
PROFIT FOR THE YEAR		**699,495**	759,124

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*
For the year ended 31 March 2023

	Notes	**For the year ended 31 March** **2023** ***HK$'000***	2022 *HK$'000* (Restated)
Attributable to:			
Owners of the parent		**699,984**	760,200
Non-controlling interests		**(489)**	(1,076)
		699,495	759,124
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
– for profit for the year		**HK6.34 cents**	HK9.39 cents
– for (loss)/profit from continuing operations		**(HK14.10 cents)**	HK8.37 cents
Diluted			
– for profit for the year		**HK6.34 cents**	HK9.39 cents
– for (loss)/profit from continuing operations		**(HK14.10 cents)**	HK8.37 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	For the year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**699,495**	759,124
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,974,716)**	3,260,544
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(4,974,716)**	3,260,544
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(4,275,221)**	4,019,668
Attributable to:		
Owners of the parent	**(4,273,950)**	4,021,109
Non-controlling interests	**(1,271)**	(1,441)
	(4,275,221)	4,019,668

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	**31 March 2023** **HK$'000**	31 March 2022 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**716,799**	817,380
Investment properties		**53,430,054**	57,767,160
Right-of-use assets		**497,759**	543,937
Properties under development		**1,456,194**	1,578,157
Interest in an associate		**1,471,483**	–
Financial assets at fair value through profit or loss		**5,668**	3,325
Other long-term receivables		**896,447**	560,758
Deferred tax assets		**3,490,049**	3,684,246
Total non-current assets		**61,964,453**	64,954,963
CURRENT ASSETS			
Properties held for finance lease		**126,888**	135,251
Properties held for sale		**45,628,055**	46,693,652
Inventories		**32,698**	51,353
Trade receivables	10	**977,068**	2,351,409
Prepayments, other receivables and other assets		**2,826,618**	5,519,728
Amount due from other related party		**143,541**	–
Cash and bank balances		**2,525,074**	4,681,068
Total current assets		**52,259,942**	59,432,461
CURRENT LIABILITIES			
Trade and other payables	11	**7,253,709**	12,049,373
Amount due to an associate		**926,257**	–
Amounts due to other related parties		**2,474,573**	–
Contract liabilities		**13,413,366**	15,543,565
Interest-bearing bank and other borrowings		**11,862,881**	8,530,761
Senior notes		**922,065**	9,622,708
Medium-term notes		**–**	799,382
Financial liabilities at fair value through profit or loss		**8,489**	14,231
Domestic company bonds		**–**	1,797,258
Tax payables		**3,898,844**	4,648,572
Total current liabilities		**40,760,184**	53,005,850
NET CURRENT ASSETS		**11,499,758**	6,426,611
TOTAL ASSETS LESS CURRENT LIABILITIES		**73,464,211**	71,381,574

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 March 2023

	31 March 2023 *HK$'000*	31 March 2022 *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**9,416,275**	12,552,811
Senior notes	**10,629,541**	2,672,456
Other long-term payables	**15,828**	15,413
Deferred tax liabilities	**10,717,565**	11,050,922
Total non-current liabilities	**30,779,209**	26,291,602
Net assets	**42,685,002**	45,089,972
EQUITY		
Equity attributable to owners of the parent		
Share capital	**9,131,812**	7,222,312
Other reserves	**33,538,233**	37,851,432
	42,670,045	45,073,744
Non-controlling interests	**14,957**	16,228
Total equity	**42,685,002**	45,089,972

Notes:

1. BASIS OF PREPARATION

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

The unaudited financial information relating to the year ended 31 March 2023 and the financial information related to the year ended 31 March 2022 included in this preliminary announcement of annual results for the year ended 31 March 2023 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2022, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 March 2023 in due course.

The Company's auditor has reported on these financial statements for both years. The auditor's reports were unqualified and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance. The auditor's report for FY2022/23 and FY2021/22 included a reference to a matter to which the auditor drew attention by way of emphasis without qualifying their report in relation to a material uncertainty about going concern.

Going concern basis

As at 31 March 2023, the Group's current portion of interest-bearing debts amounted to HK$12,785 million, while its cash and bank balances amounted to HK$2,525 million. In view of the prevailing slow-down of the property market, coupled with the unrecovered sentiment in the capital market, the Group may take longer time than expected to realise cash from the sale of its properties and/or have the cash from external financing to meet its loan repayment obligations.

In view of the aforementioned, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

(i) The Group has identified targeted buyers for the disposal of the Group's equity interest in certain property projects to raise the level of liquid funds;

(ii) Shenzhen SEZ Construction and Development Group Co., Ltd ("**SZCDG**") has issued an operation support letter to the Company for a period of twelve months from the date of approval of these consolidated financial statements to make reasonable efforts to enable the Group to meet its liabilities as they fall due and carry on business without a significant curtailment of operations;

(iii) The Group has obtained back-up facilities of HK$23,290 million from the banks;

(iv) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables;

(v) The Group is actively reviewing its debt structure. In addition, the Group is actively negotiating with several financial institutions to obtain new loans at a lower cost; and

(vi) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

The board of directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 March 2023. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 March 2023. Accordingly, the board of directors are satisfied that it is appropriate to prepare the consolidated financial statements as at 31 March 2023 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(i) the successful and timely implementation of the plans to accelerate the pre-sales and sales of properties under development and completed properties, speed up the collection of outstanding sales proceeds and other receivables, and control costs and capital expenditure so as to generate adequate net cash inflows; and

(ii) the successful obtaining continuous support by the banks and the Group's creditors.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The adoption of the other standards did not require the Group to change its accounting policies or make retrospective adjustments as they did not have a material effect on the Group's financial statements.

