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

(1) INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023; (2) CHANGE OF FINANCIAL YEAR END DATE; (3) SUPPLEMENTAL INFORMATION IN RELATION TO UPDATE ON USE OF PROCEEDS; AND (4) DELAY IN PAYMENT OF FINAL DIVIDEND FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2023	2022	
	HK$'000	*HK$'000*	**Change**
	(Unaudited)	(Unaudited and restated)	
CONTINUING OPERATIONS			
Revenue	**2,516,175**	2,877,629	**–12.6%**
Gross profit margin	**17.8%**	30.9%	
(Loss)/profit for the period from continuing operations	**(621,457)**	199,947	**N/A**
Profit for the period from a discontinued operation	**–**	56,062	**N/A**
(Loss)/profit attributable to owners of the parent	**(621,243)**	256,821	**N/A**
(Losses)/earnings per share – Basic	**(HK5.43 cents)**	HK2.42 cents	**N/A**

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 2023 ("**1H FY2023/24**" 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 2023

	Notes	**For the six months ended 30 September 2023** HK$'000 (Unaudited)	2022 HK$'000 (Unaudited and restated)
CONTINUING OPERATIONS			
REVENUE	*4*	**2,516,175**	2,877,629
Cost of sales		**(2,069,312)**	(1,987,167)
Gross profit		**446,863**	890,462
Other income and gains, net	*4*	**113,121**	34,153
Fair value (losses)/gains on investment properties	*4*	**(144,815)**	19,644
Selling and distribution expenses		**(100,244)**	(63,836)
Administrative expenses		**(456,682)**	(450,017)
Other expenses		**(174,616)**	(108,069)
Finance costs	*5*	**(360,190)**	(275,546)
Share of profits of associates		**57,300**	–
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**(619,263)**	46,791
Income tax (expenses)/credit	*7*	**(2,194)**	153,156
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**(621,457)**	199,947
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation	*8*	**–**	56,062
(LOSS)/PROFIT FOR THE PERIOD		**(621,457)**	256,009
Attributable to:			
Owners of the parent		**(621,243)**	256,821
Non-controlling interests		**(214)**	(812)
		(621,457)	256,009

	Notes	For the six months ended 30 September **2023** *HK$'000* **(Unaudited)**	2022 *HK$'000* (Unaudited and restated)
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– For (loss)/profit for the period		**(HK5.43 cents)**	HK2.42 cents
– For (loss)/profit from continuing operations		**(HK5.43 cents)**	HK1.89 cents
Diluted			
– For (loss)/profit for the period		**(HK5.43 cents)**	HK2.42 cents
– For (loss)/profit from continuing operations		**(HK5.43 cents)**	HK1.89 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	For the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
(LOSS)/PROFIT FOR THE PERIOD	**(621,457)**	256,009
OTHER COMPREHENSIVE LOSSES		
Other comprehensive losses that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,560,879)**	(4,841,063)
OTHER COMPREHENSIVE LOSSES FOR THE PERIOD, NET OF TAX	**(2,560,879)**	(4,841,063)
TOTAL COMPREHENSIVE LOSSES FOR THE PERIOD	**(3,182,336)**	(4,585,054)
Attributable to:		
Owners of the parent	**(3,181,694)**	(4,583,182)
Non-controlling interests	**(642)**	(1,872)
	(3,182,336)	(4,585,054)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2023

	Notes	30 September 2023 HK$'000 (Unaudited)	31 March 2023 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**571,203**	716,799
Investment properties		**47,576,309**	53,430,054
Right-of-use assets		**315,538**	497,759
Properties under development		**1,423,008**	1,456,194
Interest in associates		**3,890,003**	1,471,483
Financial assets at fair value through profit or loss		**5,259**	5,668
Other long-term receivables		**868,189**	896,447
Deferred tax assets		**3,397,811**	3,490,049
Total non-current assets		**58,047,320**	61,964,453
CURRENT ASSETS			
Properties held for finance lease		**121,057**	126,888
Properties held for sale		**41,103,410**	45,628,055
Inventories		**39,213**	32,698
Trade receivables	*11*	**724,832**	977,068
Prepayments, other receivables and other assets		**1,888,847**	2,826,618
Amount due from a related party		**136,944**	143,541
Cash and bank balances	*12*	**1,306,217**	2,525,074
Total current assets		**45,320,520**	52,259,942
CURRENT LIABILITIES			
Trade and other payables	*13*	**6,881,700**	7,253,709
Amounts due to associates		**1,100,677**	926,257
Amounts due to related parties		**579,226**	2,474,573
Contract liabilities		**10,196,093**	13,413,366
Interest-bearing bank and other borrowings		**7,283,944**	11,862,881
Senior notes		**7,024,707**	922,065
Financial liabilities at fair value through profit or loss		**8,099**	8,489
Tax payables		**3,133,893**	3,898,844
Total current liabilities		**36,208,339**	40,760,184
NET CURRENT ASSETS		**9,112,181**	11,499,758
TOTAL ASSETS LESS CURRENT LIABILITIES		**67,159,501**	73,464,211

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
As at 30 September 2023

	30 September 2023 HK$'000 (Unaudited)	31 March 2023 HK$'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**13,571,774**	9,416,275
Senior notes	**4,035,346**	10,629,541
Other long-term payables	**9,828**	15,828
Deferred tax liabilities	**10,269,356**	10,717,565
Total non-current liabilities	**27,886,304**	30,779,209
Net assets	**39,273,197**	42,685,002
EQUITY		
Equity attributable to owners of the parent		
Share capital	**9,131,812**	9,131,812
Other reserves	**30,127,070**	33,538,233
	39,258,882	42,670,045
Non-controlling interests	**14,315**	14,957
Total equity	**39,273,197**	42,685,002

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

1. BASIS OF PREPARATION AND OTHER INFORMATION

Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 September 2023 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2023.

