華南城
China South City

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

(1) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022 AND (2) DELAY IN PAYMENT OF FINAL DIVIDEND FOR THE YEAR ENDED 31 MARCH 2021

FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2022	2021	**Change**
	HK$'000	*HK$'000*	
Contracted sales	**11,794,714**	16,148,856	-27.0%
Revenue	**10,311,628**	11,309,304	-8.8%
Among which, recurring income	**2,958,150**	2,765,366	+7.0%
Gross profit margin	**29.3%**	43.7%	
Core net profit attributable to owners of the parent*	**649,028**	1,885,622	-65.6%
Profit attributable to owners of the parent	**760,200**	2,415,498	-68.5%
Earnings per share – Basic	**HK9.39 cents**	HK29.85 cents	
As at	**31 March 2022**	31 March 2021	
Asset-liability ratio	**63.8%**	65.7%	-1.9 p.p.
Net assets	**45,089,972**	41,296,550	+9.2%

* Mainly represents the net profit attributable to owners of the parent excluding fair value gains on investment properties and certain tax effects, impairment of goodwill and loss of forward contracts, etc..

CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2022

The board of directors (the "**Board**") of China South City Holdings Limited (the "**Company**"), together with its subsidiaries ("**China South City**" or the "**Group**") announces herewith the consolidated annual results of the Group for the year ended 31 March 2022 ("**FY2021/22**" or the "**Year**") together with the comparative figures for the previous year (year ended 31 March 2021 ("**FY2020/21**")) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

		For the year ended 31 March	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
Revenue	4	**10,311,628**	11,309,304
Cost of sales		**(7,286,372)**	(6,365,099)
Gross profit		**3,025,256**	4,944,205
Other income and gains/(losses)	4	**1,102,162**	(20,753)
Fair value gains on investment properties	4	**148,244**	1,054,256
Selling and distribution expenses		**(369,156)**	(486,088)
Administrative expenses		**(1,014,560)**	(1,041,540)
Other expenses		**(473,185)**	(409,630)
Finance costs	6	**(788,901)**	(638,363)
PROFIT BEFORE TAX	5	**1,629,860**	3,402,087
Income tax expenses	7	**(870,736)**	(986,958)
PROFIT FOR THE YEAR		**759,124**	2,415,129
Attributable to:			
Owners of the parent		**760,200**	2,415,498
Non-controlling interests		**(1,076)**	(369)
		759,124	2,415,129
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
– for profit for the year		**HK9.39 cents**	HK29.85 cents
Diluted			
– for profit for the year		**HK9.39 cents**	HK29.85 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	For the year ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**759,124**	2,415,129
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,260,544**	4,280,977
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**3,260,544**	4,280,977
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,019,668**	6,696,106
Attributable to:		
Owners of the parent	**4,021,109**	6,684,377
Non-controlling interests	**(1,441)**	11,729
	4,019,668	6,696,106

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	**31 March 2022 HK$'000**	31 March 2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**817,380**	949,329
Investment properties		**57,767,160**	55,695,354
Right-of-use assets		**543,937**	993,811
Properties under development		**1,578,157**	2,499,166
Financial assets at fair value through profit or loss		**3,325**	9,214
Other long-term receivables		**560,758**	807,013
Deposits paid for purchase of land use rights		**–**	15,985
Deferred tax assets		**3,684,246**	3,358,987
Total non-current assets		**64,954,963**	64,328,859
CURRENT ASSETS			
Properties held for finance lease		**135,251**	212,451
Properties held for sale		**46,693,652**	42,259,146
Inventories		**51,353**	55,894
Trade receivables	10	**2,351,409**	824,705
Prepayments, other receivables and other assets		**5,519,728**	3,407,024
Financial assets at fair value through profit or loss		**–**	12,069
Cash and bank balances		**4,681,068**	9,442,782
Total current assets		**59,432,461**	56,214,071
CURRENT LIABILITIES			
Trade and other payables	11	**12,049,373**	11,281,121
Contract liabilities		**15,543,565**	16,212,034
Interest-bearing bank and other borrowings		**8,530,761**	7,232,328
Senior notes		**9,622,708**	7,681,918
Medium-term notes		**799,382**	60,343
Financial liabilities at fair value through profit or loss		**14,231**	19,010
Domestic company bonds		**1,797,258**	1,378,177
Tax payables		**4,648,572**	3,921,272
Total current liabilities		**53,005,850**	47,786,203
NET CURRENT ASSETS		**6,426,611**	8,427,868
TOTAL ASSETS LESS CURRENT LIABILITIES		**71,381,574**	72,756,727

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 March 2022

	31 March 2022 *HK$'000*	31 March 2021 *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**12,552,811**	11,666,645
Senior notes	**2,672,456**	8,265,791
Medium-term notes	**–**	705,279
Domestic company bonds	**–**	354,960
Other long-term payables	**15,413**	36,044
Deferred tax liabilities	**11,050,922**	10,431,458
Total non-current liabilities	**26,291,602**	31,460,177
Net assets	**45,089,972**	41,296,550
EQUITY		
Equity attributable to owners of the parent		
Share capital	**7,222,312**	7,222,312
Other reserves	**37,851,432**	34,056,569
	45,073,744	41,278,881
Non-controlling interests	**16,228**	17,669
Total equity	**45,089,972**	41,296,550

Notes:

1. BASIS OF PREPARATION

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

The unaudited financial information relating to the year ended 31 March 2022 and the financial information related to the year ended 31 March 2021 included in this preliminary announcement of annual results for the year ended 31 March 2022 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2021, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 March 2022 in due course.

The Company's auditor has reported on these financial statements for both years. The auditor's reports were unqualified and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance. The auditor's report for FY2021/22 included a reference to a matter to which the auditor drew attention by way of emphasis without qualifying their report in relation to a material uncertainty about going concern whereas the auditor's report for FY2020/21 did not include any references.

Going concern basis

As at 31 March 2022, the Group's current portion of interest-bearing debts amounted to HK$20,750 million, while its cash and bank balances amounted to HK$4,681 million. In view of the prevailing slow-down of the property market, coupled with the limited source of financing from 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 aforesaid mentioned, 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) On 16 May 2022, the Company issued 3,350,000,000 new shares to SEZ Construction & Development Investment Holding LIMITED (an indirect wholly owned subsidiary of Shenzhen SEZ Construction and Development Group Co., Ltd. ("**SZCDG**")) ("**SEZCDIH**") and received the consideration of HK$1,909.5 million from SEZCDIH, improving the liquidity of the Group;

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

(iii) The Group has obtained back-up facilities of HK$23,350 million from the banks;

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

(v) The Group is actively reviewing its debt structure and looking for funding opportunities; the Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost;

(vi) 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; and

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

The board of directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 March 2022. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 March 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendments to HKFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021*

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

2.2 Issued but not yet effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

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

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

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

3. OPERATING SEGMENT INFORMATION

	Property development *HK$'000*	Property investment and management *HK$'000*	Others *HK$'000*	Total *HK'000*
Year ended 31 March 2022				
Segment revenue				
Sales to external customers	**7,353,478**	**1,629,290**	**1,328,860**	**10,311,628**
Segment results before increase in fair value of investment properties	**1,428,137**	**1,075,996**	**628,478**	**3,132,611**
Increase in fair value of investment properties	**–**	**148,244**	**–**	**148,244**
Segment results after increase in fair value of investment properties	**1,428,137**	**1,224,240**	**628,478**	**3,280,855**
Unallocated cost of sales				**(107,355)**
Interest income				**192,567**
Fair value losses on financial assets/liabilities at fair value through profit or loss, net				**(2,130)**
Losses on disposal of financial assets/liabilities at fair value through profit or loss, net				**(25,598)**
Unallocated income and gains				**937,323**
Unallocated expenses				**(1,856,901)**
Finance costs				**(788,901)**
Profit before tax				**1,629,860**
As at 31 March 2022				
Segment assets	**60,605,630**	**51,091,732**	**2,434,582**	**114,131,944**
Reconciliation:				
Unallocated assets				**10,255,480**
Total assets				**124,387,424**
Segment liabilities	**19,909,661**	**9,400,575**	**2,041,657**	**31,351,893**
Reconciliation:				
Unallocated liabilities				**47,945,559**
Total liabilities				**79,297,452**
Other segment information				
Depreciation and amortisation	**135,333**	**22,497**	**73,112**	**230,942**
Capital expenditure*	**1,902,220**	**352,210**	**1,152**	**2,255,582**