2.2 Issued but not yet effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

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

	For the year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Revenue*		
Revenue from contracts with customers	**3,037,675**	7,730,589
Revenue from other sources		
Rental income	**775,809**	911,596
Finance lease income	**–**	579,892
Others	**238,778**	393,846
	1,014,587	1,885,334
	4,052,262	9,615,923
Other income		
Interest income	**137,350**	192,444
Government grants**	**9,776**	54,643
Others	**12,375**	47,329
	159,501	294,416
(Losses)/gains		
Gains/(losses) on disposal of property, plant and equipment and right-of-use assets, net	**23**	(33,140)
Gains on land resumption	**–**	856,425
Fair value gains/(losses) on financial assets/liabilities at fair value through profit or loss, net	**7,045**	(2,130)
Losses on disposal of financial assets/liabilities at fair value through profit or loss, net	**(17,911)**	(25,598)
Gains on disposal of subsidiaries	**–**	6,277
Exchange (losses)/gains, net	**(8,971)**	2,404
	(19,814)	804,238
	139,687	1,098,654
Fair value gains on investment properties	**151,588**	148,244

* Included amounts of approximately HK$295,951,000 (2022: HK$358,688,000) related to income from outlet operations and approximately HK$267,770,000 (2022: HK$436,284,000) related to income from logistics and warehousing services.

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

4. (LOSS)/PROFIT BEFORE TAX

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

	For the year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Cost of properties sold	**2,468,437**	5,310,696
Cost of properties held for finance lease	**–**	614,645
Depreciation of property, plant and equipment	**123,672**	140,376
Less: Depreciation capitalized in respect of properties under development	**(312)**	(398)
	123,360	139,978
Depreciation of right-of-use assets	**22,387**	89,972
Lease payments not included in the measurement of lease liabilities	**7,025**	8,516
Auditor's remuneration	**3,680**	3,500
Employee benefit expense (including directors' remuneration):		
Wages and salaries*	**261,975**	378,614
Equity-settled share option expense	**1,160**	6,758
Pension scheme contributions	**28,589**	41,898
	291,724	427,270
Impairment of trade receivables**	**15,954**	42,832
Impairment of financial assets included in prepayments, other receivables and other assets and other long-term receivables**	**217,372**	264,353
	233,326	307,185
Impairment of inventories**	**2,892**	–
Impairment of properties held for sale**	**517,103**	85,556
Contract cancellation costs**	**50,967**	47,049

* Included an amount of HK$29,617,000 for the year ended 31 March 2023 (2022: HK$50,455,000), which was capitalized under properties under development.

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Interest on bank and other borrowings (including senior notes, medium-term notes and domestic company bonds)	**3,100,645**	3,408,011
Interest on lease liabilities	**1,749**	3,795
	3,102,394	3,411,806
Less: Interest capitalized	**(2,332,968)**	(2,624,018)
Total	**769,426**	787,788

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 (2022: 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% (2022: 25%) on their respective taxable income during the year.

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

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

	For the year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Total tax (credited)/charged for the year from continuing operations	**(3,856)**	834,738
Total tax charge for the year from a discontinued operation	**352,541**	35,998
	348,685	870,736

7. DISCONTINUED OPERATION

On 18 July 2022, the Company announced the decision of its board of directors to dispose of 50% equity interest in the Shenzhen First Asia Pacific Property Management Company Limited (深圳第一亞太物業管理有限公司) ("**First Asia Pacific Group**"), a limited liability company established in the PRC. First Asia Pacific Group engages in the provision of property management services. Such transaction was completed on 23 December 2022.

As at 23 December 2022, First Asia Pacific Group was classified as an associate and as a discontinued operation.

The results of First Asia Pacific Group for the year are presented below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the business of First Asia Pacific Group as a discontinued operation.

	For the year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Revenue	**372,539**	695,705
Expenses	**(308,646)**	(576,034)
Financial cost	**(9,565)**	(1,113)
Profit from the discontinued operation	**54,328**	118,558
Gain recognised on disposal of discontinued operation	**2,553,014**	–
Profit before tax from the discontinued operation	**2,607,342**	118,558
Income tax:		
Related to pre-tax profit	**(71,859)**	(35,998)
Related to gain recognised on disposal of discontinued operation – current	**(140,341)**	–
Related to gain recognised on disposal of discontinued operation – deferred	**(140,341)**	–
Profit for the year from a discontinued operation	**2,254,801**	82,560

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	2023	2022
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent from the discontinued operation	**2,254,801**	82,560

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation *(note 9)*	**11,028,879,149**	8,091,892,848
Profit per share		
Basic and diluted, from the discontinued operation	**HK20.44 cents**	HK1.02 cents

8. DIVIDEND

	For the year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Proposed final dividend – HK2.0 cents per ordinary share (2022: Nil)	**228,838**	–

At a meeting of the Board held on 29 June 2023, the directors resolved to propose a final dividend of HK2.0 cents per ordinary share to shareholders (2022: Nil).

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 11,028,879,149 (2022: 8,091,892,848) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 March 2023 and 2022 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

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

	For the year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation:		
From continuing operations	**(1,554,817)**	677,640
From a discontinued operation	**2,254,801**	82,560
	699,984	760,200

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**11,028,879,149**	8,091,892,848

10. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**1,307,359**	2,773,572
Impairment	**(330,291)**	(422,163)
	977,068	2,351,409

Trade receivables represent sales income, rental receivables and service income receivables from customers which are payable on issuance of invoices or in accordance with the terms of the related sale and purchase agreements. The Group generally allows a credit period of not exceeding 60 days to its customers. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimize credit risks. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group generally does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 31 March 2023 and 2022 based on the payment due date net of loss allowance, is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**712,806**	2,127,284
Over 3 months	**264,262**	224,125
	977,068	2,351,409