Other Information

The financial information relating to the year ended 31 March 2023 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2023 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 for the year ended 31 March 2023. The auditor's report was unqualified; included a reference to a matter to which the auditor drew attention by way of emphasis without qualifying its report in relation to a material uncertainty about going concern; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

Going Concern Basis

As at 30 September 2023, the Group's current portion of interest-bearing debts amounted to HK$14,308.7 million, while its cash and bank balances amounted to HK$1,306.2 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 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) 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;

(iii) 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

(iv) 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 30 September 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 30 September 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the interim condensed consolidated financial statements for the six month ended 30 September 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 interim condensed consolidated financial statements.

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 2023, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendment to HKAS 8	*Definition of Accounting Estimates*
Amendment to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendment to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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$'000* (Unaudited)	Property investment *HK$'000* (Unaudited)	Others *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Six months ended 30 September 2023				
Segment revenue:				
Sales to external customers	**1,809,390**	**421,166**	**285,619**	**2,516,175**
Segment results before change in fair value of investment properties	**50,031**	**257,438**	**139,402**	**446,871**
Change in fair value of investment properties	**–**	**(144,815)**	**–**	**(144,815)**
Segment results after change in fair value of investment properties	**50,031**	**112,623**	**139,402**	**302,056**
Unallocated cost of sales				**(8)**
Interest income				**5,242**
Unallocated income and gains				**165,179**
Unallocated expenses				**(731,542)**
Finance costs				**(360,190)**
Loss before tax from continuing operations				**(619,263)**
As at 30 September 2023				
Segment assets	**50,979,520**	**44,322,366**	**799,471**	**96,101,357**
Reconciliation:				
Unallocated assets				**7,266,483**
Total assets				**103,367,840**
Segment liabilities	**15,481,506**	**7,499,441**	**418,413**	**23,399,360**
Reconciliation:				
Unallocated liabilities				**40,695,283**
Total liabilities				**64,094,643**

	Property development HK$'000 (Unaudited)	Property investment HK$'000 (Unaudited and restated)	Others HK$'000 (Unaudited and restated)	Total HK$'000 (Unaudited and restated)
Six months ended 30 September 2022				
Segment revenue:				
Sales to external customers	1,649,530	556,885	671,214	2,877,629
Segment results before change in fair value of investment properties	25,515	534,239	331,050	890,804
Change in fair value of investment properties	–	19,644	–	19,644
Segment results after change in fair value of investment properties	25,515	553,883	331,050	910,448
Unallocated cost of sales				(342)
Interest income				9,884
Fair value losses on financial assets/liabilities at fair value through profit or loss, net				(11,744)
Unallocated income and gains				36,013
Unallocated expenses				(621,922)
Finance costs				(275,546)
Profit before tax from continuing operations				46,791
As at 31 March 2023 (Audited)				
Segment assets	60,317,097	45,998,532	903,681	107,219,310
Reconciliation:				
Unallocated assets				7,005,085
Total assets				114,224,395
Segment liabilities	17,573,742	9,027,107	547,631	27,148,480
Reconciliation:				
Unallocated liabilities				44,390,913
Total liabilities				71,539,393

4. REVENUE, OTHER INCOME AND GAINS, NET, FAIR VALUE (LOSSES)/GAINS ON INVESTMENT PROPERTIES

Revenue represents the net sales of completed properties, rental income and other revenue, (net of sales tax and other sales related tax).

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

	For the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Revenue*		
Revenue from contracts with customers	**1,972,552**	2,168,919
Revenue from other sources		
Rental income	**421,166**	556,885
Other income	**122,457**	151,825
	543,623	708,710
	2,516,175	2,877,629
Other income		
Interest income	**5,242**	9,884
Government grants**	**384**	5,018
Others	**1,448**	35,213
	7,074	50,115
Gains/(losses)		
Fair value losses on financial assets/liabilities at fair value through profit or loss, net	**–**	(11,744)
Gains on disposal of a subsidiary	**105,690**	–
Gains on disposal of property, plant and equipment	**169**	54
Exchange gains/(losses), net	**188**	(4,272)
	106,047	(15,962)
	113,121	34,153
Fair value (losses)/gains on investment properties	**(144,815)**	19,644

* Included amounts of HK$163,451,000 (1H FY2022/23: HK$124,075,000) related to income from outlet operations and HK$113,480,000 (1H FY2022/23: HK$157,566,000) 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	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Interest on bank and other borrowings (including senior notes, medium-term notes and domestic company bonds)	**1,502,638**	1,721,752
Interest on lease liabilities	**794**	765
	1,503,432	1,722,517
Less: Interest capitalised	**(1,143,242)**	(1,446,971)
Total	**360,190**	275,546

6. (LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	For the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Cost of properties sold	**1,759,359**	1,624,015
Depreciation of property, plant and equipment	**39,805**	55,259
Less: Depreciation capitalised in respect of properties under development	**(117)**	(168)
	39,688	55,091
Depreciation of right-of-use assets	**9,424**	11,700
Lease payments not included in the measurement of lease liabilities	**4,740**	3,806
Gains on disposal of property, plant and equipment	**(169)**	(54)
Impairment of trade receivables*	**33,266**	55,358
Equity-settled share option expense	**358**	547

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

7. INCOME TAX EXPENSES/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (1H FY2022/23: 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 (1H FY2022/23: Nil).

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

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax at the statutory rate of 25% (1H FY2022/23: 25%) on their respective taxable income during the period.

The PRC land appreciation tax 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/(credit) for the period are as follows:

	For the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Total tax charge/(credit) for the period from continuing operations	**2,194**	(153,156)
Total tax charge for the period from a discontinued operation	**–**	4,213
	2,194	(148,943)

8. DISCONTINUED OPERATION

On 18 July 2022, the Company announced the decision of its board of directors to dispose of a 50% equity interest in Shenzhen First Asia Pacific Property Management Company Limited ("**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. With First Asia Pacific Group being classified as a discontinued operation, the provision of property management service is no longer included in the note 3 for operating segment information.

