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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2024 ***HK$'000*** **(Unaudited)**	For the six months ended 30 September 2023 *HK$'000* (Unaudited)	Change*
Revenue	**1,215,271**	2,516,175	-51.7%
Gross profit margin	**28.5%**	17.8%	
Loss for the period	**(4,311,152)**	(621,457)	593.7%
Loss attributable to owners of the parent	**(4,311,135)**	(621,243)	594.0%
Losses per share – Basic	**(HK37.68 cents)**	(HK5.43 cents)	

* The Group changed its financial year end date from 31 March to 31 December at the end of 2023. Accordingly, the 2024 financial period covered the six months ended 30 June 2024 whereas the preceding financial period covered the six months ended 30 September 2023, and therefore are not direct comparable with those shown for the current period.

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 June 2024 ("**1H 2024**" or the "**Reporting Period**") together with the comparative figures for the previous financial period ("**1H FY2023/24**") as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2024

	Notes	**For the six months ended 30 June 2024** *HK$'000* **(Unaudited)**	For the six months ended 30 September 2023 *HK$'000* (Unaudited)
REVENUE	4	**1,215,271**	2,516,175
Cost of sales		**(868,602)**	(2,069,312)
Gross profit		**346,669**	446,863
Other income and (losses)/gains, net	4	**(341,673)**	113,121
Fair value losses on investment properties	4	**(1,100,856)**	(144,815)
Selling and distribution expenses		**(75,697)**	(100,244)
Administrative expenses		**(308,980)**	(456,682)
Other expenses		**(2,910,592)**	(174,616)
Finance costs	5	**(746,390)**	(360,190)
Share of profits of associates		**18,364**	57,300
LOSS BEFORE TAX	6	**(5,119,155)**	(619,263)
Income tax credit/(expenses)	7	**808,003**	(2,194)
LOSS FOR THE PERIOD		**(4,311,152)**	(621,457)

	Notes	For the six months ended 30 June 2024 HK$'000 (Unaudited)	For the six months ended 30 September 2023 HK$'000 (Unaudited)
Attributable to:			
Owners of the parent		**(4,311,135)**	(621,243)
Non-controlling interests		**(17)**	(214)
		(4,311,152)	(621,457)
LOSSES PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic			
– For loss for the period		**(HK37.68 cents)**	(HK5.43 cents)
Diluted			
– For loss for the period		**(HK37.68 cents)**	(HK5.43 cents)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	For the six months ended 30 June 2024 *HK$'000* **(Unaudited)**	For the six months ended 30 September 2023 *HK$'000* (Unaudited)
LOSS FOR THE PERIOD	**(4,311,152)**	(621,457)
OTHER COMPREHENSIVE LOSSES		
Other comprehensive losses that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(222,206)**	(2,560,879)
OTHER COMPREHENSIVE LOSSES FOR THE PERIOD, NET OF TAX	**(222,206)**	(2,560,879)
TOTAL COMPREHENSIVE LOSSES FOR THE PERIOD	**(4,533,358)**	(3,182,336)
Attributable to:		
Owners of the parent	**(4,533,278)**	(3,181,694)
Non-controlling interests	**(80)**	(642)
	(4,533,358)	(3,182,336)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	**30 June 2024**	31 December 2023
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**490,530**	543,607
Investment properties		**44,484,324**	45,988,804
Right-of-use assets		**303,232**	311,462
Properties under development		**1,079,994**	1,065,512
Interest in associates		**3,979,419**	3,961,055
Financial assets at fair value through profit or loss		**11**	3,724
Other long-term receivables		**48,757**	81,626
Deferred tax assets		**4,861,302**	4,049,240
Total non-current assets		**55,247,569**	56,005,030
CURRENT ASSETS			
Properties held for finance lease		**144,608**	145,637
Properties held for sale		**38,470,136**	40,502,022
Inventories		**12,111**	12,993
Trade receivables	10	**503,780**	712,725
Prepayments, other receivables and other assets		**1,686,852**	1,714,334
Amount due from a related party		**137,686**	138,666
Restricted cash		**859,271**	913,556
Cash and cash equivalents		**36,701**	230,088
Total current assets		**41,851,145**	44,370,021
CURRENT LIABILITIES			
Trade and other payables	11	**8,193,848**	6,893,983
Amounts due to associates		**1,001,354**	869,925
Amounts due to related parties		**1,973,237**	1,205,832
Contract liabilities		**8,760,694**	8,936,049
Interest-bearing bank and other borrowings		**6,448,118**	7,403,739
Senior notes		**10,442,482**	8,891,111
Financial liabilities at fair value through profit or loss		**–**	4,618
Tax payables		**3,652,896**	3,561,011
Total current liabilities		**40,472,629**	37,766,268
NET CURRENT ASSETS		**1,378,516**	6,603,753
TOTAL ASSETS LESS CURRENT LIABILITIES		**56,626,085**	62,608,783

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
As at 30 June 2024

	30 June 2024	31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**14,240,217**	13,892,041
Senior notes	**–**	1,565,410
Financial liabilities at fair value through profit or loss	**1,001,806**	1,070,077
Deferred tax liabilities	**9,470,891**	9,634,930
Total non-current liabilities	**24,712,914**	26,162,458
Net assets	**31,913,171**	36,446,325
EQUITY		
Equity attributable to owners of the parent		
Share capital	**9,131,812**	9,131,812
Other reserves	**22,766,928**	27,300,002
	31,898,740	36,431,814
Non-controlling interests	**14,431**	14,511
Total equity	**31,913,171**	36,446,325

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION AND OTHER INFORMATION

Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 June 2024 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 nine months ended 31 December 2023.