	Property development *HK$'000*	Property investment and management *HK$'000*	Others *HK$'000*	Total *HK'000*
Year ended 31 March 2021				
Segment revenue				
Sales to external customers	8,543,938	1,523,386	1,241,980	11,309,304
Segment results before increase in fair value of investment properties and impairment of goodwill	3,510,211	1,072,242	569,062	5,151,515
Increase in fair value of investment properties	–	1,054,256	–	1,054,256
Impairment of goodwill	–	–	(34,128)	(34,128)
Segment results after increase in fair value of investment properties and impairment of goodwill	3,510,211	2,126,498	534,934	6,171,643
Unallocated cost of sales				(207,310)
Interest income				105,820
Fair value losses on financial assets/liabilities at fair value through profit or loss, net				(17,966)
Losses on disposal of financial assets/ liabilities at fair value through profit or loss, net				(214,421)
Unallocated income and gains				105,814
Unallocated expenses				(1,903,130)
Finance costs				(638,363)
Profit before tax				3,402,087
As at 31 March 2021				
Segment assets	54,277,006	50,145,678	3,193,034	107,615,718
Reconciliation:				
Unallocated assets				12,927,212
Total assets				120,542,930
Segment liabilities	20,304,589	8,948,257	1,109,604	30,362,450
Reconciliation:				
Unallocated liabilities				48,883,930
Total liabilities				79,246,380
Other segment information				
Depreciation and amortisation	156,446	24,306	95,270	276,022
Capital expenditure*	2,446,700	428,583	4,479	2,879,762

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments included in right-of-use assets, properties under development and investment properties.

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

An analysis of revenue, other income and gains/(losses) is as follows:

	For the year ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
Revenue*		
Revenue from contracts with customers	**8,426,294**	9,932,697
Revenue from other sources		
Rental income	**911,596**	866,226
Finance lease income	**579,892**	117,276
Others	**393,846**	393,105
	10,311,628	11,309,304
Other income		
Interest income	**192,567**	105,820
Government grants**	**55,713**	150,843
Others	**49,649**	7,290
	297,929	263,953
Gains/(losses)		
(Losses)/gains on disposal of property, plant and equipment and right-of-use assets, net	**(33,145)**	2,185
Gains on land resumption***	**856,425**	–
Fair value losses on financial assets/liabilities at fair value through profit or loss, net	**(2,130)**	(17,966)
Losses on disposal of financial assets/liabilities at fair value through profit or loss, net	**(25,598)**	(214,421)
Gains on repurchase of the senior notes	**–**	20,062
Losses on redemption/repurchase of asset-backed securities	**–**	(9,111)
Gains/(losses) on disposal of subsidiaries	**6,277**	(57,505)
Exchange gains/(losses), net	**2,404**	(7,950)
	804,233	(284,706)
	1,102,162	(20,753)
Fair value gains on investment properties	**148,244**	1,054,256

* Included amounts of approximately HK$358,688,000 (2021: HK$536,899,000) related to income from outlet operations and approximately HK$436,284,000 (2021: HK$421,455,000) related to income from logistics and warehousing services.

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

*** On 2 September 2021, Xi'an China South City Company Limited, the subsidiary of the Group, entered into land resumption agreements with the local government authority. The consideration for resumption of the land use rights thereof amounted to HK$1,138,576,000 and the transaction resulted in a gain of HK$856,425,000 during the year ended 31 March 2022.

5. PROFIT BEFORE TAX

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

	For the year ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
Cost of properties sold	**5,310,696**	4,969,883
Cost of properties held for finance lease	**614,645**	63,844
Depreciation of property, plant and equipment	**140,970**	155,826
Less: Depreciation capitalized in respect of properties under development	**(398)**	(438)
	140,572	155,388
Depreciation of right-of-use assets	**89,972**	120,196
Lease payments not included in the measurement of lease liabilities	**8,516**	8,003
Auditor's remuneration	**3,500**	4,650
Employee benefit expense (including directors' remuneration):		
Wages and salaries*	**416,687**	436,189
Equity-settled share option expense	**6,758**	6,310
Pension scheme contributions	**30,381**	32,999
	453,826	475,498
Impairment of trade receivables**	**72,369**	231,465
Impairment of financial assets included in prepayments, other receivables and other assets and other long-term receivables**	**264,357**	10,785
	336,726	242,250
Impairment of goodwill**	**–**	34,128
Impairment of inventories**	**–**	25,185
Impairment of properties held for sales**	**85,556**	–
Contract cancellation costs**	**47,049**	99,030

* Included an amount of approximately HK$50,455,000 for the year ended 31 March 2022 (2021: HK$56,807,000), which was capitalized under properties under development.

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
Interest on bank and other borrowings (including senior notes, medium-term notes and domestic company bonds)	**3,409,124**	3,245,855
Interest on lease liabilities	**3,795**	8,450
	3,412,919	3,254,305
Less: Interest capitalized	**(2,624,018)**	(2,615,942)
Total	**788,901**	638,363

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2021: Nil).

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

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("**CIT**") at the statutory rate of 25% (2021: 25%) on their respective taxable income during the year.

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary of the Group obtained the High and New Technology Enterprises qualification. Accordingly, it enjoyed a preferential income tax rate of 15% for the years ended 31 March 2022 and 2021.

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

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

	For the year ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
Current Mainland China corporate income tax	**482,535**	230,412
LAT in Mainland China	**384,249**	(149,205)
Deferred Mainland China corporate income tax	**3,952**	905,751
Total tax charged for the year	**870,736**	986,958

8. DIVIDEND

	For the year ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
Final dividend – Nil (2021: HK3.0 cents per ordinary share)	**–**	242,757

At a meeting of the Board held on 30 June 2022, the directors resolved not to propose a final dividend to shareholders (2021: HK3.0 cents per ordinary share).

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

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

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 8,091,892,848 (2021: 8,091,892,848) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 March 2022 and 2021 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

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

	For the year ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**760,200**	2,415,498

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**8,091,892,848**	8,091,892,848

10. TRADE RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables	**2,773,572**	1,274,822
Impairment	**(422,163)**	(450,117)
	2,351,409	824,705

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

An ageing analysis of the trade receivables as at 31 March 2022 and 2021 based on the payment due date net of loss allowance, is as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 3 months	**2,127,284**	561,290
Over 3 months	**224,125**	263,415
	2,351,409	824,705

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

	2022	2021
	HK$'000	*HK$'000*
At the beginning of year	**450,117**	298,090
Impairment losses	**72,369**	231,465
Amount written off as uncollectible	**(119,268)**	(103,623)
Exchange realignment	**18,945**	24,185
At the end of year	**422,163**	450,117

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

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

As at 31 March 2022

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

As at 31 March 2021

		Past due				
	Current	Less than 1 year	1–2 years	2–3 years	Over 3 years	Total
Expected credit loss rate	8%	12%	44%	77%	100%	35%
Gross carrying amount *(HK$'000)*	254,131	571,221	131,794	68,098	249,578	1,274,822
Expected credit losses *(HK$'000)*	19,437	70,811	58,036	52,255	249,578	450,117

11. TRADE AND OTHER PAYABLES

	Notes	**2022** *HK$'000*	2021 *HK$'000*
Other payables and accruals		**3,647,999**	3,364,420
Notes payable	(i)	**2,378,031**	1,628,850
Advanced rental and other receipts		**2,306,925**	2,948,287
Due to non-controlling interests		**–**	398,767
Lease liabilities		**9,858**	52,830
Construction fee and retention payables	(ii)	**3,706,560**	2,887,967
		12,049,373	11,281,121

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

	2022 *HK$'000*	2021 *HK$'000*
Within 3 months	**356,239**	405,566
Over 3 months	**2,021,792**	1,223,284
	2,378,031	1,628,850

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

	2022	2021
	HK$'000	*HK$'000*
Within 1 year	**2,774,755**	1,945,718
Over 1 year	**931,805**	942,249
	3,706,560	2,887,967

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

The other payables are non-interest-bearing.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of the Company and its subsidiaries, I present herewith the consolidated results of the Group for the financial year ended 31 March 2022 (the "**Reporting Period**").

In the previous financial year, international trade tensions worsened, China-US relations were tightening, and the economy faced increasingly challenging conditions. Meanwhile, with the resurgence of the epidemic domestically, first-tier cities such as Shanghai and Shenzhen also adopted different level of precautionary measures. Apart from that, the real estate sector and related industries suffered a downturn while others encountered severe operational challenges. In the first half of the previous financial year, liquidity crisis occurred consecutively across several sectors and within well-known companies due to the worsening macroeconomic situation and a difficult domestic and external capital market. In October last year, international rating agencies downgraded the credit ratings of nearly 30 listed companies in Mainland China and offshore financing channels and refinancing nearly stagnated, leaving a number of companies facing financing difficulties. In the second half of the financial year, the Russia-Ukraine conflict further disrupted the international landscape and brought more uncertainty to future developments. In the first quarter of the year 2022, China's gross domestic product (GDP) grew by 4.8% year-on-year, a significant drop in growth.

