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華南城
China South City

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

	For the nine months ended 31 December 2023 *HK$'000*	For the year ended 31 March 2023 *HK$'000*	**Change***
CONTINUING OPERATIONS			
Revenue	**3,508,926**	4,052,262	-13.4%
Loss from continuing operations	**(4,317,590)**	(1,555,306)	+177.6%
Profit from a discontinued operation	**–**	2,254,801	N/A
(Loss)/profit attributable to owners of the parent	**(4,317,462)**	699,984	N/A
(Losses)/earnings per Share – Basic	**(HK37.73 cents)**	HK6.34 cents	N/A

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

CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 31 DECEMBER 2023

The board of directors (the "**Board**") of China South City Holdings Limited (the "**Company**"), together with its subsidiaries ("**China South City**" or the "**Group**") announces herewith the consolidated annual results of the Group for the nine months ended 31 December 2023 ("**FY2023**" or the "**Period**") together with the comparative figures for the previous year (year ended 31 March 2023 ("**FY2022/23**")) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 31 December 2023

	Notes	**For the nine months ended 31 December 2023** *HK$'000*	For the year ended 31 March 2023 *HK$'000*
CONTINUING OPERATIONS			
Revenue	3	**3,508,926**	4,052,262
Cost of sales		**(2,700,245)**	(3,232,227)
Gross profit		**808,681**	820,035
Other income and (losses)/gains, net	3	**(537,406)**	139,687
Fair value (losses)/gains on investment properties	3	**(2,317,419)**	151,588
Selling and distribution expenses		**(166,005)**	(218,710)
Administrative expenses		**(660,025)**	(846,710)
Other expenses		**(1,670,490)**	(871,695)
Finance costs	5	**(633,667)**	(769,426)
Share of profit of associates		**98,896**	36,069
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	4	**(5,077,435)**	(1,559,162)
Income tax credit	6	**759,845**	3,856
LOSS FOR THE PERIOD/YEAR FROM CONTINUING OPERATIONS		**(4,317,590)**	(1,555,306)
DISCONTINUED OPERATION	7		
Profit for the period/year from a discontinued operation		**–**	2,254,801
(LOSS)/PROFIT FOR THE PERIOD/YEAR		**(4,317,590)**	699,495

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

For the nine months ended 31 December 2023

	Notes	For the nine months ended 31 December 2023 HK$'000	For the year ended 31 March 2023 HK$'000
Attributable to:			
Owners of the parent		**(4,317,462)**	699,984
Non-controlling interests		**(128)**	(489)
		(4,317,590)	699,495
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
– for (loss)/profit for the period/year		**(HK37.73 cents)**	HK6.34 cents
– for loss from continuing operations		**(HK37.73 cents)**	(HK14.10 cents)
Diluted			
– for (loss)/profit for the period/year		**(HK37.73 cents)**	HK6.34 cents
– for loss from continuing operations		**(HK37.73 cents)**	(HK14.10 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the nine months ended 31 December 2023

	For the nine months ended 31 December 2023	For the year ended 31 March 2023
	HK$'000	*HK$'000*
(LOSS)/PROFIT FOR THE PERIOD/YEAR	**(4,317,590)**	699,495
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,707,773)**	(4,974,716)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD/YEAR, NET OF TAX	**(1,707,773)**	(4,974,716)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD/YEAR	**(6,025,363)**	(4,275,221)
Attributable to:		
Owners of the parent	**(6,024,917)**	(4,273,950)
Non-controlling interests	**(446)**	(1,271)
	(6,025,363)	(4,275,221)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**31 December 2023 *HK$'000***	31 March 2023 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**543,607**	716,799
Investment properties		**45,988,804**	53,430,054
Right-of-use assets		**311,462**	497,759
Properties under development		**1,065,512**	1,456,194
Interests in associates		**3,961,055**	1,471,483
Financial assets at fair value through profit or loss		**3,724**	5,668
Other long-term receivables		**81,626**	896,447
Deferred tax assets		**4,049,240**	3,490,049
Total non-current assets		**56,005,030**	61,964,453
CURRENT ASSETS			
Properties held for finance lease		**145,637**	126,888
Properties held for sale		**40,502,022**	45,628,055
Inventories		**12,993**	32,698
Trade receivables	10	**712,725**	977,068
Prepayments, other receivables and other assets		**1,714,334**	2,826,618
Amount due from other related party		**138,666**	143,541
Restricted cash		**913,556**	1,150,358
Cash and cash equivalents		**230,088**	1,374,716
Total current assets		**44,370,021**	52,259,942
CURRENT LIABILITIES			
Trade and other payables	11	**6,893,983**	7,253,709
Amounts due to associates		**869,925**	926,257
Amounts due to other related parties		**1,205,832**	2,474,573
Contract liabilities		**8,936,049**	13,413,366
Interest-bearing bank and other borrowings		**7,403,739**	11,862,881
Senior notes		**8,891,111**	922,065
Financial liabilities at fair value through profit or loss		**1,074,695**	8,489
Tax payables		**3,561,011**	3,898,844
Total current liabilities		**38,836,345**	40,760,184
NET CURRENT ASSETS		**5,533,676**	11,499,758
TOTAL ASSETS LESS CURRENT LIABILITIES		**61,538,706**	73,464,211

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

	31 December 2023 *HK$'000*	31 March 2023 *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**13,892,041**	9,416,275
Senior notes	**1,565,410**	10,629,541
Other long-term payables	**–**	15,828
Deferred tax liabilities	**9,634,930**	10,717,565
Total non-current liabilities	**25,092,381**	30,779,209
Net assets	**36,446,325**	42,685,002
EQUITY		
Equity attributable to owners of the parent		
Share capital	**9,131,812**	9,131,812
Other reserves	**27,300,002**	33,538,233
	36,431,814	42,670,045
Non-controlling interests	**14,511**	14,957
Total equity	**36,446,325**	42,685,002

Notes:

1. BASIS OF PREPARATION

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

The unaudited financial information relating to the nine months ended 31 December 2023 and the financial information related to the year ended 31 March 2023 included in this preliminary announcement of annual results for the nine months ended 31 December 2023 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2023, 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 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the nine months ended 31 December 2023 in due course.