Other Information

The financial information relating to the nine months ended 31 December 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 (Cap. 622) is as follows:

The Company has delivered the financial statements for the nine months ended 31 December 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 nine months ended 31 December 2023. The auditor's reports did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance. The opinion of auditor's report for FY2023 was disclaimer of opinion and included a reference to a matter to which the auditor drew attention in relation to multiple uncertainties related to going concern.

Going Concern Basis

The Group recorded net loss of HK$4,311 million for the six months ended 30 June 2024, and as at 30 June 2024, the Group's current portion of interest-bearing debts amounted to HK$16,891 million, while its cash and cash equivalents amounted to HK$37 million. Subsequent to the period end date and up to 30 August 2024, the principal or interest payment relating to an aggregate amount of HK$17,498 million interest-bearing debts had not been repaid according to their scheduled repayment date (the "**Defaulted Borrowings**"), triggering an aggregate amount of HK$13,230 million of interest-bearing debts (the "**Cross Defaulted Borrowings**") to become repayable on demand.

The above conditions indicate the existence of material uncertainties which cast significant doubt over the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company have undertaken a number of plans and measures to improve the Group's liquidity and financial position, including:

(i) The Group is liaising with financial advisers to assist it with a restructuring of its Defaulted and Cross Defaulted Borrowings, in order to reach a consensual solution with all the lenders as soon as practical;

(ii) The Group is negotiating with its existing lenders of interest-bearing bank and other borrowings in order to reach agreements with them for not taking actions against the Group to exercise their right to demand immediate payment of the principals and interests of these borrowings;

(iii) 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;

(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; and

(v) 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 June 2024. 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 June 2024. Accordingly, the directors are satisfied that it is appropriate to prepare the interim condensed consolidated financial statements for the six month ended 30 June 2024 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) successful and timely debt restructuring with the lenders of the Group's Defaulted Borrowings;

(ii) successfully negotiating with the Group's existing lenders of Defaulted and Cross Defaulted Borrowings and reaching agreements with them for not taking any actions against the Group to exercise their right to demand immediate payment of the principals and interest of these borrowings;

(iii) successfully and timely implementation of the plans to dispose of certain of the Group's equity interests in certain property projects to raise the level of liquid funds;

(iv) timely implementation of the plans 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; and

(v) successfully execution of active measures to control administrative costs and maintain containment of capital expenditures.

Should the Group fail 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.

Change of Financial Year End Date

Pursuant to a resolution of the Board dated 30 November 2023, the financial year end date of the Company has been changed from 31 March to 31 December commencing from the financial period ended 31 December 2023 in order to align the financial year end date with that of the principal operating subsidiaries of the Company, which are statutorily required to fix their financial year end date at 31 December in the Chinese Mainland. Accordingly, the accompanying interim condensed consolidated financial information for the current financial period covers a period of six months from 1 January 2024 to 30 June 2024. The corresponding comparative figures presented for the interim condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the unaudited figures of the financial year from 1 April 2023 to 30 September 2023 and therefore are not comparable with those shown for the current period.

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 nine months ended 31 December 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.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to HKAS 1	*Non-current Liabilities with Covenants*
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

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 June 2024				
Segment revenue:				
Sales to external customers	**658,491**	**315,541**	**241,239**	**1,215,271**
Segment results before change in fair value of investment properties	**34,942**	**170,990**	**140,737**	**346,669**
Change in fair value of investment properties	**–**	**(1,100,856)**	**–**	**(1,100,856)**
Segment results after change in fair value of investment properties	**34,942**	**(929,866)**	**140,737**	**(754,187)**
Interest income				**11,612**
Unallocated income and (losses)/gains				**(334,921)**
Unallocated expenses				**(3,295,269)**
Finance costs				**(746,390)**
Loss before tax				**(5,119,155)**
As at 30 June 2024				
Segment assets	**51,594,235**	**36,988,550**	**1,803,878**	**90,386,663**
Reconciliation:				
Unallocated assets				**6,712,051**
Total assets				**97,098,714**
Segment liabilities	**12,787,217**	**8,580,503**	**456,197**	**21,823,917**
Reconciliation:				
Unallocated liabilities				**43,361,626**
Total liabilities				**65,185,543**