During the Reporting Period, China South City was also affected by trade tensions, repeated outbreaks and torrential rain in CSC Zhengzhou, which contributed to instability affecting the development of the cross-border e-commerce industry impacting incubation and investment within the industry. Recurring outbreaks further raised the difficulty of operations in the e-commerce and trade industries. In projects deployed by the Group, including in Zhengzhou, Chongqing, Harbin, etc., daily planning and operational activities reduced, the number of visitors declined while logistics costs increased.

Despite the various challenges faced by the Company during the Reporting Period, the Board and the management have proactively sought solutions to address them. On 30 December 2021, China South City and Shenzhen SEZ Construction and Development Group Co., Ltd. ("**SZCDG**") entered into share subscription agreement and a strategic cooperation agreement pursuant to which the Company shall allot and issue 3.35 billion shares to SZCDG, representing approximately 29.28% of the total issued share capital as enlarged by the allotment and issue of the shares, forging a strong alliance based on the principle of "Complementary Strengths, Strategic Synergies and Innovative Development". On 16 May 2022, the subscription was fully completed and SZCDG became the single largest shareholder of China South City.

Established by the Shenzhen Municipal Government in September 2011, SZCDG is a municipal state-owned enterprise set up for the purpose of accelerating the reform of investment and financing system and promoting the integration process of the Special Zone. In February 2016, the municipal government further clarified SZCDG as the municipal operating entity for infrastructure investment, construction and operation with its principal activities being infrastructure investment, construction and operation, development, construction and operation of industrial park, strategic emerging industry investment, regional economic cooperation and PPP project implementation. As of December 2021, SZCDG had a registered capital of RMB33.509 billion, total assets of RMB99.021 billion and net assets of RMB42.919 billion. Over the past decade since its establishment, SZCDG has effectively played a role of major infrastructure construction, industrial upgrading and expanding the room of development providing support for industrial cooperation. With such cooperation with a state-owned enterprise, China South City can further integrate resources, maximize the synergy effect, reduce financing costs and strengthen its comprehensive financial strength. As a state-owned enterprise, SZCDG will give full play to its strategic leading role and support China South City to further develop its main business and grow stronger with innovations. In the future, SZCDG will always keep "Three Unchanging Aspects" i.e. the management team of China South City will remain unchanged, the market-oriented operation mechanism will remain unchanged and the industrial positioning and development direction will remain unchanged. Besides, SZCDG will take advantage of the state-owned enterprise status to promote China South City to achieve "Three Changes": firstly, to improve the credit level and enhance capital liquidity; secondly, to optimize the asset structure and reduce asset-liability ratio effectively; thirdly, to strengthen the import of resources and realize industrial transformation and upgrading.

With SZCDG as a Shareholder, the Company believes that it can improve the management and operational efficiency as well as enhance its financial capabilities by leveraging SZCDG's resources and experience within the industry. In turn, it can further enrich and complement the Company's capabilities and resources in developing and exploring other potential under an integrated trade and logistics ecosystems model. On the other hand, the Company will expand cooperation opportunities with SZCDG with the objective of realising business synergies in order to maximise shareholder return while at the same time supporting the sustainable development of the Group's operation.

Pursuant to the strategic cooperation agreement entered into between the Company and SZCDG, SZCDG intends to deepen its collaboration with the Company on various aspects including (i) urban renewal as part of the CSC Shenzhen project; (ii) upgrade the Company's existing project sites to make them become more intelligent and continuous optimisation of operation means; and (iii) freeing-up cooperation resources by introducing high-quality brands and improving the quality and influence of such project sites in the process of coordinating, developing, constructing and operating key national urban areas of the Company.

In addition to introducing the new shareholder amid a sluggish market environment, China South City, on the basis of stabilizing the project sites operation, has made every effort to proceed asset realization, accelerate the return of capital funds and continuously expand new financing channels. For example, capital funds of more than RMB1.7 billion were recovered by disposing two high-standard logistics and warehousing projects belonging to Qianlong Logistics Group Co., Ltd. in Zhengzhou and Hefei, while a new credit facility of RMB4 billion was granted by a strategic cooperation agreement with Bank of Shanghai. Meanwhile, China South City has also strived to improve the efficiency of operations and further optimize management and staff structure to reduce costs and increase efficiency while maintaining safe and stable operations. China South City, in various regions, has combined local characteristics to accurately introduce new industries and new business models that are in line with future development trends. The new fourth-generation Wanda Plaza opened in CSC Shenzhen and two national-level bases centered in CSC Nanchang are two examples of new business models and new consumption patterns breakthroughs. Qianlong Logistics, a subsidiary of the Group, is actively developing the cold chain business and the related warehousing and leasing business has achieved growth and it is also discussing development opportunities with strategic investors. Through a series of initiatives, the asset-liability ratio of China South City decreased to 63.8% and net assets per share increased to HK$5.57.

In terms of transportation infrastructure, there have been more than 20 metro stations in the projects of China South City across the country among which CSC Xi'an ushered in the opening of a new Metro line and CSC Hefei Metro is under construction. With the successive operation of metros and railway trunk lines of China South City projects in various regions, the overall regional transportation advantage of China South City will be further strengthened.

At present, the overall layout of China South City highly adheres to major national development strategies such as the "Guangdong-Hong Kong-Macao Greater Bay Area" and "Accelerated Push for Building a National Unified Market". Under the top-level design and strategic deployment of the central government for the reform, China South City will expand and strengthen its trading and logistics industry in close compliance with the industrial policies of the central government and local governments in a bid to build a special consumption center in the Greater Bay Area. At the same time, the Group has entered into a strategic cooperation agreement with Urban Planning & Design Institute of Shenzhen* (深圳市城市規劃設計研究院有限公司) (the "**UPDIS**"), a subsidiary of SZCDG, and will officially starting the substantive planning of the first phase of the urban renewal project of CSC Shenzhen.

Results and Dividends

During the Year, the contracted sales of the Group amounted to HK$11,794.7 million (FY2020/21: HK$16,148.9 million); revenue decreased by HK$997.7 million to HK$10,311.6 million (FY2020/21: HK$11,309.3 million), with recurring income up by HK$192.8 million to HK$2,958.2 million (FY2020/21: HK$2,765.4 million).

Net profit attributable to owners of the parent was HK$760.2 million (FY2020/21: HK$2,415.5 million), while core net profit attributable to owners of the parent (excluding fair value gains on investment properties and certain tax effects, impairment of goodwill and loss of forward contract, etc.) was HK$649.0 million (FY2020/21: HK$1,885.6 million). Basic earnings per share was HK9.39 cents (FY2020/21: HK29.85 cents). The Board does not recommend the payment of a final dividend for FY2021/22 (FY2020/21: HK3.0 cents per share).

Review of the Market and Operations

As a leading developer and operator of large-scale integrated logistics and trade centres in China, the Group has kept abreast of market changes, continuously improved its operations, continuously promoted transformation and upgrading, introduced new industries and strived to achieve multi-business collaborative development. During the Reporting Period, due to the repeated outbreak of the pandemic and the general environment of a downturn within the real estate sector, the Investment and Development division will continuously decrease financial levergage and speed up disposal of assets. In terms of management and team building, the Investment and Development division strives to implement refined management and optimizes the organizational structure, to maintain stable operations.

During the Reporting Period, adhering to the investment strategy of "Recruiting Big and Good Merchants" and the service spirit of "Go Out and Invite In", the Business Management division of China South City promoted a change in focus of merchant recruitment from "Quantity to Quality" through external cooperation and internal and external interactions thus achieving a breakthrough in merchant recruitment.

Qianlong Logistics provided customers with comprehensive supply chain integrated logistics solutions through three business platforms with the "Logistics Park Operation Platform" as the foundation, the "Warehousing Service Platform" as the core and the "Forwarder Distribution Platform" as the substance. During the Reporting Period, leveraging its wealth of quality services and experiences throughout the years, it has gained a number of high-quality merchants and was awarded "The First Batch of MNC Regional Headquarter" and "Outstanding Logistics and Supply Chain Service Provider" in the 2021 CILF. In addition, capital funds of more than RMB2 billion were recovered through disposing certain mature projects in Xi'an, Zhengzhou and Hefei.

As for operation management, with the continuous development of new generation information technology such as big data and cloud computing, China South City has accelerated the improvement of intelligent hardware infrastructure and intelligent systems in line with the trend of the times. The Company aims to realize the data and internet-based management of the project sites through the integration and connection of "Internet of Things + Internet" following the concept of "Data-Driven and Active Service". At present, data in many fields such as smart elevator, energy consumption of the project sites, intelligent customer service, smart parking and passenger flow analysis can be accessed at the mega data platform of smart industrial parks in China South City.