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

	2023	2022
	HK$'000	*HK$'000*
At the beginning of year	**422,163**	450,117
Impairment losses	**21,431**	72,369
Disposal of a subsidiary	**(39,160)**	–
Amount written off as uncollectible	**(47,327)**	(119,268)
Exchange realignment	**(26,816)**	18,945
At the end of year	**330,291**	422,163

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

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

As at 31 March 2023

		Past due				
	Current	**Less than 1 year**	**1–2 years**	**2–3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**8%**	**8%**	**14%**	**86%**	**100%**	**25%**
Gross carrying amount *(HK$'000)*	**692,091**	**144,156**	**234,585**	**35,418**	**201,109**	**1,307,359**
Expected credit losses *(HK$'000)*	**54,725**	**11,399**	**32,446**	**30,612**	**201,109**	**330,291**

As at 31 March 2022

		Past due				
	Current	Less than 1 year	1–2 years	2–3 years	Over 3 years	Total
Expected credit loss rate	2%	12%	46%	85%	100%	15%
Gross carrying amount *(HK$'000)*	2,017,250	332,184	117,191	60,641	246,306	2,773,572
Expected credit losses *(HK$'000)*	30,461	39,782	54,279	51,335	246,306	422,163

11. TRADE AND OTHER PAYABLES

	Notes	**2023** *HK$'000*	2022 *HK$'000*
Other payables and accruals		**2,727,735**	3,647,999
Notes payable	(i)	**893,175**	2,378,031
Rental and other receipts in advance		**1,029,846**	2,306,925
Lease liabilities		**10,942**	9,858
Construction fee and retention payables	(ii)	**2,592,011**	3,706,560
		7,253,709	12,049,373

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

	2023 *HK$'000*	2022 *HK$'000*
Within 3 months	**642,813**	356,239
Over 3 months	**250,362**	2,021,792
	893,175	2,378,031

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

	2023	2022
	HK$'000	*HK$'000*
Within 1 year	**1,727,870**	2,774,755
Over 1 year	**864,141**	931,805
	2,592,011	3,706,560

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

The other payables are non-interest-bearing.

CHAIRMEN'S STATEMENT

Looking back on the past year, the global economy suffered from the impact of the pandemic, the Federal Reserve continued to raise interest rates while tightening monetary policy, resulting in a significant economic slowdown. Besides, the Chinese economy suffered from shrinking demand, increasingly cautious domestic consumption sentiment, sluggish social financing intentions, declining investment confidence in the capital market and weakening market expectations for the economic outlook. The future economic outlook is highly uncertain due to a combination of negative factors.

Despite the challenging operating environment, the Group and Shenzhen SEZ Construction and Development Group Co., Ltd. ("**SZCDG**") completed the equity transfer in May 2022, making SZCDG the single largest shareholder of the Group, holding 29.28% equity interest in the Group. After its equity investment, SZCDG has facilitated the Group in improving its financing capability on several occasions. In March 2023, with the facilitation of SZCDG, the Group successfully entered into a syndicated loan contract for RMB6 billion working capital with Bank of China, China Construction Bank, Bank of Communications, Industrial and Commercial Bank of China, Bank of Jiangsu, Shanghai Pudong Development Bank, China CITIC Bank, Ping An Bank, Bank of Hangzhou, China Minsheng Bank and China Everbright Bank for a loan period of three years at an interest rate of only 4.7% per annum. The loan was the largest single financing for the China South City Group since its establishment, which significantly optimized the Group's debt structure and effectively reduced financing costs. In addition, in July 2022, SZCDG acquired 50% equity interest in Shenzhen First Asia Pacific Property Management Company Limited ("**First Asia Pacific Group**"), a subsidiary of the Group, at a cash consideration of RMB1,257 million, which not only strengthened the strategic cooperation between both parties but also improved the Group's cash flow; in the same month, with the active support from SZCDG, the Group successfully completed the rollover of five senior notes with an aggregate amount of US$1,565.5 million.

In addition, a subsidiary of SZCDG took the lead in establishing an equity investment fund with a total size of RMB11 billion during the year to provide financial support to the high-quality development projects of China South City Group, revitalize the land resources of China South City Group, and explore new business growth opportunities focusing on industrial upgrading of the parks, development and operation of park facilities, logistics and cold chain, etc. In December 2022, as the first step of this plan, the Group entered into an investment agreement with Shenzhen Shenji No. 1 Industrial Park Investment and Operation Co., Ltd., a subsidiary of SZCDG, for the acquisition of 69.35% equity interest in CSC Xi'an at a cash consideration of RMB5 billion to inject new impetus to the sustainable development of the project and provide additional liquidity for the Group.

During the Reporting Period, the Group further deepened its cooperation with SZCDG, made full efforts to promote investment and development, and took the initiative to fulfill its social responsibility of "ensuring delivery of properties and stabilizing people's livelihood". SZCDG reached a comprehensive synergistic cooperation with China South City, and the "Seven Projects in Three Cities" of CSC Nanchang, CSC Zhengzhou and CSC Nanning were successfully launched to provide support for the development projects under construction of China South City and fully ensure normal construction and operation.

In terms of management coordination with SZCDG, the Group has successfully completed the Board restructuring and SZCDG has recommended the candidates for one Co-Chairman and Non-Executive Director, one Executive Director and Vice President, one Executive Director and Financial Controller, three Non-Executive Directors, and one Independent Non-Executive Director. Upon completion of the Board restructuring, SZCDG now controls more than half of non-independent Directors. By recommending senior management with extensive management experience to the Group, the strength of the Group's management team has been further strengthened, further enhancing and optimizing the management standards.