	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				(619,263)
As at 31 December 2023 (Audited)				
Segment assets	53,503,931	37,959,754	1,936,951	93,400,636
Reconciliation:				
Unallocated assets				6,974,415
Total assets				100,375,051
Segment liabilities	12,947,053	8,344,177	443,817	21,735,047
Reconciliation:				
Unallocated liabilities				42,193,679
Total liabilities				63,928,726

4. REVENUE, OTHER INCOME AND (LOSSES)/GAINS, NET, FAIR VALUE LOSSES 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 (losses)/gains is as follows:

	For the six months ended 30 June 2024 ***HK$'000*** **(Unaudited)**	For the six months ended 30 September 2023 *HK$'000* (Unaudited)
Revenue*		
Revenue from contracts with customers	**801,687**	1,972,552
Revenue from other sources		
Rental income	**315,541**	421,166
Other income	**98,043**	122,457
	413,584	543,623
	1,215,271	2,516,175
Other income		
Interest income	**11,612**	5,242
Government grants**	**526**	384
Others	**2,198**	1,448
	14,336	7,074
(Losses)/gains		
Fair value gains on financial liabilities at fair value through profit or loss, net	**70,232**	–
Gains on disposal of financial assets at fair value through profit or loss	**1,767**	–
Gains on disposal of a subsidiary	**–**	105,690
Gains on disposal of property, plant and equipment	**521**	169
Losses on modification of senior notes	**(425,611)**	–
Exchange (losses)/gains, net	**(2,918)**	188
	(356,009)	106,047
	(341,673)	113,121
Fair value losses on investment properties	**(1,100,856)**	(144,815)

* Included amounts of HK$169,889,000 (six months ended 30 September 2023: HK$163,451,000) related to income from outlet operations and HK$68,057,000 (six months ended 30 September 2023: HK$113,480,000) 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 June 2024 *HK$'000* **(Unaudited)**	For the six months ended 30 September 2023 *HK$'000* (Unaudited)
Interest on bank and other borrowings (including senior notes)	**1,250,195**	1,502,638
Interest on lease liabilities	**62**	794
	1,250,257	1,503,432
Less: Interest capitalised	**(503,867)**	(1,143,242)
Total	**746,390**	360,190

6. LOSS BEFORE TAX

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

	For the six months ended 30 June 2024 *HK$'000* **(Unaudited)**	For the six months ended 30 September 2023 *HK$'000* (Unaudited)
Cost of properties sold	**623,549**	1,759,359
Depreciation of property, plant and equipment	**33,471**	39,805
Less: Depreciation capitalised in respect of properties under development	**(108)**	(117)
	33,363	39,688
Depreciation of right-of-use assets	**6,065**	9,424
Lease payments not included in the measurement of lease liabilities	**2,557**	4,740
(Reversal of)/impairment of trade receivables*	**(19,534)**	33,266
Impairment of properties held for sale*	**2,822,742**	–
Equity-settled share option expense	**204**	358

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

7. INCOME TAX (CREDIT)/EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (six months ended 30 September 2023: 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% (six months ended 30 September 2023: 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 (credit)/expenses for the period are as follows:

	For the six months ended 30 June 2024	For the six months ended 30 September 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current	**120,940**	20,033
Deferred	**(928,943)**	(17,839)
	(808,003)	2,194

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

The calculation of the basic losses per share is based on the losses 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 losses per share amount presented for the six months ended 30 June 2024 and 30 September 2023 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic losses per share amounts presented.

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

	For the six months ended 30 June 2024	For the six months ended 30 September 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(4,311,135)**	(621,243)

	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and dilute losses per share calculation	**11,441,892,848**	11,441,892,848

9. DIVIDENDS

At a meeting of the Board held on 30 August 2024, the directors resolved not to pay an interim dividend to shareholders (six months ended 30 September 2023: Nil).

10. TRADE RECEIVABLES

Trade receivables represent sales income, rental receivables and service income receivables from customers which are payable on issuance of invoices or in accordance with the terms of the related sale and purchase agreements. The Group seeks to maintain strict control over its outstanding receivables and closely 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 June 2024 and 31 December 2023 based on the payment due date, net of loss allowance, is as follows:

	30 June 2024	31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**378,168**	537,935
Over 3 months	**125,612**	174,790
Total	**503,780**	712,725

11. TRADE AND OTHER PAYABLES

	Notes	**30 June 2024**	31 December 2023
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Other payables and accruals		**4,663,068**	3,710,768
Notes payable	(i)	**46,774**	47,107
Advanced rental and other receipts		**804,108**	784,526
Lease liabilities		**870**	2,565
Construction fee and retention payables	(ii)	**2,679,028**	2,349,017
Total		**8,193,848**	6,893,983

(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 June 2024	31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**46,774**	47,107

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

	30 June 2024 *HK$'000* **(Unaudited)**	31 December 2023 *HK$'000* (Audited)
Within 1 year	**2,018,670**	1,822,364
Over 1 year	**660,358**	526,653
Total	**2,679,028**	2,349,017

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 2024, due to the overall industry environment, the Group's operations still face significant uncertainties. During the Reporting Period, the Group's sales remained below expectations, liquidity continued to be under pressure, and cash was only sufficient for daily operations. As a result, the Group was forced to default on maturing debts, leading to widespread debt defaults. During the period, SEZ Construction and Development Group Co., Ltd. ("**SZCDG**"), the largest shareholder of the Company, assisting and supporting China South City in communication with domestic financial institutions to optimize contract terms, extend repayment deadlines and reduce loan interests, thereby successfully alleviating the Group's cash flow pressure. At the same time, the Group also appointed financial and legal advisors for offshore debts, and actively communicated with offshore creditors on debt restructuring to seek a comprehensive debt solution, aiming to resolve debt risks as soon as possible.