Regarding external cooperation, taking the opportunity of the share subscription made by SZCDG and leveraging the resource advantage of the state-owned platform, China South City has reached strategic cooperation with many large enterprises to further improve the industrial ecosystem of the project sites through cooperative development and resource sharing. On 16 February 2022, China South City entered into a contract with Pengcheng Zhihui Gongxiang Technology (Shenzhen) Co., Ltd.* (鵬城智慧共享科技(深圳)有限公司), a subsidiary of SZCDG, under which they will deepen comprehensive cooperation in such areas as parking scenario construction, operation and management services, value-added operation services, road-by parking, project sites security, dedicated line services and intelligent project sites construction. On 23 February 2022, China South City entered into a strategic cooperation agreement on distributed green energy with Shenneng Nanjing Energy Holding Co., Ltd.* (深能南京能源控股有限公司), a subsidiary of Shenzhen Energy Group, for carrying out all-round active cooperation in the fields of rooftop distributed photovoltaic, cogeneration, carbon asset management, various types of energy storage, integrated energy, contract energy management and other fields, marking the formal entrance into the new energy sector. On 3 March 2022, China South City entered into a strategic cooperation agreement with Shenzhen Planning Institute, a subsidiary of SZCDG, for carrying out all-round cooperation in project sites planning and design, urban renewal planning, architectural design and other fields based on the nationwide project sites of China South City. On 31 March 2022, China South City reached a cooperation agreement with Shenzhen International Holdings Limited to effectively revitalize its assets and further strengthen its cash flow by transferring its Qianlong Logistics' two high-standard logistics and warehousing projects in Zhengzhou and Hefei.

Financial Management

During the Year, the Group remained prudent in its financial management to maintain multi-channel financing for better cash management and debt structure. The Group has no issuance of senior notes in offshore market.

The Group continued to maintain the smooth development for multiple financing channels in both domestic and offshore capital markets, selected the proper window based on market conditions and improved the overall debt structure. The Group further optimized its debt structure by repurchasing and cancelling offshore bonds. In addition, since the financial year of 2020/21 and up to the Year, the Group was granted a number of domestic long-term bank loans issued by various banks with terms ranging from 5 to 15 years. Such loans shall significantly extend the loan terms and increase the flexibility of working capital. On top of the repayment of the original loans, it allows the Group to acquire additional liquidity by making full use of property valuation. Looking forward to the next financial year, the Group will maintain and extend its prudent and sound financial management strategy as well as flexible and smooth financing channels in both domestic and offshore capital markets with the aim of achieving steady growth under healthy financial structure thereby creating maximum value for shareholders.

Prospects

Looking ahead to the next financial year, the international trade landscape remains intricate and complicated and routine measures have been taken for the pandemic prevention and control, which are expected to bring continuous impact and challenges to the development of enterprises. China South City will continue to focus on real business and make every effort to promote transformation and upgrading in line with future development direction.

With the successful completion of SZCDG's share subscription, the comprehensive financial strength of China South City has been further enhanced, financing channels have been increased and financing costs are expected to be reduced. Both parties will join hands for future development by carrying out all-round cooperation at a higher level and in more fields to achieve complementary advantages and mutual benefits in a wider scope. We will jointly promote the integration and complementation of corporate culture, take cultural interconnection as the "First Move" for inclusive development, move faster to build cultural consensus and foster a more open and inclusive corporate culture concept system. We will jointly push the integration and improvement of management mechanism, fully respect the market-oriented operation and management mechanism, standardize management in accordance with the requirements of modern corporate governance, strengthen risk control and continuously improve management systems. We will also jointly facilitate resource integration and sharing, focus on open cooperation, strategic synergy and innovative development and optimize resources in development and construction, project sites operation, financing resources and urban renewal to gain momentum and empower high-quality and sustainable development. In the meantime, the Group will step up efforts to destock and maintain a safe and sound cash flow to focus on core industries such as the trade and logistics business.

The Group will continue to adopt a prudent attitude and actively face challenges. Relying on the "Trade and Logistics+" model that has been adhered to for many years coupled with market procurement trade pilot, the national e-commerce demonstration base and other policy advantages, the Group will continue to improve the trade industry ecosystem and strive to create an "Integrating Industries into Projects, Building Beautiful New City Conducive to Work and Life". For investment and development business, the Group will draw on SZCDG's advantages in Shenzhen and the Greater Bay Area to seek development opportunities such as urban renewal and project sites upgrading projects, revitalize project sites resources, introduce new industries and create new growth points. The first phase of the urban renewal project of CSC Shenzhen has started substantive planning, which includes land area of 430,000 sq.m. The fully-launched urban renewal projects will also generate new growth potential for the Group. I warmly welcome SZCDG's strategic subscription of the shares of China South City to open a new chapter of cooperative development. I sincerely look forward to the rapid and synergistic development of both parties under the leadership of the Party Committee of SZCDG giving full play to the resource advantages of the state-owned enterprise and promoting the high-quality development of China South City.

Finally, on behalf of the Board, I would like to extend my heartfelt appreciation to our honourable shareholders, customers and business partners for their ongoing support and trust in the Group. I would also like to thank the management and staff for their dedication and wholehearted commitment which have helped China South City grow from strength to strength.

Cheng Chung Hing
Chairman and Executive Director

Hong Kong, 30 June 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Introduction of State Capital Deepened Cooperation

During the first half of the fiscal year, international trade frictions continued, domestic and offshore financing environment deteriorated and economic downward pressure gradually became apparent. A number of well-known listed companies experienced debt crisis. The continued tightening of financing policies and liquidity crisis affected the confidence of the market consumer. According to data released by the National Bureau of Statistics, China's gross domestic product (GDP) grew by 4.8% year-on-year in the first quarter of this year, a significant drop in growth as compared to the same period last year. As many industries such as real estate endured a downturn, industries such as trade and logistics were affected with adverse factors such as the recurring pandemic affecting the Group's overall operations.

In response to the economic downturn and the complicated and ever-evolving domestic and international circumstances, the management and all colleagues of the Company worked hard to overcome the difficulties. We adjusted operating strategies in a timely manner and made every effort to promote asset disposal, enhanced operation and management standard, optimized employee structure, reduced costs and increased the liquidity of the Company and to maintain safe and stable operations. During the Reporting Period, China South City and SZCDG entered into an equity subscription agreement pursuant to which SZCDG will subscribe 3.35 billion shares of China South City, representing approximately 29.28% of the total issued share capital as enlarged by the allotment and issue of shares forging a strong alliance based on the principle of "Complementary Strengths, Strategic Synergies and Innovative Development". After the completion of the subscription, SZCDG becomes the substantial and single largest shareholder of China South City. With introduction of a substantial shareholder as a state-owned enterprise, China South City can further integrate resources, improve industries, reduce financing costs and strengthen its comprehensive financial strength. The Group can also take the advantage of SZCDG's investment to reduce the Company's financing costs and optimize its debt structure by lengthening the average tenor of its loan facilities, both of which are beneficial to the long-term development of the Company.

In addition, the Company continued to push ahead with assets disposal, especially the sale of large-scale assets, to accelerate the recovery of capital funds. For example, capital funds of more than RMB1.7 billion were recovered through disposing two high-standard logistics and warehousing projects of Qianlong Logistics Group Co., Ltd. in Zhengzhou and Hefei, and income of approximately RMB1.3 billion was generated for the Group by disposing its warehousing project in Xi'an and entering into a land resumption agreement with the Xi'an government. In the future, the Company will continue to proceed asset realization to provide additional financial support for the Company.

On the basis of stabilizing the project site operations, the Group has proactively expanded in newer industries and newer businesses and achieved the collaborative development of multiple industries by continuously improving the standard of merchant recruitment and operations. On the one hand, China South City strengthened and upgraded its presence in the original industries. For example, the grand opening of the first fourth-generation Wanda Plaza in CSC Shenzhen demonstrated a perfect complement to the existing businesses of CSC Shenzhen; CSC Nanchang was approved as the National E-Commerce Demonstration Base and became the second national e-commerce base following CSC Shenzhen; CSC Chongqing built a famous hotel supplies cluster and CSC Nanning has introduced sports industry projects in another example of the promotion of a new industry cluster. On the other hand, with the opportunity of introducing state capital, China South City has begun comprehensive and renewed cooperation activities to continuously explore new value and growth.