The results of First Asia Pacific Group for the period are presented below. The following figures in the interim condensed 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 six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
		(Unaudited)
Revenue	**–**	382,001
Expenses	**–**	(315,251)
Financial Cost	**–**	(6,475)
Profit before tax from the discontinued operation	**–**	60,275
Income tax	**–**	(4,213)
Profit for the period from the discontinued operation	**–**	56,062

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

	For the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
		(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent from the discontinued operation	**–**	56,062

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (note 9)	**11,441,892,848**	10,618,122,356
Profit per share		
Basic and diluted, from the discontinued operation	**–**	HK0.53 cents

9. (LOSSES)/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 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 amounts presented.

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

	For the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
(Loss)/Earnings		
(Loss)/Profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculation:		
From continuing operations	**(621,243)**	200,759
From a discontinued operation	**–**	56,062
	(621,243)	256,821

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and dilute earnings per share calculation	**11,441,892,848**	10,618,122,356

10. DIVIDENDS

At a meeting of the Board held on 30 November 2023, the directors resolved not to pay an interim dividend to shareholders (1H FY2022/23: Nil).

11. 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 monitor 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 2023 and 31 March 2023 based on the payment due date, net of loss allowance, is as follows:

	30 September 2023	31 March 2023
	HK\$'000	*HK\$'000*
	(Unaudited)	(Audited)
Within 3 months	**574,474**	880,321
Over 3 months	**150,358**	96,747
Total	**724,832**	977,068

12. CASH AND BANK BALANCES

	30 September 2023	31 March 2023
	HK\$'000	*HK\$'000*
	(Unaudited)	(Audited)
Cash and bank balances	**1,306,217**	2,525,074
Less: Restricted cash*	**(1,026,402)**	(1,150,358)
Cash and cash equivalents	**279,815**	1,374,716

Subsequent to 30 September 2023, the Group have paid the principal and interest of senior notes amounting to approximately USD65,962,000 and the principal and interest of bank and other borrowings amounting to approximately HK$682,985,000.

* Restricted cash mainly comprises: (i) guarantee deposits for the mortgage loan facilities granted by the banks to purchasers of the Group's properties; (ii) guarantee funds of construction projects to meet local authorities' requirements; (iii) certain amounts of presale proceeds from properties placed as guarantee deposits for the construction of related properties; (iv) certain amounts of proceeds from lease of properties which have been placed as guarantee deposits for the borrowings; and (v) pledged deposits to secure general banking facilities granted to the Group.

13. TRADE AND OTHER PAYABLES

	Notes	30 September 2023 HK$'000 (Unaudited)	31 March 2023 HK$'000 (Audited)
Other payables and accruals		**2,861,479**	2,727,735
Notes payable	*(i)*	**47,110**	893,175
Advanced rental and other receipts		**809,324**	1,029,846
Dividend payable		**228,838**	–
Lease liabilities		**10,842**	10,942
Construction fee and retention payables	*(ii)*	**2,924,107**	2,592,011
Total		**6,881,700**	7,253,709

(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 2023 HK$'000 (Unaudited)	31 March 2023 HK$'000 (Audited)
Within 3 months	**47,110**	642,813
Over 3 months	**–**	250,362
Total	**47,110**	893,175

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

	30 September 2023 HK$'000 (Unaudited)	31 March 2023 HK$'000 (Audited)
Within 1 year	**2,046,617**	1,727,870
Over 1 year	**877,490**	864,141
Total	**2,924,107**	2,592,011

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

CHAIRMEN'S STATEMENT

During the first half of the year, the international environment remained complex and volatile. While trade frictions continued, geopolitical issues heated up again. On the one hand, the Russia-Ukraine conflict was still fermenting, and on the other hand, the Israeli-Palestinian conflict was intensifying rapidly. In addition, various indicators such as the domestic consumer price index ("**CPI**") and the producer price index ("**PPI**") were running at low levels, and the CPI once turned negative, which indicated that the macroeconomic growth was weak, and the overall consumer confidence remained insufficient. Many internal and external negative factors had adverse impacts on the operation of the enterprise.

Facing various challenges, the government continued to introduce relevant policies to promote the healthy development of the real estate industry and implemented various measures to stimulate the recovery of the real economy. Although the domestic financing channels were gradually opened up during the Reporting Period, the market sales remained very weak, and the Group's capital pressure was not alleviated significantly. Moreover, facing the positive signals brought by policy support and industry recovery, the Group also adjusted its strategies in a timely manner and made every effort to strengthen the level of merchant recruitment and operation. At the same time, the Group strived to reduce costs and improve efficiency, optimize internal structure, stabilize cash flow, and make every effort to ensure delivery, laying a solid foundation for future long-term development.

During the Reporting Period, SEZ Construction and Development Group Co., Ltd. ("**SZCDG**"), the largest shareholder of the Company, gave full play to its strategic leading role as a state-owned enterprise, supported the Group to further develop its main business and grow stronger with innovations, and played a decisive role in helping the Group to get out of difficulties and explore new growth potential.

In terms of business synergy, leveraging on the advantages of the large platform of the state-owned enterprise, the Group cultivated and introduced multiple business forms including cultural and sports industry, traditional Chinese medical health industry and automobile industry to further improve the industrial ecosystem of the park. Thanks to this, the Group was able to explore new business growth points focusing on industrial upgrading of the park, industrial fund operation, development and operation of supporting facilities in the industrial park, logistics and cold chain, property management and smart park, etc. At the same time, China South City actively responded to the call of the central government to fully implement the work of ensuring delivery of properties and stabilizing people's livelihood. Up to now, projects in Zhengzhou, Nanchang, Hefei and Harbin have been delivered successively, and other projects are also promoted rapidly.