The Group reorganized the sales clearance and merchant recruitment and operations, strived to achieve the goal of collecting payments, and elevated merchant recruitment and project operations to the core focus of "maintaining stability and steady operation".

In terms of business, the Group has cultivated and introduced multiple business forms, including new energy vehicle industrial parks, furniture and building materials industry, and commercial chains, further enhancing the industrial ecosystem of the parks. The Group focused on industrial upgrading of the park, improvement on merchant recruitment and operations, development and operation of supporting facilities in the industrial park, logistics and cold chain, property management and smart parks, and continuously explored new development models and growth potential. At the same time, China South City is fully committed to "ensuring the delivery of housing projects and stabilizing people's livelihood". During the Reporting Period, several projects of CSC Zhengzhou and CSC Nanchang were successfully delivered, and other projects were also progressing steadily and orderly.

Furthermore, the Group further upgraded the management team, stabilized park operations, achieved results in cost-saving measures and efficiency improvements, and enhanced merchant recruitment and operation capabilities. In terms of commercial operations, China South City in various regions actively strengthened collaboration with all parties, visited industry leading companies, industrial and commercial associations, and relevant government apartments, continuously explored the potential for business cooperation, and continued to introduce new industries and forms that complement and match China South City's form. For example, China South City Group entered into a cooperation agreement with Home Magic Group to jointly build the most cost-effective furniture and building materials market in Nanchang; and China South City discussed with Leerle to explore a new cooperation model of commercial chain.

In terms of transportation support, following the official opening of Huanancheng East Station* (華南城東站) of Zhengzhou Metro in September last year, on 1 May 2024, the extension line of Line 4 of the Hefei Rail Transit officially commenced operations, adding a new metro line to CSC Hefei. Currently, there are more than 20 metro stations in the CSC Parks across the country, and the regional advantages of transportation are gradually emerging, which will facilitate the Group in shaping its blueprint for the commercial and logistics industry.

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 deepened business transformation and introduced new business models, and continued to explore new growth potential. During the Reporting Period, due to the slower-than-expected recovery in the industry, the overall performance of the investment and development segment progressed slowly. Despite the challenges posed by the broader economic environment, the management team made positive strides in sales deleveraging and delivery. During the Reporting Period, the Group vigorously promoted the sale of bulk assets and marketed China South City properties to a diverse clientele. Notably, there were groundbreaking developments in bulk transactions in CSC Zhengzhou and multiple branded properties were sold as a whole in CSC Xi'an. Efforts in delivery assurance also saw progress, with successful delivery of certain projects in CSC Zhengzhou and CSC Nanchang. Meanwhile, SZCDG actively supported the Group's bulk asset sales while exploring acquisition opportunities. In terms of management and team building, SZCDG, to streamline China South City's management, repeatedly assigned management teams to guide and assist in sales and merchant recruitment of China South City, advancing continuous operations. Furthermore, the Group intensified its efforts in refined management within the investment and development segment, and optimized organizational structures to ensure stable operation.

During the Reporting Period, due to the impact of the industry environment, the Group faced significant challenges in merchant recruitment. Many merchants encountered varying degrees of operating difficulties, leading to increased difficulty in attracting new merchants. This, combined with factors such as some tenants vacating their premises, put pressure on the Group's merchant recruitment performance and rental income. The Business Management division responded to market changes in a timely 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. Simultaneously, the Group adjusted its

* *For identification purpose only*

development strategy, making merchant recruitment and operation a core focus for maintaining stability in operation. During the Reporting Period, China South City Group signed a contract for a 450,000-square-meter project with Home Magic Group, aiming to jointly establish the most cost-effective furniture and building materials market in Nanchang. Additionally, CSC Shenzhen signed a new contract for over 10,000 square meters with a hotel brand, further enhancing the quality residential options within the park. Furthermore, China South City launched its first online cloud exhibition, while the CSC Zhengzhou Furniture and Building Materials and Hardware Exhibition, the CSC Chongqing Furniture and Building Materials Exhibition, and the CSC Nanning Curtain Ordering Fair all kicked off simultaneously. These initiatives actively boosted merchant vitality and activating the popularity of the park.

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 engaged in discussions and exchanges with potential high-quality customers such as Want Want Group in respect of logistics warehouse, seeking more collaboration opportunities.