After entering into a strategic cooperation agreement with SZCDG on 30 December 2021, on 16 February 2022, China South City entered into a contract with Pengcheng Zhihui Gongxiang Technology (Shenzhen) Co., Ltd.* (鵬城智慧共享科技(深圳)有限公司), a subsidiary of SZCDG, under which they will cooperate in such areas as parking scenario construction, operation and management services, value-added operation services and intelligent project sites construction to upgrade the intelligent parking system of the project sites in all aspects. On 23 February 2022, China South City entered into a strategic cooperation agreement on distributed green energy with Shenneng Nanjing Energy Holding Co., Ltd.* (深能南京能源控股有限公司), a subsidiary of Shenzhen Energy Group, for carrying out all-round active cooperation in the fields of rooftop distributed photovoltaic, cogeneration, carbon asset management, various types of energy storage, integrated energy, contract energy management and other fields, marking the formal entrance into the new energy sector. On 3 March 2022, China South City entered into a strategic cooperation agreement with Shenzhen Planning Institute, a subsidiary of SZCDG, for carrying out all-round cooperation in project sites planning and design, urban renewal planning, architectural design and other fields based on the nationwide project sites of China South City and starting the substantive planning of the first phase of the urban renewal project in CSC Shenzhen. This cooperation reflects the cooperation between the Company and state capital, in particular SZCDG.

During the Year, the Group's total revenue was HK$10,311.6 million (FY2020/21: HK$11,309.3 million). Its recurring income was HK$2,958.2 million (FY2020/21: HK$2,765.4 million), accounting for 28.7% of the total revenue (FY2020/21: 24.5%). Gross profit margin was 29.3% (FY2020/21: 43.7%). Core net profit attributable to owners of the parent was HK$649.0 million (FY2020/21: HK$1,885.6 million). Profit attributable to owners of the parent was HK$760.2 million (FY2020/21: HK$2,415.5 million). Basic earnings per share amounted to HK9.39 cents (FY2020/21: HK29.85 cents).

Investment and Development Division

Project Investment and Development

The investment and development division mainly focuses on the Group's project investment, development and construction, laying a solid foundation for subsequent 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 in various places such as Zhengzhou, Xi'an, 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 previous fiscal 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.

CSC Shenzhen

As of 31 March 2022, construction of a GFA of approximately 2.39 million sq.m. was completed in CSC Shenzhen; in addition, planned construction of a GFA of approximately 250,000 sq.m. was underway.

CSC Nanchang

As of 31 March 2022, construction a GFA of approximately 2.40 million sq.m. was completed in CSC Nanchang; in addition, planned construction of a GFA of approximately 710,000 sq.m. was underway.

CSC Nanning

As of 31 March 2022, construction of a GFA of approximately 1.95 million sq.m. was completed in CSC Nanning; in addition, planned construction of a GFA of approximately 150,000 sq.m. was underway.

CSC Xi'an

The development of CSC Xi'an is well underway with a GFA of approximately 2.41 million sq.m. completed; in addition, planned construction of a GFA of approximately 760,000 sq.m. was underway.

CSC Harbin

The development of CSC Harbin is well underway with a GFA of approximately 1.91 million sq.m. completed; in addition, planned construction of a GFA of approximately 880,000 sq.m. was underway.

CSC Zhengzhou

The development of CSC Zhengzhou is well underway with a total GFA of approximately 5.21 million sq.m. completed; in addition, planned construction of a GFA of approximately 2.11 million sq.m. was underway.

CSC Hefei

The development of CSC Hefei is well underway with a GFA of approximately 3.68 million sq.m. completed; in addition, planned construction of a GFA of approximately 640,000 sq.m. was underway.

CSC Chongqing

The development of CSC Chongqing is well underway with a GFA of approximately 2.33 million sq.m. completed; in addition, planned construction of a GFA of approximately 500,000 sq.m. was underway.

Logistics and Warehousing Services

Qianlong Logistics, a subsidiary of the Group, is an integrated modern logistics enterprise. As a professional operator of e-commerce, logistics and information industrial parks, it adopted the "Internet + Logistics Parks" operation mode to realize the integration of information and resources between transportation, warehousing, distribution and other logistics services providers and production, manufacturing, sales, e-commerce and other cargo owners across the country through the platform focusing on the establishment of the integrated CSC logistics network. Qianlong Logistics has vigorously expanded its comprehensive third-party logistics services of warehousing and distribution. It has set up subsidiaries in 16 core cities in China and vigorously developed logistics resources in the Greater Bay Area and Yangtze River Delta. It has built more than 1 million sq.m. of standardized and modernized e-commerce logistics industrial parks that are already in operation adopting various technical means and applications such as big data, artificial intelligence, automated equipment, visualization, sensors etc., striving to transform and upgrade itself to intelligent and digital modern logistics in all aspects. During the Reporting Period, Qianlong Logistics completed warehouse area reached cooperation with renowned manufacturers both at home and abroad and enhanced its service level by upgrading the warehouse standard comprehensively. It was awarded "The First Batch of MNC Regional Headquarter" and "Outstanding Logistics and Supply Chain Service Provider" in the 2021 CILF. Besides, Qianlong Logistics has successfully achieved large-scale replication. Capital funds of more than RMB2 billion were recovered through transferring certain mature projects in Xi'an, Zhengzhou and Hefei, which has greatly strengthened the cash flow of the Group.

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

Business Management Division

The Service Spirit of "Go Out and Invite In" was Successfully Implemented for Cooperation in Merchants Recruitment

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

During the Reporting Period, with the repeated outbreak of the pandemic, some exhibition and marketing activities were reduced, visitor flow decreased and operating costs further increased. In response to many unfavourable external factors such as economic downward pressure, pandemic and torrential rain, adhering to the investment strategy of "Introducing Large and Good Merchants" and the service spirit of "Go Out and Invite In", the Business Management division of China South City promoted change in merchant recruitment from quantity to quality through external cooperation and internal and external interactions thus making new breakthroughs in merchant recruitment. Longgang Wanda Plaza, the first fourth-generation Wanda Plaza in CSC Shenzhen, opened in September last year and has attracted more than 200,000 visitors on its first day with an average daily flow of more than 100,000 visitors in a single month. CSC Zhengzhou organized the industry benchmark event – CSC Home Building Materials Expo – which provides an influential and aggregated exhibition and sales platform for businesses. With the opportunity of the "14th National Games", CSC Xi'an has comprehensively enhanced the quality of the project site. CSC Nanning has focused on industry upgrade and successfully introduced sports industry projects; CSC Nanchang was awarded the "National E-commerce Demonstration Base" and its B2B offline supermarket supply warehouse project commenced in September. CSC Hefei has continued to expand its education and training business. CSC Chongqing and CSC Harbin made progress in relocation of old markets. CSC Harbin has attracted old market merchants to renew business contracts for small commodities and hardware and building materials; CSC Chongqing has successfully developed the hotel supplies market and created a preferred platform for wholesale procurement in the hotel supplies industry in Southwest China.

In addition, the Group and the person in charge of merchants recruitment in each city endeavoured to proceed with merchants recruitment. We visited various e-commerce associations, hardware and machinery chambers of commerce, home building materials associations, automobile and motorcycle associations, second hand car industry associations, Chaoshan Chamber of Commerce and other business associations, invited national industry associations and famous enterprises to pay field visits, and organized various key activities, such as "CSC Chongqing Hotel Supplies District Merchants Recruitment Meeting", "Southwest Hefei Development Summit Forum and CSC-Brand Signing Conference", "CSC Nanchang Second Hand Car Market Merchants Recruitment Conference & CSC Motor Vehicle Registration Service Station Trial Operation", "CSC Nanchang Trade and Logistics & Huasheng Outlet Merchants Recruitment Conference and Business Appreciation Meeting", "Heilongjiang Province Enterprise Benefiting Policy Interpretation and CSC Harbin Education and Training Industry Inspection and Exchange Conference" and "CSC Zhengzhou Development Dialogue Summit Forum", enabling the implementation of many projects and the contract signing of brands such as Yuzhou Household and Building Materials Market and Jiangxi Tea Service Centre.

During the Reporting Period, the overall layout of China South City highly adheres to major national development strategies such as the "Guangdong-Hong Kong-Macao Greater Bay Area" and "Accelerated Push for Building a National Unified Market" which focuses on optimizing the trade and logistics infrastructure vigorously developing the third-party logistics system. Under the top-level design and strategic deployment of the central government for the reform, China South City will expand and strengthen its trading and logistics industry in close compliance with industrial policies of the central government and local governments to build a special consumption centre in the Greater Bay Area.