Moreover, the Group further streamlined and improved its management team and stabilized the operation of the park, and achieved positive results in cost reduction and efficiency improvement and strengthening merchant recruitment and operation. In terms of commercial operation, China South City in various regions has strengthened industry cooperation and combined with local characteristics, continuing to introduce emerging industries and new business forms that are in line with the future development trends. For example, business management division of CSC Shenzhen has entered into a cooperation agreement with Zhongyi Hanfangguan to create a new highland for the pharmaceutical and healthcare industry; CSC

Hefei cooperated with Anhui Automobile Dealers Association and the Shenzhen-Hefei-Ziyun Automobile Industrial Park Project* (深合 • 紫雲汽車產業園項目) was officially launched; a cooperation agreement was entered into for the first "Outlet" project in Zhuhai, and the first asset-light project of Huasheng Commercial will be launched in Hezhou, Zhuhai.

In terms of transportation support, Huanancheng East Station* (華南城東站) of Zhengzhou Metro was officially opened for operation in September 2023. Metro stations in CSC Hefei and CSC Nanning are under construction. Currently, there are more than 20 metro stations in the CSC Parks across the country, and the regional advantages of transportation are gradually emerging.

Operational Review

As a leading developer and operator of large-scale integrated logistics and trade centres in China, the Group kept abreast of market changes, strived to improve the level of merchant recruitment and operation, continuously promoted transformation and upgrading and introduced new business models, and continued to explore new growth potential. During the Reporting Period, the overall performance of the investment and development segment was severely affected due to the downturn of the industry. In the future, the Group will continue to ensure steady delivery and deleveraging. In terms of management and team building, the investment and development segment strived to promote refined management, optimized organizational structure, and stable operation.

In the first half of the financial year, the increasingly difficult overall business environment posed serious challenges to the Group's merchant recruitment. Affected by the overall domestic economic environment, merchants faced different degrees of operating difficulties. The recovery in the commercial operating environment fell short of expectations, which directly brought merchant recruitment pressure on the Business Management division and affected the rental income. The Business Management division responded to market changes in a timely manner and made flexible adjustments to the business needs and industrial positioning of China South City, including implementing city-specific policies, adjusting the structure, integrating resources, upgrading services, and extending industrial operations to specialization. While striving to stabilize existing customers and reduce the loss of merchants, the Business Management division continued to introduce high-quality business models and merchants. During the Reporting Period, CSC Shenzhen's Business Management division and Zhongyi Hanfangguan signed a lease contract of over 40,000 sq.m. Zhongyi Hanfangguan will be located in the living room project No. 3 in CSC Shenzhen, and it will build two new development highlands of Zhang Zhongjing Chinese Medical University (Shenzhen)* (張仲景國醫大學（深圳）) and Traditional Chinese Medicine Science and Technology Industrial Park* (中醫藥科技產業園) in the future. In addition, CSC Shenzhen joined hands with leading domestic live streaming brands to hold the "2023 First Live Streaming in Longgang District + Cross-border E-commerce Product Selection Conference and Shopping Carnival" to create a "live streaming e-commerce industry base". CSC Zhengzhou held two large-scale building materials and hardware fairs in spring and autumn in central region, which hit a new high in scale, service, innovation and influence, greatly driving the development of local merchants and activating the popularity of the park.

*　*For identification purpose*

Qianlong Logistics is committed to providing customers with comprehensive logistics solutions covering the whole supply chain through 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. During the Reporting Period, Qianlong Logistics attended the "17th China (Shenzhen) International Logistics and Supply Chain Fair", demonstrating the latest construction achievements such as 3 platforms, 7 services, modern high-standard warehouses and integrated refrigerated storage, and was awarded "Outstanding Logistics and Supply Chain Service Provider" in the 2023 CILF.

During the Reporting Period, Huasheng Outlet entered into a cooperation agreement with Zhuhai Huatong (Metropolis Seasons Project), marking the launch of Huasheng Outlet's first asset-light external expansion management project in Hezhou, Zhuhai. In addition, by leveraging the golden period of Mid-Autumn Festival and National Day, Huasheng Outlet launched a series of activities such as "Mid-Autumn Festival Party • Discounts for the Golden Autumn – 2023 China South City Shopping Carnival", and joined hands with a number of brand merchants to create a super shopping feast. With strong marketing in the form of ultra-low commodity discounts and surprise membership activities, the overall performance increased by more than 30% year-on-year, representing an increase of more than 100% quarter-on-quarter. In the first half of the financial year, Huasheng Outlet achieved satisfactory results, and the gross merchandise volume ("**GMV**") achieved a year-on-year increase of approximately 20%.

Results

During the Reporting Period, the Group's revenue decreased by 12.6% to HK$2,520 million. Net loss attributable to owners of the parent was HK$620 million and basic loss per share was HK5.43 cents.

Future Prospects

Looking ahead to the second half of the fiscal year, the Group will continue to adhere to prudent financial management strategy and strengthen asset deleveraging to further reduce interest-bearing debts with the aim of achieving steady growth under healthy financial structure.

The economic environment will be still extremely challenging and the situation will be not optimistic in the future. Shouldering its social responsibility, the Group continues to make every effort to ensure delivery and explore opportunities arising from macro industrial policies to consolidate the foundation for sustainable development. Relying on the "trade and logistics +" model which has been adhered to for many years, coupled with the advantages of policies such as Market Procurement Trade Pilot Scheme and National E-commerce Demonstration Base, the Group will strive to "Integrating Industries into the Projects, Building Beautiful New 'City' Conducive to Work and Life".

As the in-depth integration of state-owned enterprise shareholders and the Group continues to advance, the two groups will work together to achieve complementary advantages and mutual benefits in a higher level, more fields and a wider scope. The Group will take cultural exchange as a “first-mover” for development and integration, jointly promote the integration and improvement of management mechanisms, the integration and sharing of development resources, and achieve resource optimization in development and construction, park operation, financing resources and urban renewal, so as to gather momentum and empower high-quality sustainable development. At the same time, the Group will also further optimize its debt structure and increase its efforts in de-stocking to maintain a safe and sound cash flow. The Group will build a stable and sustainable management team and management mechanism by organizational structure optimization, improving system construction and business practices to lay a solid foundation for future development. Leveraging on the resources and advantages of the large platform of the state-owned enterprise, the Group will also deepen cooperation with more state-owned enterprises, revitalize its resources, introduce new business models, implement compliance management, and explore park resources, so as to continuously create new growth points.