During the Reporting Period, Huasheng Outlet celebrated its 13th anniversary with a series of events, with the May Day National Goods Promotion shining brightly and attracting numerous consumers for visits and purchases. Throughout the event period, foot traffic increased in all seven cities, with Zhengzhou Huasheng Outlet experiencing a 51% year-on-year growth and Hefei Huasheng Outlet seeing a 38% year-on-year increase. Furthermore, at the 11th Outlet Summit co-hosted by China Outlets Association and Yangtze Evening News of Xinhua Newspaper Group, Huasheng Commercial was awarded the "Top 50 Outlets in China" at the 11th Outlet Summit, Shenzhen Huasheng was honored as one of the "Top 50 Outlets in China for 2023–24", and Zhengzhou Huasheng won the "2023–24 Rising Star of Outlets in China" award.

Results

During the Reporting Period, the Group's revenue decreased by 51.7% to HK$1,215 million. Net loss attributable to owners of the parent was HK$4,311 million and basic loss per share was HK37.68 cents.

Future Prospects

Looking ahead to the second half of the year, the Group will continue to respond to national development policies, closely follow market demands, optimize and upgrade its business structure continuously, adhere to prudent financial management strategy and strengthen asset deleveraging, business operation, cost-saving measures and efficiency improvements to further reduce interest-bearing debts with the aim of achieving steady growth under healthy financial structure. In the midst of an uncertain macroeconomic environment, the Group will shoulder its social responsibilities, continues to make every effort to ensure delivery and explore opportunities arising from macro industrial policies, and consolidate its development foundation with merchant recruitment and operation at the core.

The Group will continue to optimize its debt structure, intensify efforts to reduce inventory, and strive to maintain a robust cash flow. The Group will seek deeper cooperation with more enterprises, tap into park resources, and create new business growth drivers. In the future, guided by national policies, the Group will actively explore and expand into new models and forms, uncover more avenues for sustainable revenue growth, in order to reward shareholders, customers, and business partners for their trust and support in the Group.

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 August 2024

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. During the first half of 2024, the Group further deepened cost-saving measures and efficiency improvements initiatives, accelerated destocking and deleveraging, and optimized the structure of staffing structure to create a stable business development environment. China South City actively carried out inventory reduction and bulk sales efforts in various cities, with CSC Zhengzhou making significant progress in bulk transactions as the local government repurchased over a thousand residential units in June 2024. Additionally, CSC Xi'an completed the sales of multiple branded properties as a whole, and certain projects of CSC Zhengzhou and CSC Nanchang were successfully delivered.

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..

In order to better coordinate and manage related businesses, the Business Management team works on four main aspects: merchant recruitment management, business operation management, planning and operation, industry research and business association coordination, and cooperating with branding, planning and exhibition. Focused on operating indicators, it strengthens planning coordination and operational management. By conducting industry and policy research, connecting with business associations and exploring industry resources, the team works on positioning business forms and resource introduction for different types of properties, achieving breakthroughs in large-scale merchant recruitment by successfully attracting merchants in traditional industries such as furniture and building materials, hardware materials and machinery products, hotel supplies, and food sectors. Moreover, the merchant recruitment efforts actively expand into new energy vehicles, spices and Chinese medicine and vocational skill training, while actively exploring areas like culture and sports, healthcare, cultural tourism, and cross-border e-commerce. Operational management and exhibitions planning aim to provide excellent operational services to existing merchants, enhance online and offline services, organize promotional and exhibition events to attract visitor flow and consumer demand, and support merchants in improving performance and profitability, with a strong focus on stabilizing, supporting, and enriching different merchants.

During the Reporting Period, the Business Management Division continued to attract high-quality business tenants, further enhancing merchant recruitment and operation and service levels. On 30 May 2024, China South City Group reached a strategic cooperation with Home Magic Group to gradually establish a furniture and building materials brand pavilion with a total area of 450,000 square meters in CSC Nanchang. CSC Hefei actively promoted the establishment of a new energy vehicle industrial park. In CSC Chongqing, on the basis of existing business advantages, steadily expand the hotel supplies and food markets to improve operation and services. In CSC Xi'an, it continued to build the largest hardware materials and machinery products industry cluster in Northwest China. CSC Zhengzhou continued to develop the largest furniture and building materials market and automobile and motorcycle accessories market in central China. Various online and offline activities were held in different regions, effectively improving the operating efficiency of partnering merchants. Activities included the first online cloud exhibition hosted by China South City, the CSC Zhengzhou Furniture and Building Materials and Hardware Exhibition, the CSC Chongqing Furniture and Building Materials Exhibition, and the CSC Nanning Curtain Ordering Fair.

China South City's overall development blueprint aligns closely with major development strategies implemented at the national and local levels, such as the "Guangdong-Hong Kong-Macao Greater Bay Area", "Accelerating the Building of a Unified National Market" and "Industrial Upgrading". In the future, China South City will closely adhere to central and local industrial policies to facilitate overall commercial environment enhancement and commercial value promotion. Leveraging and utilizing the advantages of state-owned enterprise platform resources, China South City aims to further solidify its leading position within the commercial and logistics industries.