Property Leasing and Property Management

The Group implements diversified property management mode. As a leading developer and operator of large-scale integrated commercial logistics and trade centres in China, China South City has developed diversified and flexible property management and ancillary services 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, the property management division has gained National First-Class Property Management Qualification. It was one of the few integrated property management enterprises capable of managing both trade centre premises and residential properties in China. During the Reporting Period, China South City was awarded the "2021 China Excellent Corporations of the Characteristic Industrial New Town" and "Top 100 Commodity Markets in China". Also, First Asia Pacific Property Management, a subsidiary of China South City, was awarded the honour of "The 40th Anniversary Brand Enterprise of Guangdong Property Management Industry".

As the projects in various cities matured over time, the Group continuously seeks to add multiple streams of income to improve its operation, including advertising and exhibitions, temporary space leasing and parking charge. Meanwhile, the Group continued to strengthen digitalization on its property management through the application of mobile payment, online payment, electronic invoicing, smart device control, etc., with a view to provide higher usability while significantly reducing manpower costs at the same time increasing efficiency.

Exhibitions and Events

During the Reporting Period, the development of various exhibition activities was adversely affected due to the recurring pandemic and the consequential requirements for pandemic prevention and control. The Group organized several large-scale exhibitions and events while actively implementing the pandemic prevention requirements of local governments.

In April 2021, the "Zhuang March 3 – Bagui Carnival" and the 6th CSC "March 3" Folk Culture Festival was held topping hot searches in Douyin's same city section and attracting more than 150,000 visits.

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

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

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

In January 2022, The New Year Goods Festival under the theme of "Happy City • Chinese New Year" was held aiming to create a one-stop New Year shopping platform through the combination of online and offline channels reliving the traditional atmosphere in the New Year.

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

Strengthening the Senior Management Team

In order to meet the rapid development needs of the Group's businesses, China South City has continued to strengthen its senior management team to ensure that its long-term development goals are achieved with the best combination of administrative resources and operational capabilities.

On 16 June 2022, Mr. Wan Hongtao ("**Mr. Wan**") has been appointed as an Executive Director and the Group's Vice President. Mr. Wan is primarily in charge of the Company's operation management, strategic coordination and new business development. Prior to joining the Group, Mr. Wan previously held various positions in SZCDG and its certain subsidiaries, including a supervisor of Guangdong Special Construction Development East Investment Co., Ltd.* (廣東特建發東部投資有限公司), a subsidiary of SZCDG; and the deputy director of the Discipline Inspection and Supervision Office (Office of the Board of Supervisors), the deputy director of the Office (Secretariat of the Board of Directors), and the director of the Office (Secretariat of the Board of Directors) of SZCDG. Mr. Wan graduated from Nanjing University of Science and Technology with a major in Economic Law and a minor in Accounting in 2000, and obtained a Master's degree in Business Administration from Lanzhou University in 2016.

On 16 June 2022, Mr. Qin Wenzhong ("**Mr. Qin**") has been appointed as an Executive Director and the Group's Financial Controller. He is primarily in charge of the Company's internal audit, financial management, tax management and fund management, coordinating the financing of the Company and is responsible for coordinating domestic financing, etc. Prior to joining the Group, Mr. Qin previously held various positions in SZCDG and its certain subsidiaries, including the head of the cost contract audit department and the head of the financial management department of SZCDG. Mr. Qin is currently the chairman of the board of directors of Shenzhen Special Construction Development Asia Business Private Equity Investment Fund Management Co., Ltd* (深圳市特建發亞商私募股權投資基金管理有限公司), a subsidiary of SZCDG. Mr. Qin obtained a Bachelor of Economics from Peking University in 1988.

On 16 June 2022, Ms. Shen Lifeng ("**Ms. Shen**") has been appointed as an Independent Non-Executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board. Prior to joining the Group, Ms. Shen served as the legal director and deputy general manager of China Textile Import & Export Corporation Hebei Branch Company* (中紡進出口總公司河北省分公司), the executive deputy general manager of Shenglun Import & Export Group Co., Ltd. (聖侖進出口集團股份有限公司), the vice chairman of board of directors and the general manager of Shaanxi Kunzheng Mining Co., Ltd.* (陝西坤正礦業股份有限公司), the chief executive officer of Hong Kong Porda Havas International Financial Communication Group* (香港博達浩華國際財經傳訊集團). Ms. Shen is currently an executive director of China Tianbao Group Development Company Limited (stock code: 1427) and an independent non-executive director of Hebei Construction Group Corporation Limited (stock code: 1727), shares of both companies are listed on the Stock Exchange. She is also the deputy secretary general of the Hong Kong State-owned Assets Investment Association and an independent director of SZCDG. Ms. Shen has solid basic professional knowledge of civil law, company law, financial law and other civil and commercial law. She has worked in multinational institutions in Hong Kong for 7 years and has 20 years of experience in large state-owned enterprises, foreign companies, multinational companies, and had been executives and independent directors of listed companies. Ms. Shen obtained a Master's degree in Sociology from the University of Hong Kong, a Master's degree in Economics from Hebei University, and a Ph.D in Civil and Commercial Law from Peking University.

Under the leadership of the Board, the strengthened senior management team will lead the Group to create greater value for shareholders and propel the goal of comprehensive transformation and upgrade.

Land Bank

Adapting a unique and flexible business model, the Group intends to retain commercial properties including logistics and warehousing facilities and hotels as well as certain trade centre units for self-use or long-term leasing purposes in order to generate stable recurring income and achieve asset appreciation. The remaining trade centre units and residential facilities will be listed for sale to generate cash flow for the Group's development. The first phase of the urban renewal project of CSC Shenzhen has started substantive planning. On 3 March 2022, CSC Shenzhen entered into a strategic cooperation agreement with Shenzhen Planning Institute, a subsidiary of SZCDG, for carrying out all-round cooperation in project sites planning and design, urban renewal planning, architectural design and other fields based on the nationwide project sites of China South City. Meanwhile, after SZCDG secured a stake in the Company, the Group will deepen its cooperation with SZCDG and state capital in the future especially to draw on SZCDG's advantages in Shenzhen and the Greater Bay Area in order to seek development opportunities such as urban renewal and project sites upgrading projects, revitalization of project sites resources, introduction of new industries thereby creating new growth.

Projects	Completed properties[1]		Properties under development	Properties planned for future development on GFA acquired[2]	Total planned GFA[3]	Planned GFA for acquired land (% to total planned GFA)[4]	
(in sq.m.)	**Sold**	**Saleable and in operation**		**Estimated**	**Estimated**		
CSC Shenzhen	923,100	1,469,200	248,800	66,200	2,707,300	2,707,300	100%
CSC Nanchang	1,407,000	993,900	710,700	1,682,800	6,866,000	4,794,400	70%
CSC Nanning	695,100	1,258,000	154,800	372,100	4,880,000	2,480,000	51%
CSC Xi'an	1,644,900	767,600	761,500	995,000	17,500,000	4,169,000	24%
CSC Harbin	708,300	1,205,900	881,500	2,980,400	12,000,000	5,776,100	48%
CSC Zhengzhou	3,175,000	2,035,000	2,111,200	2,871,000	12,000,000	10,192,200	85%
CSC Hefei	2,447,100	1,229,100	641,200	1,675,600	12,000,000	5,993,000	50%
CSC Chongqing	915,200	1,419,000	495,400	3,672,200	13,100,000	6,501,800	50%
Total	11,915,700	10,377,700	6,005,100	14,315,300	81,053,300	42,613,800	53%

Notes:

(1) Represents the GFA for which the construction of all various types of buildings had been completed, including properties held for sales, warehouses, multi-purpose commercial properties, hotels and trade centres held for rental purpose as well as self-use properties.

(2) Represents the remaining GFA after deducting the completed properties and properties under development from the total planned GFA for acquired land.

(3) Represents the planned GFA upon establishment of the projects. The actual land and GFA to be acquired or built are subject to different factors and may vary subsequently.

(4) Represents the planned GFA for the land acquired including completed properties, properties under development and properties planned for future development. The actual GFA may vary subsequently according to needs of the Group.

FINANCIAL REVIEW

The main objective of the Group's financial management is to pursue long-run sustainable growth while maintaining financial health through a strong and stable capital base.

The Group proactively adjusts its business development strategies, the pace of land acquisition and other capital expenditures in concurrence with its cash flows from operating and financing activities, in order to maintain liquidity while uphold growth momentum.

The Group actively manages its financing structure through various financing channels, from onshore and offshore bank loans to different interbank and capital market instruments, in order to achieve an optimal capital structure and maturity profile. As at 31 March 2022, the total interest-bearing debts of the Group were HK$35,975.4 million (31 March 2021: HK$37,345.4 million). The gearing ratio was 69.4% (31 March 2021: 67.6%). Furthermore, as at 31 March 2022, cash and bank balances were HK$4,681.1 million (31 March 2021: HK$9,442.8 million).