Finally, on behalf of the Board, we would like to express our deepest gratitude to our shareholders, customers and business partners for their consistent trust and support to the Group. We would also like to thank all the management and staff members of China South City.

Li Wenxiong and Cheng Chung Hing
Co-Chairmen

30 November 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Investment and Development Division

The investment and development division mainly focuses on project investment, development and construction, laying a solid foundation for subsequent merchant recruitment and project operations. To meet local demands of projects in different places, the Group has developed various types of commercial complexes in a number of projects. Multi-purpose commercial properties and auxiliary facilities have been developed by the Group in various places such as Zhengzhou, Chongqing, Nanchang and Shenzhen. Furthermore, government service centres, science and education industries, sports industries and e-commerce industries have been introduced in certain projects. In 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, thus creating a stable corporate development environment.

Adapting a unique and flexible business model, the Group intends to retain commercial properties including certain logistics and warehousing facilities and hotels as well as 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 to generate cash flow for development. The Group's current land bank is mainly for residential and commercial purposes.

Business Management Division

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, community centres, residential, multi-functional properties etc.

During the Reporting Period, the business management division continued to integrate its resources and upgrade services. While stabilizing existing customers, it continuously introduced high-quality businesses and tenants to explore new growth potential through cooperation. In particular, the business management division of CSC Shenzhen entered into a cooperation agreement with Zhongyi Hanfangguan on 14 April 2023, pursuant to which, Zhongyi Hanfangguan (Shenzhen) Traditional Chinese Medicine Industrial Development Co., Ltd.* (中壹漢方館（深圳）中醫藥實業發展有限公司) will undertake the projects of CSC Shenzhen No. 3 Living Room. In the future, two new development high points, namely, Zhang Zhongjing Chinese Medical University (Shenzhen)* (張仲景國醫大學（深圳）) and Traditional Chinese Medicine Science and Technology Industrial Park* (中醫藥科技產業園), will be built. In October 2023, CSC Hefei entered into a framework cooperation agreement with the Anhui Automobile Dealers Association, pursuant to which, Shenzhen-Hefei-Ziyun Automobile Industrial Park Project* (深合 • 紫雲汽車產業園項目) with a total planned area of over 1.6 million square metres was officially launched. This cooperation closely centred on the policy opportunities of Anhui Province to support the development of the automotive

* *For identification purpose*

aftermarket industry, and relying on the location and industrial advantages of CSC Hefei, as well as the influence of the Anhui Automobile Dealers Association, Shenzhen-Hefei-Ziyun Automobile Industrial Park Project* (深合 • 紫雲汽車產業園項目) will become the best, latest and most comprehensive functions automobile industrial park in Anhui Province and even in Eastern China.

Meanwhile, the business management division actively upgraded various services, such as organizing China South City to hold the 2023 Autumn Market Development Committee symposium in different places to listen to the tenants and offer suggestions and for common prosperity and development. Moreover, the brand expositions held by China South City in different places were also a good way to stimulate local consumption and enhance store popularity, and have received wide acclaim from tenants and consumers.

In addition, the overall layout of China South City highly adheres to major national and local development strategies such as the "Guangdong-Hong Kong-Macao Greater Bay Area" and "Accelerated Push for Building a National Unified Market" and "Industry's Going Upstairs". Among them, the overall promotion of the first phase of urban redevelopment and the project of Industry's Going Upstairs in Shenzhen will bring new and significant development opportunities to the Group. The Group will focus on the central and local industrial policies, and utilize the resource advantages of the large platform of state-owned enterprises to further enlarge and strengthen the commercial logistics and trading industry.

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. During the Reporting Period, Huasheng Outlet launched the activity of "Mid-Autumn Festival Party • Discounts for the Golden Autumn – 2023 China South City Shopping Carnival". Leveraging on the precious period of the Mid-Autumn Festival and the National Day, Huasheng Outlet cooperated with a number of brand merchants to create a super shopping feast, and carried out strong marketing in the form of ultra-low commodity discounts and surprise membership activities. The overall performance increased by more than 30% period-on-period, representing an increase of more than 100% quarter-on-quarter. During the Reporting Period, the GMV achieved a year-on-year increase of approximately 20%.

On 13 June 2023, Shenzhen Huasheng Commercial (Outlet) and Zhuhai Huatong (Metropolis Seasons project) entered into a cooperation agreement for the first "Outlet" cooperation project in Zhuhai, marking the first asset-light project of Huasheng Commercial to be launched in Hezhou, Zhuhai, which is expected to be opened in 2024.

* *For identification purpose*

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 future, we will look for suitable opportunities and invest in new logistics parks as cash flow permits. During the Reporting Period, Qianlong Logistics attended the "17th China (Shenzhen) International Logistics and Supply Chain Fair", demonstrating the latest construction achievements such as 3 platforms, 7 services, modern high-standard warehouses and integrated refrigerated storage, and was awarded "Outstanding Logistics and Supply Chain Service Provider" in the 2023 CILF.

First Asia Pacific Group (Associated Company)

As a property service provider in China South City, First Asia Pacific Group implements a diversified property management model 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, 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.

In December 2022, SZCDG invested 50% equity interest in First Asia Pacific Group, and First Asia Pacific Group therefore has become a subsidiary of SZCDG. Through the introduction of state-owned enterprise's property resources, the management scale of First Asia Pacific Group was further expanded. As of 30 September 2023, First Asia Pacific Group and SZCDG have reached cooperation projects with a total GFA of approximately 589,300 sq.m. In the future, First Asia Pacific Group will continue to actively participate in the bidding for the property management service projects of SZCDG. Currently, First Asia Pacific Group has 115 management service projects with GFA under management of over 22,000,000 sq.m.