Furthermore, the Group planned to promote the development of the CSC Shenzhen phase I market urban renewal project in the near future to accelerate industrial transformation and upgrading and explore new models for new industrial parks. The project is located in Longgang District, Shenzhen, with a site area of approximately 430,000 sq.m. and a GFA of approximately 450,000 sq.m. for the existing buildings. It is expected that the GFA will be significantly increased upon completion of the urban renewal project. This project will supplement the Group's cash flow and provide growth momentum to the business performance in the future.

Review of Operations

As a leading developer and operator of large-scale integrated logistics and trade centres in China, the Group has kept abreast of market changes, continuously improved its operations, and continuously promoted transformation and upgrading. During the Reporting Period, our revenue decreased as compared to last year due to delay in construction works and market downturn affected by the pandemic. At present, all the projects to be delivered by the Group have resumed normal operation, and the Group will continue to increase its sales efforts in the future. With the financial pressure relieved, the investment and development division steadily advanced construction works and made every effort to complete the delivery with required quality and quantity on schedule, so as to stabilize the development fundamentals of the Group.

The business management division of China South City manages the leasing business of approximately 6.9 million sq.m. of self-owned properties in eight China South City projects and continues to introduce high-quality businesses and tenants. In April 2023, CSC Shenzhen successfully introduced the Zhongyi Pharmaceutical Technology Industrial Park project to further expand the layout of emerging industries such as pharmaceutical and healthcare; in June 2023, CSC Zhengzhou completed the signing of a large investment project of over 160,000 sq.m. In addition, China South City actively organized large-scale events and exhibitions in different places to boost the industrial development of the parks and facilitate merchants' market expansion and prosperous development. In particular, CSC Zhengzhou launched the one-month New Year Goods Festival campaign from December 2022 to January 2023, which has driven a significant increase in sales for merchants in the park. In May 2023, the Spring Building Materials and Hardware Fair was attended by 585 exhibitors, attracted over 60,000 visitors, and achieved on-site sales and intended orders of more than RMB200 million in total. In March 2023, CSC Nanning successfully held the sixth Curtain Ordering Session event; in the same month, CSC Nanchang held the Spring High-quality Shopping Festival with a surge in customer flow and sales in the park.

For digital development of the parks, with the continuous development of new generation information technology such as big data and cloud computing, China South City has accelerated the improvement of intelligent hardware infrastructure and intelligent systems in line with the trend of the times. The Company aims to realize the data and internet-based management of the project sites through the integration and connection of "Internet of Things + Internet" following the concept of "Data-Driven and Active Service", thereby shifting the development focus from basic services to commercial operations. In addition, the Group has built a one-stop cross-border trading service platform to provide market procurement and trading services, cross-border finance and tax compliance services, and cross-border supply chain logistics services to cross-border trading enterprises in the parks. Data in many fields such as smart elevator, energy consumption of the project sites, intelligent customer service, smart parking, passenger flow analysis, online leasing and merchant information can be accessed at the service platform of smart industrial parks in China South City. With the connection of more resources, the Group will vigorously enhance the commercial operation and service capability of China South City to provide the best value-added services to park residents and merchants.

As the property service provider of industrial parks of China South City, First Asia Pacific Group has established a leading property management service system among the peers in China, leveraging on the continuous development and expansion of China South City projects across China. As mentioned above, SZCDG acquired a 50% equity interest in First Asia Pacific Group in 2022 at a cash consideration of RMB1,257 million to strengthen the strategic cooperation between both parties, in the future, First Asia Pacific Group will continue to actively participate in tenders of the property management service projects of SZCDG. In order to better serve the customers, First Asia Pacific Group, together with Jieshun Intelligent Parking, an associate of SZCDG, successfully promoted the intelligent construction in the industrial parks in Shenzhen, laying a solid foundation for digital management in the future. First Asia Pacific Group will continue to increase its efforts in developing property information systems and gradually complete incremental digital construction; promote quality and efficiency enhancement of digital applications, strengthen information communication, enhance staff empowerment, continuously enhance service quality and gradually improve owners' satisfaction. To protect the personal and property safety of the customers, First Asia Pacific Group has held many fire drills nationwide to eliminate safety hazards. In addition, SZCDG has introduced resources to help expand the management scale of Shenzhen First Asia Pacific Group and facilitate the cooperation with Pengcheng Intelligent Sharing and Intellifusion in parking management, intelligent park operation and management, and service quality improvement of China South City, realizing the synergistic development of state-owned and private enterprises. During the year, First Asia Pacific Group ranked 38th among the top 100 in China in the "2023 China's Top 100 Property Service Enterprises" organized by Beijing China Index Academy, and was also awarded the title of "2023 China's Leading Enterprise of Special Property Services – Service Provider of Integrated Commercial Park".

Financial Management

During the Year, the Group remained prudent in its financial management to maintain multi-channel financing for better cash management and debt structure. The Group's weighted average financing cost decreased from last financial year 9.0% to 8.1%, interest bearing liability also decreased from last financial year HK$35,980 million to HK$32,830 million. During the reporting period, the Group signed RMB6 billion working capital syndicated loans with 11 banks, and completed amendments to the terms of five senior notes totaling US$1,565.5 million and was granted a number of domestic long-term bank loans issued by various banks. Such loans shall significantly extend the loan terms and increase the flexibility of working capital. On top of the repayment of the original loans, it allows the Group to acquire additional liquidity by making full use of property valuation.

Looking forward to the next financial year, the Group will maintain and extend its prudent and sound financial management strategy as well as flexible and smooth financing channels in both domestic and offshore capital markets with the aim of achieving steady growth under healthy financial structure thereby creating greater value for shareholders.

Results and Dividends

During the Year, revenue decreased 57.9% to HK$4,052.3 million (FY2021/22: HK$9,615.9 million), with recurring income decreased 25.8% to HK$1,679.5 million (FY2021/22: HK$2,262.4 million).