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 celebrated its 13th anniversary with a series of events, successfully attracting numerous consumers for visits and purchases. Throughout the event period, visitor flow increased in all seven cities, with Zhengzhou Huasheng Outlet experiencing a 51% year-on-year growth and Hefei Huasheng Outlet seeing a 38% year-on-year increase. Furthermore, at the 11th Outlet Summit co-hosted by China Outlets Association and Yangtze Evening News of Xinhua Newspaper Group, Huasheng Commercial was awarded the "Top 50 Outlets in China" at the 11th Outlet Summit, Shenzhen Huasheng was honored as one of the "Top 50 Outlets in China for 2023–24", and Zhengzhou Huasheng won the "2023–24 Rising Star of Outlets in China" award, and Zhuhai Huasheng Outlet • Impression City, the first light-asset project of Huasheng Commercial, was also recognized with the "Most Anticipated Outlet for 2024–25" award.

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 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, the Group will seek and invest in high-quality logistics parks while ensuring stable cash flow.

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, office buildings, industrial parks, 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 ultra-large trade centre premises, shopping malls, residential properties in China. Currently, First Asia Pacific Group has 128 management service projects with GFA under management of over 23,000,000 square meters.

Exhibitions and Events

During the Reporting Period, the Group organized numerous brand exhibitions and events, not only supporting the operations of park merchants but also actively driving regional economic development. These included the "Cross-border E-commerce Longgang Pinghu Tour" event held by CSC Shenzhen, with government representatives attending, providing a platform for enterprise trade cooperation and promoting the aggregation and development of the cross-border e-commerce industry in CSC Shenzhen. CSC Chongqing Exhibition Center successfully held the second building and decoration materials exhibition, attracting nearly 200 furniture manufacturers from Nankang, Chengdu, and Guangdong. It also featured joint exhibitions by merchants of furniture and building materials, food, automobile and motorcycle accessories and Huasheng Outlet within the park, with nearly 3,000 visitors during the event, effectively increasing sales. CSC Zhengzhou successfully hosted the "2024 China South City Building and Decoration Materials Expo and the 12th CSC Zhengzhou Central China (Spring) Building and Decoration Materials and Hardware Sales Exhibition". The exhibition covered a total area of 40,000 square meters, with around 1,500 standard booths on display. On the first day alone, tens of thousands of dealers from all over the country were attracted to the event. The 8th Spring Curtain Ordering Fair held by CSC Nanning attracted thousands of professional buyers, providing a platform for businesses to showcase their latest products and technologies while effectively driving regional economic development. Huasheng Outlet celebrated its 13th anniversary with a series of activities, boosting performance in seven cities. In particular, Zhengzhou Huasheng Outlet saw a 51% year-on-year growth, and Hefei Huasheng Outlet saw a 38% year-on-year growth. In the future, the Group will continue to develop and prepare for various brand exhibitions and events, actively integrate park resources, promote stable operations for park merchants, and further drive regional economic development.

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	1,750,200	100%
Nanchang	Trade centres, residential, commercial, warehouse and other ancillary facilities	1,799,400	3,157,400	100%
Nanning	Trade centres, residential, commercial, warehouse and other ancillary facilities	728,400	2,374,500	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	6,419,800	100%
Zhengzhou	Trade centres, residential, commercial, warehouse and other ancillary facilities	3,193,800	8,136,500	100%
Hefei	Trade centres, residential, commercial, warehouse and other ancillary facilities	2,022,000	3,719,400	100%
Chongqing	Trade centres, residential, commercial, warehouse and other ancillary facilities	2,339,300	5,892,900	100%
Sub-total of land bank developed by the Group and its subsidiaries			31,567,200	
Sub-total of interests in the land bank developed by the Group and its subsidiaries			31,567,200	
Properties developed by the Group's associate				
Xi'an	Trade centres, residential, commercial, warehouse and other ancillary facilities	1,444,300	3,202,400	30.65%
Sub-total of land bank developed by the Group's associate			3,202,400	
Sub-total of interests in the land bank developed by the Group's associate			981,400	
Total			**34,769,600**	
Total interests			**32,548,600**	

Remark:

1. Gross land bank area in terms of GFA equals to the sum of total completed GFA available for sale and leasable GFA, total GFA under development and held for future development (including public space area).

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 June 2024, the total interest-bearing debts of the Group were HK$31,130.8 million (31 December 2023: HK$31,752.3 million). The gearing ratio was 94.7% (31 December 2023: 84.0%). Furthermore, as at 30 June 2024, cash and bank balances were HK$896.0 million (31 December 2023: HK$1,143.6 million).