Exhibitions and Events

During the Reporting Period, the fading of the pandemic and the adjustment of pandemic prevention policies brought great convenience to the Group's various outdoor exhibition events, and the relevant impact has been basically eliminated.

On 12 May 2023, "the CSC Furniture and Building Materials Fair cum Central China (Spring) Building Materials and Hardware Exhibition in 2023" was opened, creating a leading procurement party for the entire upstream and downstream chain of building materials, hardware and furniture in Central China.

On 11 August 2023, "2023 First Live Streaming in Longgang District + Cross-border E-commerce Product Selection Conference and Shopping Carnival" was grandly opened in CSC, Pinghu, Longgang District. The Group cooperated with domestic leading live resources to build the first "live streaming e-commerce industry base" in Longgang District with a full ecological chain, guiding the formation of an industrial agglomeration and facilitating the innovation and development of enterprises.

In September 2023, the "7th CSC Zhengzhou Mooncake Exhibition in 2023" was successfully held, which lasted for 33 days with a total of 55 main booths to further increase the market share of non-staple food in the regional market and promote the merchants recruitment of non-staple food.

During the period from 15 to 28 September 2023, CSC Shenzhen launched the "Shopping Carnival • One-stop Shopping Season for Festival Gifts", which attracted a large number of enterprises and consumers to purchase.

During the period from 23 September to 6 October 2023, business management division in Shenzhen and CSC Heung Kong Furniture jointly held the "CSC Shenzhen Shopping Carnival • Heung Kong Furniture Decoration Consumption Season".

In October 2023, CSC Nanchang launched the "CSC Nanchang Building Materials and Furniture Fairs in 2023", which achieved good results together with the activities on the Mid-Autumn Festival and National Day.

In October 2023, CSC Harbin took advantage of the Mid-Autumn Festival and National Day to launch a series of activities such as the Autumn Agricultural Materials for Farming and New Energy Power Products Procurement Festival.

On 15 October 2023, the three-day "2023 CSC Furniture and Building Materials Fair cum the 11th CSC Zhengzhou • Central China (Autumn) Building Materials and Hardware Exhibition" was successfully concluded. According to incomplete statistics, the exhibition attracted a total of approximately over 50,000 buyers, with on-site sales of approximately RMB63 million and intended orders of cooperation of approximately over RMB153 million. It hit a new high in terms of specification, scale, service, influence, innovation and diversification, making it the largest event in the past.

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 certain trade centre units and residential properties will be listed for sale to generate cash flow for the Group's development.

Region	Main Planned Usage of Projects	Site Area *(sq.m)*	Gross Land Bank Area[1] *(sq.m)*	Attributable Interests Held by the Group *(%)*
Properties developed by the Group and its subsidiaries				
Shenzhen	Trade centres, commercial, hotels, warehouse and other ancillary facilities	1,023,500	1,757,300	100%
Nanchang	Trade centres, residential, commercial, warehouse and other ancillary facilities	1,799,400	3,229,300	100%
Nanning	Trade centres, residential, commercial, warehouse and other ancillary facilities	728,400	2,387,100	100%
Xi'an	Commercial and other ancillary facilities	58,200	116,500	100%
Harbin	Trade centres, residential, commercial, hotels, warehouse and other ancillary facilities	2,143,600	6,424,900	100%
Zhengzhou	Trade centres, residential, commercial, warehouse and other ancillary facilities	3,193,800	8,154,200	100%
Hefei	Trade centres, residential, commercial, warehouse and other ancillary facilities	2,022,000	3,757,500	100%
Chongqing	Trade centres, residential, commercial, warehouse and other ancillary facilities	2,339,300	5,887,900	100%
Sub-total of land bank developed by the Group and its subsidiaries			31,714,700	
Sub-total of interests in the land bank developed by the Group and its subsidiaries			31,714,700	
Properties developed by the Group's associate				
Xi'an	Trade centres, residential, commercial, warehouse and other ancillary facilities	1,444,300	3,209,700	30.65%
Sub-total of land bank developed by the Group's associate			3,209,700	
Sub-total of interests in the land bank developed by the Group's associate			983,700	
Total			**34,924,400**	
Total interests			**32,698,400**	

Remark:

1. Gross land bank area equals to the sum of total completed GFA available for sale/leasable GFA, total GFA under development and held for future development.

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 2023, the total interest-bearing debts of the Group were HK$31,915.8 million (31 March 2023: HK$32,830.8 million). The gearing ratio was 77.9% (31 March 2023: 71.0%). Furthermore, as at 30 September 2023, cash and bank balances were HK$1,306.2 million (31 March 2023: HK$2,525.1 million).

Comparing with the same period last year, the revenue of the Group decreased by 12.6% to HK$2,516.2 million (1H FY2022/23: HK$2,877.6 million). Net loss attributable to owners of the parent was HK$621.2 million (1H FY2022/23: profit of HK$256.8 million) and the basic loss per share was HK5.43 cents (1H FY2022/23: earnings of HK2.42 cents). The net loss attributable to owners of the parent and loss per share are mainly due to (i) weak macro market performance leading to a decrease in rental income; (ii) fair value losses on investment properties; (iii) increased financing costs; (iv) increased selling expenses to speed up inventory destocking; and (v) increased in property management service fee.

Revenue

Revenue for the Reporting Period decreased by 12.6% to HK$2,516.2 million (1H FY2022/23: HK$2,877.6 million) comparing with the same period last year. The decrease was mainly attributable to decrease in recurring income during the Reporting Period.

	For the six months ended 30 September		
	2023	2022	Change
	HK$'000	*HK$'000*	%
Sale of properties	**1,809,390**	1,649,530	+9.7
Recurring income	**706,785**	1,228,099	–42.4
Property leasing income	***421,166***	*556,885*	*–24.4*
Other recurring revenue	***285,619***	*671,214*	*–57.4*
	2,516,175	2,877,629	–12.6

Sales of Properties

Revenue from sale of properties increased by 9.7% to HK$1,809.4 million (1H FY2022/23: HK$1,649.5 million). The increase was mainly due to the fact that during the Reporting Period, more properties that had completed contract sales in previous periods were delivered during the Reporting Period. Due to the very weak overall property market, property contract sales during the Reporting Period recorded a deep adjustment compared to the same period last year.