Net profit attributable to owners of the parent was HK$700.0 million (FY2021/22: HK$760.2 million). Basic earnings per share was HK6.34 cents (FY2021/22: HK9.39 cents). The Board recommend the payment of a final dividend of HK2.0 cents per share for FY2022/23 (FY2021/22: Nil).

Future Prospects

The past year has been filled with challenges. While we anticipate that the domestic economy will gradually recover with the adjustment of domestic pandemic prevention policies, we should still recognize that the economy is undergoing a phase of structural adjustment and may face difficulties in the near future. Therefore, we should be cautious in our optimism about the economic prospects for the coming year. As the industry undergoes a period of transformation marked by both challenges and opportunities, the Group will pursue a development strategy that emphasizes steady progress, continue to fulfill our corporate social responsibility and leverage the advantages of China South City to contribute to social development. At the same time, we will seek integrated development with SZCDG, seize opportunities, build up our strength to achieve goal of high-quality and sustainable development and maximize benefits for our shareholders.

Finally, on behalf of the Board, we would like to express our sincere gratitude to our shareholders, customers and business partners who have always shown their concern, support and trust in the Group. We would also like to extend our heartfelt thanks to all staff who have worked hard in the past year.

Li Wenxiong and Cheng Chung Hing
Co-Chairmen

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Investment and Development Division

Project Investment and Development and Land bank

The investment and development division mainly focuses on project investment, development and construction. In the financial year under review, the construction progress was delayed to a certain extent due to the impact of the pandemic. However, with the adjustment of the pandemic control policies and the easing of the Group's financial pressure with the support of SZCDG, the Group is steadily advancing the construction works and is fully committed to delivering the properties with the required quality and quantity on schedule.

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 properties will be listed for sale by the Group to generate cash flow for development. The Group's current land bank is mainly for residential and commercial purposes.

Projects *(in sq.m.)*	**Completed properties**[1] **Sold**	**Saleable and in operation**	**Properties under development**	**Properties planned for future development on GFA acquired**[2]
CSC Shenzhen	923,100	1,469,200	248,800	66,200
CSC Nanchang	1,408,500	992,400	710,700	1,682,800
CSC Nanning	695,100	1,258,000	154,800	372,100
CSC Xi'an	1,735,300	677,200	761,500	995,000
CSC Harbin	728,300	1,185,900	881,500	2,980,400
CSC Zhengzhou	3,183,200	2,026,800	2,111,200	2,871,000
CSC Hefei	2,451,800	1,224,400	641,200	1,675,600
CSC Chongqing	1,068,800	1,448,100	312,700	3,672,200
Total	12,194,100	10,282,000	5,822,400	14,315,300

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.

Business Management Division

The Business Management team is dedicated to the lease management of approximately 6.9 million sq.m. of the Group's self-owned projects, and also provides support to individual owners of the Group's sold commercial properties by offering professional operation and management services, with business scope covering trade centres, comprehensive business centres, commercial blocks, residential properties, hotels, multi-functional properties, etc. Our goal is to help merchants expand their markets and develop their businesses.

During the Reporting Period, the Business Management Division further improved its investment promotion, operation and service quality, implemented the concept of "stabilizing and supporting business", and strengthened its brand influence and recognition in the industry. In August 2022, CSC Shenzhen was awarded the title of "Shenzhen Famous Brand" by the Federation of Shenzhen Industries for the sixth consecutive year. In September 2022, China South City E-Commerce Industrial Park was recognized as one of the "Top Ten" national e-commerce demonstration bases for its outstanding performance in comprehensive assessment. In February 2023, China South City successfully passed the certification for Guangdong Province Cross-border E-commerce Industrial Park (Leading Category), becoming the only industrial park in Guangdong Province to gain this award.

First Asia Pacific Group

As the property service provider of the industrial parks of China South City, First Asia Pacific Group implements a diversified property management model to ensure a stable source of income and sustainable development in the future. Residential facilities, shopping malls, wholesale markets, as well as conference and exhibition are developed to create synergy, and business is tuned and optimized according to local market demands. After years of development, First Asia Pacific Group has gained National First-Class Property Management Qualification. It was one of the few integrated property management enterprises capable of managing both trade centre premises and residential properties in China.

During the Reporting Period, SZCDG acquired 50% equity interest in First Asia Pacific Group, and First Asia Pacific Group has become a subsidiary of SZCDG. Through the introduction of property resources of state-owned enterprises, the management scale of First Asia Pacific Group has been further expanded. As at 31 March 2023, First Asia Pacific Group and SZCDG have agreed to cooperate on projects with a total GFA of approximately 0.17 million sq.m. In the future, First Asia Pacific Group will actively participate in tenders of property management service projects of SZCDG. Currently, First Asia Pacific Group manages 104 projects with a GFA under management of over 21 million sq.m.

During the Reporting Period, First Asia Pacific Group won various awards. In December 2022, First Asia Pacific Group was awarded the "2022 Guangdong Property Service Enterprise with Comprehensive Development Capability" and "2022 Guangdong-Hong Kong-Macao Greater Bay Area Property Service Brand" by Guangdong Property Management Industry Association. In February 2023, First Asia Pacific Group was awarded the certificate of "2022 Excellent Enterprise" by the Shenzhen Property Management Association. In the same month, Jiangxi Asia Pacific was recognized as a "four-star" labeled enterprise by the Nanchang Property Management Association, and Chongqing Asia Pacific was recognized as an advanced unit of 2022 by the Banan District Property Management Association.