Comparing with the last fiscal year, the revenue of the Group decreased by 8.8% to HK$10,311.6 million (FY2020/21: HK$11,309.3 million), and the core net profit attributable to owners of the parent decreased by 65.6% to HK$649.0 million (FY2020/21: HK$1,885.6 million) during the Year. Net profit attributable to owners of the parent decreased by 68.5% to HK$760.2 million (FY2020/21: HK$2,415.5 million) and the basic earnings per share decreased to HK9.39 cents (FY2020/21: HK29.85 cents). The decrease in net profit attributable to owners of the parent and basic earnings per share are mainly due to (i) decline in average selling price of properties delivered during the Year, resulting in the decrease in the gross profit margin; (ii) the decline in commercial properties leasing demand in the midst of the COVID-19 pandemic and depressed macro market environment, resulting in a decrease in fair value gain on investment properties; (iii) increase in finance cost; and (iv) increase in the provision for inventory impairment.

Revenue

Revenue for the Year decreased by 8.8% to HK$10,311.6 million (FY2020/21: HK$11,309.3 million) comparing with last fiscal year. The decrease was mainly attributable to less sales and delivery of properties during the Year.

	FY2021/2022	FY2020/2021	**Change**
	HK$'000	*HK$'000*	*%*
Sales of properties and finance lease income	**7,353,478**	8,543,938	-13.9
Sales of properties	***4,302,115***	*8,426,662*	*-48.9*
Finance lease income	***579,892***	*117,276*	*+394.5*
Others	***2,471,471***	*–*	*N/A*
Recurring income	**2,958,150**	2,765,366	+7.0
Property leasing and management service income	***1,629,290***	*1,523,386*	*+7.0*
Other recurring revenue	***1,328,860***	*1,241,980*	*+7.0*
	10,311,628	11,309,304	-8.8

Sales of Properties and Finance Lease income

Revenue from sales of properties decreased by 48.9% to HK$4,302.1 million (FY2020/21: HK$8,426.7 million). The decrease was mainly attributable to less sales and delivery of properties during the Year.

Finance lease income derived from the leasing of office buildings increased significantly by 394.5% to HK$579.9 million (FY2020/21: HK$117.3 million). The increment was primarily attributable to more finance lease income on office building at CSC Shenzhen made during the Year.

Property Leasing and Management Service Income

The Group intends to retain certain of the trade centre units for self-use or rental purposes. Meanwhile, the Group also provide property management services for its trade centres, shops and residential properties delivered and in use. Given the diversity of its property types and industries in China South City projects, the Group's business management division continued to provide diversified leasing and property management services, to cater the needs of different property types and industries across respective projects during the Year. Property leasing and management service income will become an important component of the recurring income of the Group in the long run. CSC Shenzhen, being the more mature project in the Group's portfolio, contributed a substantial part of the property leasing and property management service income. During the Year, property leasing and property management service income of the Group increased by 7.0% to HK$1,629.3 million (FY2020/21: HK$1,523.4 million) comparing to last fiscal year.

Other Recurring Revenue

Other recurring revenue increased by 7.0% to HK$1,328.9 million (FY2020/21: HK$1,242.0 million). As different business segment gradually recover under the pandemic, revenue from logistics and warehousing services increased 3.5% to HK$436.3 million (FY2020/21: HK$421.5 million) during the Year. It is worth noting that the continuous and direct impact of the novel coronavirus outbreak, the revenue from outlet operations decreased 33.2% to HK$358.7 million (FY2020/21: HK$536.9 million), which in turn affected the growth rate in the Group's overall recurring income.

Cost of Sales

The Group's cost of sales mainly includes construction costs, borrowing costs and land costs of properties sold and properties sold under finance lease, and operating costs of recurring business. During the Year, the cost of sales decreased by 14.5% to HK$7,286.4 million (FY2020/21: HK$6,365.1 million). The increase in cost of sales was mainly due to the increase in GFA of properties delivered by the Group during the Year.

Gross Profit

Gross profit decreased by 38.8% to HK$3,025.3 million (FY2020/21: HK$4,944.2 million). During the Year, gross profit margin decreased to 29.3% (FY2020/21: 43.7%), which was mainly due to the decrease in average selling price of properties sold.

Other Income and Gains/(Losses)

During the year, other income increased by 12.9% to HK$297.9 million (FY2020/21: HK$264.0 million), which was mainly attributable to the increase in interest income. In addition, during the Year, other gains/(losses) turned back from the losses of HK$284.7 million to the gains of HK$804.2 million, which was mainly attributable to the gains on land resumption.

Fair Value Gains on Investment Properties

The fair value gains on investment properties was HK$148.2 million (FY2020/21: HK$1,054.3 million), mainly attributable to the decline in commercial properties leasing demand in the midst of the COVID-19 pandemic and depressed macro market environment, resulting in a decrease in fair value gain on investment properties. During the Year, the fair value gain mainly comes from logistics and warehousing assets.

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

Based on our business model, the Group may have new additions of investment properties every year that generate fair value gains. The fair value gains/(losses) may fluctuate with time due to the change in the volume of the investment properties, the change in market conditions and different construction phrases of our projects. Therefore, the amount of fair value gains/(losses) will also fluctuate accordingly.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 24.1% to HK$3,692 million (FY2020/21: HK$486.1 million). The decrease was mainly attributable to the implementation of effective cost control measures over marketing activities on the sales of properties during the Year, and certain property sales are directly sold by the Group to end customers rather than through intermediaries.

Administrative Expenses

Administrative expenses decreased by 2.6% to HK$1,014.6 million (FY2020/21: HK$1,041.5 million), which remained almost the same as last year.

Other Expenses

Other expenses increased by 15.5% to HK$473.2 million (FY2020/21: HK$409.6 million), which was mainly attributable to the impairment of trade receivables, properties held for sales, goodwill and financial assets included in prepayments, other receivables and other assets and other long-term receivables.

Finance Costs

Finance costs increased by 23.6% to HK$788.9 million (FY2020/21: HK$638.4 million). Due to the change in capital market conditions, the Group's weighted average financing cost increased to 9.0% at the end of March 2022 (31 March 2021: 8.4%).

The average financing cost of bank and other borrowings, medium term notes, domestic company bonds and senior notes are 8.2%, 8.5%, 8.0% and 10.5% respectively as at 31 March 2022 (31 March 2021: 7.1%, 8.5%, 8.0% and 10.0%).

Tax

Income tax expenses recorded a decrease of 11.8% to HK$870.7 million (FY2020/21: HK$987.0 million), which was due to the relevant tax effect of the drop in fair value gains of investment properties and the decrease in revenue and operating profits during the Year.

Liquidity and Financial Resources

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

Cash and Bank Balances

As at 31 March 2022, the Group had HK$4,681.1 million cash and bank balances (31 March 2021: HK$9,442.8 million). The Group's cash and bank balances were primarily denominated in Renminbi, HK dollars and US dollars.

Borrowing and Charges on the Group's Assets

As at 31 March 2022, the total interest-bearing debts of the Group was HK$35,975.4 million (31 March 2021: HK$37,345.4 million). The details of borrowings and charges on the Group's assets are set out below.

Interest-bearing bank and other borrowings

The Group had aggregated interest-bearing bank and other borrowings of HK$21,083.6 million as at 31 March 2022 (31 March 2021: HK$18,899.0 million), of which HK$8,530.8 million is repayable within one year or on demand, HK$5,941.6 million will be repayable in the second year, HK$2,178.2 million will be repayable in the third to fifth years and HK$4,433.0 million will be repayable after five years. As at 31 March 2022, the Group's interest-bearing bank and other borrowings of approximately HK$20,600.3 million were secured by certain buildings, investment properties, properties under development, properties held for finance lease, properties held for sales and bank deposits with a total carrying value of approximately HK$51,955.5 million.

All interest-bearing bank and other borrowings of the Group were denominated in Renminbi and US dollars with interest rates range from 3.75% to 15.00% (31 March 2021: 3.75% to 12.00%) per annum.

Insurance of Notes

Senior Notes

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

During the Year, the Company made on-market repurchase of 6.75% senior notes due 2021 with a principal amount of US$16.808 million in July and August 2021, 11.5% senior notes due 2022 with a principal amount of US$2 million in July 2021 and 10.875% senior notes due 2022 with a principal amount of US$4 million in July 2021. The repurchased notes were cancelled accordingly.