Property Leasing and Management Service Income

The Group intends to retain certain of 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 and property management services, to cater the needs of different property types and industries across respective projects during the Reporting Period. The Group disposed of 50% equity interest in First Asia Pacific Group which engages in the provision of property management services of China South City projects had been completed in December 2022. Since then, the disposal was classified as a discontinued operation, and the Group did not record related property management service income. 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 Reporting Period, property leasing income of the Group decreased by 24.4% to HK$421.2 million (1H FY2022/23: HK$556.9 million) comparing with the same period of last fiscal year due to depressed macro market environment and the decrease in demand for leasing.

Other Recurring Revenue

Other recurring revenue decreased by 57.4% to HK$285.6 million (1H FY2022/23: HK$671.2 million). Revenue from logistics and warehousing services decreased 28.0% to HK$113.5 million (1H FY2022/23: HK$157.6 million) due to the decrease in the third party logistic services income during the Reporting Period, and the revenue from outlet operations increased 31.7% to HK$163.5 million (1H FY2022/23: HK$124.1 million), mainly attributable to boost-up promotion in order to attract customers.

Cost of Sales

The Group's cost of sales mainly includes construction costs, capitalised interest and land costs of properties sold, and operating costs of recurring business. During the Reporting Period, the cost of sales increased by 4.1% to HK$2,069.3 million (1H FY2022/23: HK$1,987.2 million). The increase in cost of sales was due to the increase in the projects delivered and the increase of rental expenses.

Gross Profit

Gross profit decreased by 49.8% to HK$446.9 million (1H FY2022/23: HK$890.5 million). During the Reporting Period, gross profit margin decreased to 17.8% (1H FY2022/23: 30.9%), which was mainly due to the increase of construction cost, the decrease of rental income and the increase of rental expenses.

Other Income and Gains

During the Reporting Period, other income decreased by 85.9% to HK$7.1 million (1H FY2022/23: HK$50.1 million), which was mainly attributable to the decrease in interest income and government grant. In addition, other gains turned to HK$106.0 million gains from other losses of HK$16.0 million for the corresponding period of last year, which was mainly attributable to the disposal gain of a subsidiary during the Reporting Period.

Fair Value (Losses)/Gains on Investment Properties

The fair value losses on investment properties amount to HK$144.8 million (1H FY2022/23: gains of HK$19.6 million), mainly due to the continued downward trend of the real estate market after the end of the epidemic and insufficient socio-economic domestic demand, leading to the decrease in demand for leasing.

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 increased by 57.0% to HK$100.2 million (1H FY2022/23: HK$63.8 million). The increase due to the increase in promotion and advertising expenses.

Administrative Expenses

Administrative expenses remains stable as HK$456.7 million (1H FY2022/23: HK$450.0 million).

Other Expenses

Other expenses increased to HK$174.6 million (1H FY2022/23: HK$108.1 million), which was mainly attributable to the impairment of trade receivables and contract cancellation costs.

Finance Costs

Finance costs increased by 30.7% to HK$360.2 million (1H FY2022/23: HK$275.5 million) due to the decrease of capitalised interest.

By optimizing the financial structure, the Group's weighted average financing cost decreased to 7.2% as at 30 September 2023 (31 March 2023: 8.1%). The average financing cost of bank and other borrowings and senior notes are 6.3% and 9.0% respectively as at 30 September 2023 (31 March 2023: 7.6% and 9.0%).

Share of profits of associates

During the Reporting Period, the Group recorded share of profits of associates of HK$57.3 million (1H FY2022/23: Nil), which was primarily attributable to the addition of an associate (i.e. First Asia Pacific Group) during the period.

Tax

The Group's income tax expenses for the year included the provision made for PRC enterprise Income tax and land appreciation tax. The Group's income tax expenses increased to HK$2.2 million for the 1H FY2023/24 from the credit of HK$153.2 million for the 1H FY2022/23, which was primarily attributable to the increase in enterprise income tax and land appreciation tax as a result of the increase in our assessable profit and property sales.

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 2023, the Group had HK$1,306.2 million cash and bank balances (31 March 2023: HK$2,525.1 million), of which HK$1,026.4 million were restricted cash (31 March 2023: HK$1,150.4 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 30 September 2023, the total interest-bearing debts of the Group were HK$31,915.8 million (31 March 2023: HK$32,830.8 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$20,855.7 million as at 30 September 2023 (31 March 2023: HK$21,279.2 million), of which HK$7,283.9 million is repayable within one year or on demand, HK$2,830.3 million will be repayable in the second year, HK$6,136.3 million will be repayable in the third to fifth years and HK$4,605.2 million will be repayable after five years. As at 30 September 2023, the Group's interest-bearing bank and other borrowings of approximately HK$20,750.7 million were secured by certain buildings, investment properties, properties under development, properties held for sales and bank deposits with a total carrying value of approximately HK$53,473.0 million.

All interest-bearing bank and other borrowings of the Group were denominated in HK dollars, Renminbi or US dollars with interest rates range from 2.80% to 14.60% (31 March 2023: 2.80% to 15.00%) per annum. 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 details of movement is set out below:

ISIN	9.0% Senior Notes due Apr 2024 XS2085883119	9.0% Senior Notes due Jun 2024 XS2120092882	9.0% Senior Notes due Jul 2024 XS1720216388	9.0% Senior Notes due Dec 2024 XS2227909640	9.0% Senior Notes due Oct 2024 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 2023	306,240	321,780	262,675	360,750	213,750
Redeemed upon maturity	(17,400)	(17,300)	(13,825)	(9,250)	(11,250)
As at 30 September 2023	288,840	304,480	248,850	351,500	202,500

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

As at 30 September 2023, the carrying value of Senior Notes were HK$11,060.1 million (31 March 2023: HK$11,551.6 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.