Outlet Operations

Huasheng Outlet, a subsidiary of the Group, is specialized in outlet development and operation, and increasingly enhances its commercial value through professional and effective commercial asset management. Huasheng Outlet actively organized marketing activities and held the "Spring (Autumn and Winter) Carnival" campaign series, and the main theme of "luxury products + discounts" became a consumption trend again. It also actively tried new online marketing models such as Douyin group purchase, thus achieving customer inflow and performance growth. During the Reporting Period, Huasheng Outlet strengthened brand presence with a total operation area of approximately 0.34 million sq.m. In addition, Huasheng Outlet actively expanded outward and seek asset-light method to export projects to expand the market share of the Huasheng Outlet brand.

The pandemic caused a wide range of economic impacts, and our business was also affected to a certain extent during the Reporting Period. With the adjustment of the pandemic control policies, we expect the business performance of Huasheng Outlet to improve in the coming financial year. In fact, from 1 January 2023 to 31 May 2023, Huasheng Outlet has recorded a 92% year-on-year growth in gross merchandise volume (GMV).

Logistics and Warehousing Services

Qianlong Logistics, a subsidiary of the Group, is an integrated modern logistics enterprise. Qianlong Logistics has established three business platforms with the "park operation platform" as the foundation, "warehousing service platform" as the core and "collection and distribution platform" as the main operation body to provide customers with comprehensive logistics solutions covering the whole supply chain. As a professional operator of e-commerce, logistics and information industrial parks, Qianlong Logistics has vigorously expanded its comprehensive third-party logistics services of warehousing and distribution, vigorously developed logistics resources in the Greater Bay Area and Yangtze River Delta, built 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. In the previous financial year, in order to reduce the pressure on the Group's liquidity, the Group completed the disposal of certain assets of three logistics parks in Xi'an, Zhengzhou and Hefei, contributing significant cash flow to the Group. In the future, we will explore suitable opportunities to invest in new logistics parks with available cash flow.

Exhibitions and Events

During the Reporting Period, the Group secured various resources and successfully held a number of large-scale exhibitions and events to help merchants operate, increase customer traffic and boost consumption in the industrial parks while actively implementing pandemic prevention requirements.

In July 2022, hosted by China South City Group and China South City E-Commerce Industry Alliance, the "2022 China E-Commerce Industry Alliance Live Conference on Innovative Development and Cross-border E-Commerce Policy Explanation" was held simultaneously in eight cities covered by China South City. Through this event, eight cities were connected together and empowered cross-border e-commerce to help solve the pain points of the industry.

In September 2022, in order to further promote business and boost the real economy, CSC Shenzhen, CSC Nanchang, CSC Hefei and CSC Chongqing joined hands with partners to continuously implement the concept of "stabilizing, assisting, supporting and benefiting business", and launched the China South City Rewards Season campaign together with the merchants in the parks. The campaign spanned from September to 20 October 2022 and featured a number of events such as merchants recruitment conference, contract signing, innovation and start-up service platform, shop sales, merchant evaluation and social dinner.

In September 2022, the "Digital Transformation of Industrial Parks with the Support of New Generation Information Technology – Intelligent Development of Industries and Cities through Digitalization" campaign was successfully held in CSC Shenzhen, sponsored by Shenzhen Science and Technology Association, organized by Shenzhen Information Industry Association and Shenzhen Industrial Internet Alliance, and co-organized by China South City E-Commerce Industry Alliance.

In January 2023, the New Year Goods Festival was launched in various places covered by China South City, including Shenzhen, Zhengzhou, Chongqing, Hefei and Harbin. As a continuation of the New Year Branded Goods Festival of China South City Group, it maintained the characteristics of "Happy City – Chinese New Year" as always, which helped merchants increase their trading volume while enhancing the popularity and customer flow of the market.

In May 2023, the CSC Zhengzhou Furniture and Building Materials Fair cum Central China (Spring) Building Materials and Hardware Exhibition was grandly opened. The exhibition covered an area of nearly 40,000 sq.m. and had a total of approximately 1,500 standard booths. On that day, more than 10,000 people attended the exhibition, including agents, wholesalers, distributors and other professional buyers in the building materials, hardware, electrical and machinery industries from different places.

In addition, China South City also held various marketing campaigns and small-scale exhibitions across its various projects based on local characteristics and holiday trends to enliven market popularity and drive up consumption. In view of the adjustments to the pandemic control policies, we expect to hold more events in the coming financial year to provide greater support to our park merchants.

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 31 March 2023, the total interest-bearing debts of the Group were HK$32,830.8 million (31 March 2022: HK$35,975.4 million). The gearing ratio was 71.0% (31 March 2022: 69.4%). Furthermore, as at 31 March 2023, cash and bank balances were HK$2,525.1 million (31 March 2022: HK$4,681.1 million).

Comparing with the last fiscal year, the revenue of the Group decreased by 57.9% to HK$4,052.3 million (FY2021/22: HK$9,615.9 million). Net profit attributable to owners of the parent decreased by 7.9% to HK$700.0 million (FY2021/22: HK$760.2 million) and the basic earnings per share decreased to HK6.34 cents (FY2021/22: HK9.39 cents). The decrease in net profit attributable to owners of the parent and basic earnings per share are mainly due to (i) less sales and delivery of properties and decline in average selling price of properties delivered during the Year, resulting in the decrease in the gross profit margin and (ii) increase in the provision for inventory impairment.

Revenue

Revenue for the Year decreased by 57.9% to HK$4,052.3 million (FY2021/22: HK$9,615.9 million) comparing with last fiscal year. The decrease was mainly attributable to less sales and delivery of properties during the Year.

	FY2022/2023	FY2021/2022	**Change**
	HK$'000	*HK$'000*	*%*
Sales of properties and finance lease income	**2,372,775**	7,353,478	-67.7
Recurring income	**1,679,487**	2,262,445	-25.8
Property leasing income	***775,809***	*911,596*	*-14.9*
Other recurring revenue	***903,678***	*1,350,849*	*-33.1*
	4,052,262	9,615,923	-57.9

Sales of Properties and Finance Lease income

Revenue from sales of properties decreased by 65.0% to HK$2,372.8 million (FY2021/22: HK$6,773.6 million), due to the delay of the constructions under the impact of the epidemic, the sales and delivery of properties were decreased during the Year.