Details of movement are set out below:

Issued Date	Aug 2020 11.5% senior notes due 2021	Sep and Oct 2016 6.75% senior notes due 2021	Dec 2019 and Jan 2020 11.5% senior notes due 2022	Feb and Jun 2020 10.875% senior notes due 2022	Nov 2017 7.25% senior notes due 2022	Sep 2020 and Jan 2021 10.75% senior notes due 2023	Mar 2021 11.95% senior notes due 2023
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Issued nominal value	200,000	350,000	350,000	350,000	300,000	370,000	225,000
As at 1 April 2021	200,000	332,700	350,000	350,000	276,500	370,000	225,000
Repayment upon maturity	(200,000)	(315,892)	–	–	–	–	–
Repurchase and cancellation	–	(16,808)	(2,000)	(4,000)	–	–	–
As at 31 March 2022	–	–	348,000	346,000	276,500	370,000	225,000

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

As at 31 March 2022, the carrying value of senior notes were HK$12,295.2 million (31 March 2021: HK$15,947.7 million). The senior notes are jointly guaranteed by certain subsidiaries and part of the senior notes are secured by pledges of share of certain subsidiaries.

Medium-Term Notes

In April 2019, China South International Industrial Materials City (Shenzhen) Company Limited ("**China South International**") issued the first tranche of the medium-term notes of 2019 with a total principal amount of RMB600 million with a maximum maturity period of 3 years and at an interest rate of 8.5% per annum. The amount was fully settled on April 2022.

Domestic Company Bonds

In August 2019, China South International issued the first and second tranche of the domestic company bonds of 2019 with an aggregate principal amount of RMB1.4 billion with a maximum maturity period of 3 years and at an interest rate of 8% per annum. In July 2021, the principal amount of RMB12 million of domestic company bonds were sold back to China South International and then the outstanding principal balance was RMB1.388 billion.

As at 31 March 2022, the carrying values of China South International's medium-term notes were HK$799.4 million (31 March 2021: HK$765.6 million) and domestic company bonds were HK$1,797.3 million (31 March 2021: HK$1,733.1 million).

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 69.4% as at 31 March 2022, and 67.6% as at 31 March 2021.

Net Current Assets and Current Ratio

As at 31 March 2022, the Group had net current assets of HK$6,426.6 million (31 March 2021: HK$8,427.9 million) and a current ratio of 1.12 (31 March 2021: 1.18).

Contingent Liabilities

The Group has provided guarantees mainly with respect to banking facilities granted by certain banks in connection with mortgage loans made by purchasers of the Group's trade centres and residential properties, and bank loans made by lessees of the Group's residential and commercial properties. The guarantees granted to purchasers of trade centres and residential properties will be released when the purchasers obtain building ownership certificates, which will then be pledged to the banks. For leased residential and commercial properties, the guarantees will be released accordingly when the lessees repaid the loan. Further details to the above and other matters will be set out in notes to the financial statements.

Commitments

As at 31 March 2022, the Group had future capital expenditure contracted but not yet provided for amounting to HK$13,512.5 million (31 March 2021: HK$15,429.1 million).

Acquisition and Disposal of Subsidiary and Associated Companies

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

Foreign Exchange Risk

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

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

Economic, Commercial and Other Risks

The Group may be exposed to the risk of negative developments in national and regional economies, property and financial markets. It may result in reductions in sales and selling prices of the properties, rental rates and occupancy rates of properties, and demand for ancillary services and facilities it provides. It may also result in recession, inflation, deflation and currency fluctuations as well as restrictions in the availability of credit, increases in financing and other operating costs. The development of the Group's projects may subject to market risks as it usually takes time to complete. Though the Group appoints quality partners for the development of its projects, it may still be subject to associated risk of the quality and safety of the products and services provided to the Group. The Group may also be subject to a number of regulatory environments in the territories in which it operates. Changes in the regulatory approach to such matters as ownership of assets and businesses, regulations related to development and operations, exchange controls, tax rules and employment legislation may impact the business of the Group. Changes in the political environment in such territories may also affect the business of the Group. The management of the Group will keep abreast of the environment and policy changes and make the necessary adjustments in response to such changes, if any. Further steps taken by the Group to manage the financial risk will be set out in notes to the financial statements.

Land for Projects and Restriction on Sales

The Group enters into project agreements with local governments prior to the development of all projects in order to outline the long-term blueprints of relevant projects. These agreements generally set out the size and use of lands and the related development plans. However, the actual acquisition of lands, land area and terms and conditions of such acquisition are subject to the relevant regulations and local governments' requirements, the Group's development plans and the results of the relevant public tender, auction and listing. Since the development of each of these projects may last for more than ten years, the Group and the local government may discuss to adjust the details of these agreements to align with the actual needs of developments.

The pace of the land acquisition and project development depends on the progress of the Group's planning, as well as the procedural formalities as determined by the local government departments. As the procedures and requirements set by different local governments vary, the Group may adjust the development of each project according to relevant conditions. In view of its substantial land bank and flexibility in project planning, the Group believes such circumstances will not have material impact on its development as a whole.

Pursuant to certain project and land related contracts and documents, some of the land acquired by the Group may have sales restrictions on properties built on it. According to the Group's business model, the Group intends to hold certain trade centres and commercial facilities for leasing and self-use, the related sales restrictions will not have significant impact on the Group.

Human Resources

As at 31 March 2022, the Group had a workforce of 2,816 employees. The Group aims to recruit, retain and develop competent individuals who are committed to the Group's long-term success and growth. Remunerations and other benefits of employees are reviewed annually in response to both market conditions and trends, and are based on qualifications, experience, responsibilities and performance. In addition to basic salaries and other staff benefits, discretionary bonuses and share options may be awarded to employees who display outstanding performance and contributions to the Group. During the Year, the Company granted in aggregate of 55,000,000 share options to an executive director and certain employees of the Group.

FUTURE PLANS AND OUTLOOK

In the past two decades since 2003, the Group has built a large-scale integrated commercial logistics and trading platform across the country by relying on the effort of our outstanding management team and forward-looking vision. Now, SZCDG has become the largest shareholder of China South City, with two executive directors from SZCDG participating in the daily operations of the Group, demonstrating a strong endorsement for the future development of China South City. China South City and SZCDG will join forces to seek common development. In particular, the group will take advantage of SZCDG's presence in Shenzhen, Guangdong-Hong Kong-Macao Greater Bay Area and the Northern Metropolis area of Hong Kong to pursue more development opportunities such as urban renewal projects and the upgrade of commercial logistics parks. The above-mentioned area is one of the most economically dynamic regions where construction and development prospects are among the best in the country, implying strong development space and market potential. It is expected that both parties will develop rapidly under the leadership of the Party Committee in SZCDG giving full play to the resource advantages of state-owned enterprises introducing new business formats and promoting the high-quality development of China South City.

IMPORTANT EVENT AFFECTING THE GROUP AFTER 31 MARCH 2022

On 16 May 2022, the Company issued 3,350,000,000 new shares to SEZ Construction & Development Investment Holding LIMITED (an indirect wholly owned subsidiary of SZCDG ("**SEZCDIH**") and received the consideration of HK$1,909.5 million from SEZCDIH, improving the liquidity of the Group.

DELAY IN PAYMENT OF FINAL DIVIDEND FOR THE YEAR ENDED 31 MARCH 2021

The final dividend of HK3.0 cents per share for the year ended 31 March 2021 ("**2020/21 Final Dividend**") was originally scheduled to be paid on or before 30 June 2022. In view of the resurgence of the epidemic, which have affected the capital allocation arrangements of different projects of the Group, as well as time required to apply for foreign exchange quotas, the Group needs about an additional month to complete the offshore fund transfer for the Company to distribute the 2020/21 Final Dividend. Therefore, the Board has resolved to postpone the payment date of such final dividend from 30 June 2022 to on or before 31 July 2022.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of independent auditor's report issued by the Group's independent auditor:

Opinion

We have audited the consolidated financial statements of China South City Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that as of 31 March 2022, the Group's current portion of interest-bearing debts amounted to HK$20,750 million, while its cash and bank balances amounted to HK$4,681 million. This condition, along with the current situation as set forth in note 2.1, which indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

The Audit Committee has discussed with the management regarding the risk management and internal control systems and financial reporting matters related to the preparation of the consolidated financial statements for the year ended 31 March 2022. It has also received the said consolidation financial statements.

Scope of Work of Ernst & Young on the Preliminary Announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, statement of comprehensive income, and the related notes thereto for the Year ended 31 March 2022 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

CLOSURE OF REGISTER OF MEMBERS

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

For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Thursday, 22 September 2022, the register of members of the Company will be closed from Monday, 19 September 2022 to Thursday, 22 September 2022, both days inclusive. In order to qualify for attending and voting at the AGM, Shareholders shall lodge all transfer documents for registration with Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 16 September 2022.

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

Hong Kong, 30 June 2022

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

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

* *For identification purpose only*