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 77.9% as at 30 September 2023 (31 March 2023: 71.0%).

Net Current Assets and Current Ratio

As at 30 September 2023, the Group had net current assets of HK$9,112.2 million (31 March 2023: HK$11,499.8 million) and a current ratio of 1.25 (31 March 2023: 1.28).

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 2023, the Group had future capital expenditure contracted but not yet provided for amounting to HK$9,667.1 million (31 March 2023: HK$9,808.4 million).

Change of Financial Year End Date

To facilitate the preparation of consolidated financial statements of the Group, the fiscal year end of the Group's domestic subsidiaries is consistent with 31 December. Therefore, the Board resolved that the next fiscal year end date of the Company will be changed to 31 December 2023, and the next audited consolidated financial statements of the Company will be for the period of 9 months from 1 April 2023 to 31 December 2023.

To the best of its knowledge and belief, the Board does not foresee any material adverse impact on the Group resulting from the change of financial year end date of the Company and there is no other significant matter that needs to be brought to the attention of the shareholders of the Company in this regard.

Subsequent Financial Reporting Periods

Upon the change of financial year end date taking effect, the Company will announce and publish the financial results and report of the Group with respect to the following financial periods in accordance with the following respective deadlines:

Financial period covered	Deadline for publication of results announcement	Deadline for publication of financial report
Audited final results for the 9 months ending 31 December 2023	31 March 2024	30 April 2024
Unaudited interim results for the 6 months ending 30 June 2024	31 August 2024	30 September 2024
Audited final results for the 12 months ending 31 December 2024	31 March 2025	30 April 2025

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Associates

On 16 December 2022, an indirect wholly-owned subsidiary of the Company, China South City Group Co., Ltd ("**China South City Group**"), a direct wholly-owned subsidiary of the Company, China South International Industrial Materials City (Shenzhen) Co., Ltd. ("**Shenzhen China South City**") and Shenzhen Shenji No.1 Industrial Park Investment and Operation Co., Ltd. ("**Shenzhen Shenji No.1**") entered into the investment agreement, pursuant to which Shenzhen Shenji No.1 agreed to subscribe, and the Xi'an China South City Co., Ltd. ("**Xi'an China South City**") agreed to issue, the Subscription Shares at the Subscription Consideration of RMB5,000,000,000. The completion of the disposal of Xi'an China South City took place in May 2023. Upon completion, China South City Group has become interested approximately 30.65% in Xi'an China South City and Xi'an China South City has become an associate of the Company. Further details of the above disposal of Xi'an China South City were disclosed in the Company's announcement dated 18 December 2022. During the six month ended 30 September 2023, the Company has no other significant investments or material acquisitions or disposals of subsidiaries and associates.

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 policy 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 can be read in conjunction with note 45 to the financial statements as set out in the Company's 2022/23 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 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 30 September 2023, the Group had a workforce of 2,792 employees. The Group aims to optimize the organizational structure and talent structure to further control operating costs, 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.

Delay in Payment of Final Dividend for the Year Ended 31 March 2023

The final dividend of HK2.0 cents per share for the year ended 31 March 2023 ("**2022/23 Final Dividend**") was originally scheduled to be paid on or before 29 December 2023. In view of the increasingly difficult overall business environment and financing environment, the Group's operations have been under severe pressure, resulting in a shortage of funds. The Group needs additional time to complete fund raising for the Company to distribute the 2022/23 Final Dividend. Therefore, the Board has resolved to postpone the payment date of such final dividend from 29 December 2023 to on or before 31 December 2024.

General Mandate Issue

Supplemental Information in Relation to Update on Use of Proceeds

On 30 December 2021 (after trading hours), the Company and SZCDG entered into the Subscription Agreement. Pursuant to the Subscription Agreement and the general mandate granted to the directors by the Company at the Extraordinary General Meeting (the "**EGM**") held on 18 February 2022, SEZ Construction & Development Investment Holding LIMITED (an indirect wholly owned subsidiary of SZCDG) issued and allotted an aggregate of 3,350,000,000 new shares (the "**Subscription Shares**") at a Subscription Price of HK$0.57 per share. The total Subscription consideration was HK$1,909.5 million, and the Company issued and allotted the relevant shares accordingly. Details of the transaction are set out in announcements dated 31 December 2021, 18 February 2022, 20 February 2022, 29 April 2022, and 16 May 2022; and in the circular of the EGM on 26 January 2022 respectively.

Additional information on the use of proceeds according to the circular of the Extraordinary General Meeting of Shareholders on 26 January 2022 is as follows:

	Utilized net proceeds up to 31 March 2023	**Proceeds utilized for the year ended 31 March 2023**	**Proceeds unused as of 31 March 2023**
	HK$' million	*HK$' million*	*HK$' million*
For the repayment of the Group's borrowings and the accrued interests	1,799.11	1,799.11	–
For the general working capital of the Group	94.69	94.69	–
Professional advisory fees and share issuance costs	15.70	15.70	–

As at 31 March 2023, the proceeds from the Subscription Shares have been fully used for to repayment of the Group's borrowings and accrued interest and for the Group's general working capital purposes.

The above supplemental information should be read in conjunction with the 2022/23 Annual Results Announcement and the 2022/23 Annual Report, but this will not affect any other information in the said announcement and annual report.

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 1H FY2023/24.

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 three Independent Non-Executive Directors and one Non-Executive Director, including Mr. Li Wai Keung as Chairman, Mr. Leung Kwan Yuen Andrew, Mr. Hui Chiu Chung and Ms. Shen Lifeng.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Company and its subsidiaries for the six months ended 30 September 2023 have been reviewed and approved by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Company redeemed part of the Senior Notes with an aggregated principal amount of US$69.025 million. 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
Li Wenxiong and Cheng Chung Hing
Co-Chairmen

30 November 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 Director of the Company are Mr. Fung Sing Hong Stephen, 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 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.*