Comparing with the same period last year, the revenue of the Group decreased by 51.7% to HK$1,215.3 million (1H FY2023/24: HK$2,516.2 million). Net loss attributable to owners of the parent was HK$4,311.1 million (1H FY2023/24: loss of HK$621.2 million) and the basic loss per share was HK37.68 cents (1H FY2023/24: basic loss per shares was HK5.43 cents). The net loss attributable to owners of the parent and loss per share are mainly due to (i) decrease in sales and delivery of properties during the Period; (ii) fair value losses on investment properties; (iii) increase in the provision for inventory impairment; (iv) increase in finance cost due to reduce of interest capitalised on properties under development; and (v) decrease in rental income.

Revenue

Revenue for the Reporting Period decreased by 51.7% to HK$1,215.3 million (1H FY2023/24: HK$2,516.2 million) comparing with the same period last year, which was mainly attributable to both decrease in sales of properties and recurring income during the Reporting Period.

	For the six months ended 30 June 2024 *HK$'000*	For the six months ended 30 September 2023 *HK$'000*	**Change** *%*
Sale of properties	**658,491**	1,809,390	-63.6
Recurring income	**556,780**	706,785	-21.2
Property leasing income	**315,541**	421,166	-25.1
Other recurring revenue	**241,239**	285,619	-15.5
	1,215,271	2,516,175	-51.7

Sales of Properties

Revenue from sale of properties decreased by 63.6% to HK$658.5 million (1H FY2023/24: HK$1,809.4 million). The decrease was mainly due to the fact that during the Reporting Period, less 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 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 services, to cater the needs of different property types and industries across respective projects during the Reporting Period. 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 25.1% to HK$315.5 million (1H FY2023/24: HK$421.2 million) comparing with the same period of last fiscal year due to the decline in demand for leasing.

Other Recurring Revenue

Other recurring revenue decreased by 15.5% to HK$241.2 million (1H FY2023/24: HK$285.6 million). Revenue from logistics and warehousing services decreased 40.0% to HK$68.1 million (1H FY2023/24: HK$113.5 million) due to the decrease in the third party logistic services income during the Reporting Period, and the revenue from outlet operations increased 3.9% to HK$169.9 million (1H FY2023/24: HK$163.5 million), mainly attributable to boost-up promotion in order to attract customers during the Reporting Period.

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 decreased by 58.0% to HK$868.6 million (1H FY2023/24: HK$2,069.3 million). The decrease in cost of sales was due to the decrease in the projects delivered.

Gross Profit

Gross profit decreased by 22.4% to HK$346.7 million (1H FY2023/24: HK$446.9 million). During the Reporting Period, gross profit margin increased to 28.5% (1H FY2023/24: 17.8%), which was mainly due to the majority of profit contributed by high profit margin of recurring income.

Other Income and (Losses)/Gains

During the Reporting Period, other income increased by 102.7% to HK$14.3 million (1H FY2023/24: HK$7.1 million), which was mainly attributable to the increase in interest income. In addition, other losses turned to HK$356.0 million losses from other gains of HK$106.0 million for the corresponding period of last year, which was mainly attributable to the losses on modification of senior notes during the Reporting Period.

Fair Value Losses on Investment Properties

The fair value losses on investment properties amount to HK$1,100.9 million (1H FY2023/24: losses of HK$144.8 million), mainly due 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 decreased by 24.5% to HK$75.7 million (1H FY2023/24: HK$100.2 million). The decrease was mainly attributable to the decrease in advertising costs and sales commission incurred during the Period.

Administrative Expenses

Administrative expenses decreased by 32.3% to HK$309.0 million (1H FY2023/24: HK$456.7 million), due to the Group's implementation of cost control measures to save unnecessary expenses and improve operational efficiency.

Other Expenses

Other expenses increased to HK$2,910.6 million (1H FY2023/24: HK$174.6 million), which was mainly attributable to the impairment of properties held for sales.

Finance Costs

Finance costs increased by 107.2% to HK$746.4 million (1H FY2023/24: HK$360.2 million) due to the reduce of interest capitalised on properties under development.

By optimizing the financial structure, the Group's weighted average financing cost decreased to 7.0% as at 30 June 2024 (31 December 2023: 7.3%). The average financing cost of bank and other borrowings and senior notes are 6.4% and 8.2% respectively as at 30 June 2024 (31 December 2023: 6.8% and 8.2%).

Share of profits of associates

During the Reporting Period, the Group recorded share of profits of associates of HK$18.4 million (1H FY2023/24: HK$57.3 million), which was primarily attributable to the contribution of an associate (i.e. First Asia Pacific Group) during the period.

Tax

Income tax expenses recorded a credit of HK$808.0 million (1H FY2023/24: expenses of HK$2.2 million). The credit in income tax expenses was mainly due to the deferred taxation arising from impairment of assets during the Reporting Period.

Liquidity and Financial Resources

The Group finances its development and operations primarily through internally generated funds, bank and other borrowings, and the issuance of different types of bonds and notes on the onshore and offshore market, which includes but not limited to senior notes, short-term notes, medium-term notes, corporate bonds and domestic company bonds. The Group will continue to explore different financing means and to extend its financing channels.