No finance lease income was derived from the leasing of office buildings during the year (FY2021/22: HK$579.9 million) whereas the revenue of last year was primarily attributable to finance lease income on office building at CSC Shenzhen.

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 provide 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 services, to cater the needs of different property types and industries across respective projects in this Year. During the Year, the Group dispose of 50% equity interest in First Asia Pacific Group which engages in the provision of property management services of China South City projects. Since then, the disposal was classified as a discontinued operation, and the related property management service income is therefore not included in the Year. Property leasing 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 income. During the Year, property leasing income of the Group decreased by 14.9% to HK$775.8 million (FY2021/22: HK$911.6 million) comparing to last fiscal year.

Other Recurring Revenue

Other recurring revenue decreased by 33.1% to HK$903.7 million (FY2021/22: HK$1,350.8 million). As part of the asset has been sold last year, revenue from logistics and warehousing services decreased 38.6% to HK$267.8 million (FY2021/22: HK$436.3 million) during the Year. Due to the continuous and direct impact of the epidemic, the revenue from outlet operations decreased 17.5% to HK$296.0 million (FY2021/22: HK$358.7 million), which in turn affected the growth rate in the Group's overall recurring income.

Cost of Sales

The Group's cost of sales mainly includes construction costs, borrowing costs and land costs of properties sold and properties sold under finance lease, and operating costs of recurring business. During the Year, the cost of sales decreased by 52.2% to HK$3,232.2 million (FY2021/22: HK$6,768.3 million). The decrease in cost of sales was in line with due to the decrease of total recognised sales during the Year.

Gross Profit

Gross profit decreased by 71.2% to HK$820.0 million (FY2021/22: HK$2,847.6 million) during the Year. Gross profit margin decreased to 20.2% (FY2021/22: 29.6%), which was mainly due to the decrease in average selling price of properties sold and increase of construction cost.

Other Income and Gains, Net

During the Year, other income decreased by 45.8% to HK$159.5 million (FY2021/22: HK$294.4 million), which was mainly attributable to the decrease in interest income and government grants. In addition, during the Year, other gains/(losses) turned to the losses of HK$19.8 million from the gains of HK$804.2 million, which was mainly attributable to the gains on land resumption last year.

Fair Value Gains on Investment Properties

The fair value gains on investment properties was HK$151.6 million (FY2021/22: HK$148.2 million). During the Year, the fair value gain mainly comes from logistics and warehousing assets.

For each of the interim and annual financial reporting date, the Group appoints an independent professional qualified valuer to determine the fair value of our investment properties. The change in fair value of our investment properties may be affected by a variety of internal and external factors, such as rental area, rental rate, market prices of comparable properties.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 40.8% to HK$218.7 million (FY2021/22: HK$369.2 million). The decrease was mainly attributable to the number of properties delivered decreased, resulting in a decrease in related selling expenses, the implementation of effective cost control measures over marketing activities on the sales of properties during the Year, and certain property sales are directly sold by the Group to end customers rather than through intermediaries.

Administrative Expenses

Administrative expenses decreased by 13.8% to HK$846.7 million (FY2021/22: HK$982.8 million), due to actions taken by the Group to streamline human resource and the effective control of administrative costs.

Other Expenses

Other expenses increased by 96.5% to HK$871.7 million (FY2021/22: HK$443.5 million), which was mainly attributable to the impairment of trade receivables, properties held for sales and financial assets included in prepayments, other receivables and other assets and other long-term receivables.

Finance Costs

Finance costs decreased by 2.3% to HK$769.4 million (FY2021/22: HK$787.8 million). The Group's weighted average financing cost decreased to 8.1% as at 31 March 2023 (31 March 2022: 9.0%).

The average financing cost of bank and other borrowings and senior notes are 7.6% and 9.0% respectively as at 31 March 2023 (31 March 2022: 8.2% and 10.5%).

Tax

Income tax reported a credit of HK$3.9 million (FY2021/22: expenses of HK$834.7 million), which was due to (1) less properties delivered during the Year, resulting in a decrease in related profits and (2) the reversal of LAT, due to the finalisation of tax returns with the local tax bureau and property development expenditures adjustment arising from settlement of construction fee.

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 31 March 2023, the Group had HK$2,525.1 million cash and bank balances (31 March 2022: HK$4,681.1 million). The Group's cash and bank balances were primarily denominated in Renminbi, HK dollars and US dollars.

Borrowing and Charges on the Group's Assets

As at 31 March 2023, the total interest-bearing debts of the Group was HK$32,830.8 million (31 March 2022: HK$35,975.4 million). 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$21,279.2 million as at 31 March 2023 (31 March 2022: HK$21,083.6 million), of which HK$11,862.9 million is repayable within one year or on demand, HK$1,725.3 million will be repayable in the second year, HK$2,617.0 million will be repayable in the third to fifth years and HK$5,074.0 million will be repayable after five years. As at 31 March 2023, the Group's interest-bearing bank and other borrowings of approximately HK$21,080.7 million were secured by certain buildings, investment properties, properties under development, properties held for finance lease, properties held for sales and bank deposits with a total carrying value of approximately HK$57,114.2 million.

All interest-bearing bank and other borrowings of the Group were denominated in HK dollars, Renminbi and US dollars with interest rates range from 2.80% to 15.00% (31 March 2022: 3.75% to 15.00%) per annum.