Cash and Bank Balances

As at 30 June 2024, the Group had HK$896.0 million cash and bank balances (31 December 2023: HK$1,143.6 million), of which HK$859.3 million were restricted cash (31 December 2023: HK$913.6 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 June 2024, the total interest-bearing debts of the Group were HK$31,130.8 million (31 December 2023: HK$31,752.3 million). The details of borrowings and charges on the Group's assets are set out below.

Interest-bearing bank and other borrowings

The following table sets out the maturity of the Group's interest-bearing bank and other borrowings and the extent of the Group's total borrowings subject to fixed or floating interest rates as at the dates indicated:

	For the six months ended 30 June 2024	For the nine months ended 31 December 2023
	HK$000	*HK$000*
Interest-bearing bank and other borrowings repayable:		
Within one year	**6,448,118**	7,403,739
Between one and two years	**6,387,363**	4,288,092
Between three and five years	**3,135,468**	4,862,537
More than five years	**4,717,386**	4,741,412
Total	**20,688,335**	21,295,780
By fixed or floating interest rates		
Fixed interest rate	**8,826,428**	6,604,133
Floating interest rate	**11,861,907**	14,691,647
Total	**20,688,335**	21,295,780

As at 30 June 2024, the Group's interest-bearing bank and other borrowings of approximately HK$19,575.9 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$52,687.8 million. All interest-bearing bank and other borrowings of the Group were denominated in HK dollars, Renminbi or US dollars.

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	4.5% Senior Notes due Jul 2027 XS1720216388	9.0% Senior Notes due Oct 2024 XS2238030162	9.0% Senior Notes due Dec 2024 XS2227909640
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Issued nominal value	350,000	350,000	300,000	225,000	370,000
As at 1 January 2024	288,840	287,180	236,729	202,500	333,000
Redeemed upon maturity	–	–	(9,469)	–	–
As at 30 June 2024	288,840	287,180	227,260	202,500	333,000

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

The Company did not repay a principal of US$12 million (equivalent to HK$91 million) and interest of US$13 million (equivalent to HK$101 million) for certain senior notes due in February 2024, and did not repay a principal of US$289 million (equivalent to HK$2,254 million) and interest of US$4 million (equivalent to HK$31 million) for senior notes due April 2024, triggering senior notes to be defaulted or cross-defaulted.

In April 2024, the Company received certain notices of acceleration from trustees at the request of the bondholders to demand immediate payment in full of all amounts of outstanding principal and accrued and unpaid interest due in respect of senior notes due June 2024, senior notes due October 2024, senior notes due December 2024 and senior notes due July 2027.

At the reporting date, the Company did not repay the above payment.

As at 30 June 2024, the carrying value of Senior Notes were HK$10,442.5 million (31 December 2023: HK$10,456.5 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 94.7% as at 30 June 2024 (31 December 2023: 84.0%).

Net Current Assets and Current Ratio

As at 30 June 2024, the Group had net current assets of HK$1,378.5 million (31 December 2023: HK$6,603.8 million) and a current ratio of 1.03 (31 December 2023: 1.17).

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.

Pursuant to the investment agreement dated 16 December 2022, China South City Group Co., Ltd. ("**the Seller**"), China South International Industrial Materials City (Shenzhen) Co., Ltd. ("**China South International**") and Xi'an China South City Co., Ltd. ("**the Target Company**") granted to (Shenzhen Shenji No. 1 Industrial Park Investment and Operation Co., Ltd. ("**the Subscriber**") the Put Option (the "**Put Option**"), pursuant to which the Subscriber is entitled to sell at its discretion all or part of the shares held by it in the Target Company to the Seller and/or China South International from the date falling 54 months after completion, where certain events do not occur, at the exercise price.

The exercise price shall be calculated based on the following formula and be settled in cash:

Exercise price = A+A x B x C/360-D

A = subscription consideration actually paid by the Subscriber

B = a return rate of 6.0%

C = actual number of days from the date on which the subscription consideration is paid by the Subscriber to the date on which the exercise price is received by the Subscriber

D = dividend of the Target Company distributed to and actually received by the Subscriber (if any)

As of the end of the period, the actual subscription consideration paid by the subscriber was RMB3,500.0 million. As of 30 June 2024, the fair value of the Put Option was HK$1,001.8 million and has been recognized as a financial liability at fair value through profit and loss.

Commitments

As at 30 June 2024, the Group had future capital expenditure contracted but not yet provided for amounting to HK$5,910.4 million (31 December 2023: HK$6,430.6 million).

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

During the six month ended 30 June 2024, the Company has no 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 affected by multiple uncertain factors such as the overall industry environment, 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 restrictions of credit availability, 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 changes in the policy environment in local 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 43 to the financial statements as set out in the Company's 2023 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 June 2024, the Group had a workforce of 1,769 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.

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 2024.

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 June 2024 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 upon maturity with an aggregated principal amount of US$9.469 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 August 2024

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, Ms. Fang Ling and Ms. Cheng Ka Man Carman; the Non-Executive Directors 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.*