Issuance of Notes

Senior Notes

During the Year, the Company has obtained the consent from the note holders that the maturity dates of 11.5% senior notes due 2022, 10.875% senior notes due 2022, 7.25% senior notes due 2022, 10.75% senior notes due 2023 and 11.95% senior notes due 2023 (collectively referred as "**Senior Notes**") are extended for further twenty months and their corresponding new maturity date are 12 April 2024, 26 June 2024, 20 July 2024, 11 December 2024 and 9 October 2024 respectively. The interest rates of all Senior Notes were revised to 9%.

Details of movement are set out below:

Issued Date	December 2019 and January 2020 11.5% senior notes due 2022 (9.0% senior notes due April 2024)	February and June 2020 10.875% senior notes due 2022 (9.0% senior notes due June 2024)	November 2017 7.25% senior notes due 2022 (9.0% senior notes due July 2024)	September 2020 and January 2021 10.75% senior notes due 2023 (9.0% senior notes due December 2024)	March 2021 11.95% senior notes due 2023 (9.0% senior notes due October 2024)
ISIN	XS2085883119	XS2120092882	XS1720216388	XS2227909640	XS2238030162
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Issued nominal value	350,000	350,000	300,000	370,000	225,000
As at 1 April 2022	348,000	346,000	276,500	370,000	225,000
Repayment upon maturity	(41,760)	(24,220)	(13,825)	(9,250)	(11,250)
As at 31 March 2023	306,240	321,780	262,675	360,750	213,750

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

As at 31 March 2023, the carrying value of senior notes were HK$11,551.6 million (31 March 2022: HK$12,295.2 million). The senior notes are jointly guaranteed by certain subsidiaries and part of the senior notes are secured by pledges of share of certain subsidiaries.

Medium-Term Notes

In 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. The amount was fully settled in April 2022.

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 million of domestic company bonds were sold back to China South International and then the outstanding principal balance of RMB1.388 billion was fully settled in August 2022.

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 71.0% as at 31 March 2023, and 69.4% as at 31 March 2022.

Net Current Assets and Current Ratio

As at 31 March 2023, the Group had net current assets of HK$11,499.8 million (31 March 2022: HK$6,426.6 million) and a current ratio of 1.28 (31 March 2022: 1.12).

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 31 March 2023, the Group had future capital expenditure contracted but not yet provided for amounting to HK$9,808.4 million (31 March 2022: HK$13,512.5 million).

Acquisition and Disposal of Subsidiary and Associated Companies

Except for the disposal of 50% equity interest in First Asia Pacific Group announced on 18 July 2022 and 28 July 2022 and the deemed disposal of approximately 69.35% equity interest in Xi'an China South City Co., Ltd. announced on 18 December 2022, 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.

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 risk of negative developments in national and regional economies, property and financial markets. It may result in reductions in sales and selling prices of the properties, rental rates and occupancy rates of properties, and demand for ancillary services and facilities it provides. It may also result in recession, inflation, deflation and currency fluctuations as well as restrictions in the availability of credit, increases in financing and other operating costs. The development of the Group's projects may subject to market risks as it usually takes time to complete. Though the Group appoints quality partners for the development of its projects, it may still be subject to associated risk of the quality and safety of the products and services provided 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 business of the Group. Changes in the political environment in such territories may also affect the business 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 will be set out in notes to the financial statements.

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

The 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 31 March 2023, the Group had a workforce of 2,686 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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of independent auditor's report to be issued by the external auditor of the Company:

"**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that as of 31 March 2023, the Group's current portion of interest-bearing debts amounted to HK$12,785 million, while its cash and bank balances amounted to HK$2,525 million. This condition, along with the current situation as set forth in note 2.1, which indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

The Audit Committee has discussed with the management regarding the risk management and internal control systems and financial reporting matters related to the preparation of the consolidated financial statements for the year ended 31 March 2023. It has also received the said consolidation financial statements.

Scope of Work of Ernst & Young on the Preliminary Announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, statement of comprehensive income, and the related notes thereto for the Year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, the Company repaid the senior notes with an aggregated principle amount of US$100.305 million upon maturity. Details are set out in the section headed "Senior Notes" and notes to the financial statements.

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

CLOSURE OF REGISTER OF MEMBERS

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

(a) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the AGM to be held on Friday, 22 September 2023, the register of members of the Company will be closed on Tuesday, 19 September 2023 to Friday, 22 September 2023, both days inclusive. In order to qualify for attending and voting at the AGM, Shareholders shall lodge all transfer documents for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 18 September 2023.

(b) For the purpose of determining shareholders of the Company who are qualified for the final dividend, the register of members of the Company will be closed on Thursday, 28 September 2023 to Wednesday, 4 October 2023, both days inclusive. The ex-dividend date will be on Tuesday, 26 September 2023. In order to qualify for the final dividend, Shareholders shall lodge all transfer documents for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 27 September 2023. The proposed final dividend, subject to the approval of Shareholders at the AGM, will be distributed on or before Friday, 29 December 2023 to shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 4 October 2023.

For and on behalf of the Board
China South City Holdings Limited
Li Wenxiong and Cheng Chung Hing
Co-Chairmen

China, 29 June 2023

As at the date of this announcement, the Co-Chairmen of the Company are Mr. Li Wenxiong (Non-Executive Director) and Mr. Cheng Chung Hing (Executive Director); the Executive Directors of the Company are Ms. Geng Mei, Mr. Wan Hongtao, Mr. Qin Wenzhong and Ms. Cheng Ka Man Carman; the Non-Executive Directors of the Company are Mr. Cheng Tai Po, Ms. Shen Lifeng, Ms. Li Aihua and Ms. Deng Jin; and the Independent Non-Executive Directors of the Company are Mr. Leung Kwan Yuen Andrew, GBM, GBS, JP, Mr. Li Wai Keung, Mr. Hui Chiu Chung, JP, Ms. Zee Helen and Dr. Li Xu.

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

* *For identification purpose only*