The Company's auditor has reported on these financial statements for both years. The auditor's reports did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance. The opinion of auditor's report for FY2023 was disclaimer of opinion and included a reference to a matter to which the auditor drew attention in relation to multiple uncertainties related to going concern; whereas the auditor's report for FY2022/23 were unqualified and included a reference to a matter to which the auditor drew attention by way of emphasis without qualifying their report in relation to a material uncertainty about going concern.

Going concern basis

The Group recorded a loss attributable to the owners of the Company of HK$4,317 million for the nine months ended 31 December 2023. As at 31 December 2023, the Group's current portion of interest-bearing debts amounted to HK$16,295 million, while its cash and bank balances amounted to HK$1,143 million. Subsequent to 31 December 2023, the Group did not repay a principal of US$12 million (equivalent to HK$91 million) and interest of US$13 million (equivalent to HK$101 million) for certain senior notes due in February 2024 (the "**Defaulted Borrowings**"). As of the date of this announcement, the total amount of defaulted and/or cross-defaulted on certain borrowings is approximately HK$30,825 million (the "**Defaulted and/or Cross-Defaulted Borrowings**").

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

(i) The Group is identifying financial advisers to assist it with a restructuring of its senior notes and domestic loan from financial institutions, in order to reach a consensual solution with all the holders as soon as practical;

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

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

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

The board of directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2023. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group have sufficient working capital to finance its operations and to meet its financial obligations or not as and when they fall due within twelve months from 31 December 2023 depend on the successfulness of debt restructuring. 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) successful and timely debt restructuring with the holders of the Group's Defaulted Borrowings;

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

(iii) successfully accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables; and the Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures; or

(iv) successfully and timely implementation of the plans to dispose of certain of the Group's equity interest in certain property projects to raise the level of liquid funds.

Should the Group fail to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying amount 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.

Change of financial year end date

Pursuant to a resolution of the Board dated 30 November 2023, the financial year end date of the Company has been changed from 31 March to 31 December commencing from the financial period ended 31 December 2023 in order to align the financial year end date with that of the principal operating subsidiaries of the Company, which are statutorily required to fix their financial year end date at 31 December in the PRC. Accordingly, the accompanying consolidated financial statements for the current financial period covers a period of nine months from 1 April 2023 to 31 December 2023. The corresponding comparative figures presented for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the audited figures of the financial year from 1 April 2022 to 31 March 2023 and therefore are not comparable with those shown for the current period.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

2.2 Issued but not yet effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

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

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

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

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

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

	For the nine months ended 31 December 2023 *HK$'000*	For the year ended 31 March 2023 *HK$'000*
Revenue*		
Revenue from contracts with customers	**2,855,696**	3,037,675
Revenue from other sources		
Rental income	**456,863**	775,809
Others	**196,367**	238,778
	653,230	1,014,587
	3,508,926	4,052,262
Other income		
Interest income	**59,375**	137,350
Government grants**	**5,497**	9,776
Others	**30,623**	12,375
	95,495	159,501
(Losses)/gains		
(Losses)/gains on disposal of property, plant and equipment and right-of-use assets, net	**(1,952)**	23
Gains on disposal of investment properties, net	**5,641**	–
Fair value (losses)/gains on financial assets/liabilities at fair value through profit or loss, net	**(854,129)**	7,045
Losses on disposal of financial assets/liabilities at fair value through profit or loss, net	**(2,644)**	(17,911)
Losses on disposal of subsidiaries	**(118,351)**	–
Gains on modification of senior notes	**348,655**	–
Exchange losses, net	**(10,121)**	(8,971)
	(632,901)	(19,814)
	(537,406)	139,687
Fair value (losses)/gains on investment properties	**(2,317,419)**	151,588

* Included amounts of approximately HK$261,540,000 for the nine months ended 31 December 2023 (year ended 31 March 2023: HK$295,951,000) related to income from outlet operations and approximately HK$179,004,000 for the nine months ended 31 December 2023 (year ended 31 March 2023: HK$267,770,000) related to income from logistics and warehousing services.

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

4. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	For the nine months ended 31 December 2023	For the year ended 31 March 2023
	HK$'000	*HK$'000*
Cost of properties sold	**2,188,118**	2,468,437
Depreciation of property, plant and equipment	**67,429**	123,672
Less: Depreciation capitalized in respect of properties under development	**(175)**	(312)
	67,254	123,360
Depreciation of right-of-use assets	**12,860**	22,387
Lease payments not included in the measurement of lease liabilities	**29,289**	7,025
Auditor's remuneration	**3,770**	3,680
Employee benefit expense (including directors' remuneration):		
Wages and salaries*	**181,800**	261,975
Equity-settled share option expense	**462**	1,160
Pension scheme contributions	**20,494**	28,589
	202,756	291,724
Impairment of trade receivables**	**41,556**	15,954
Impairment of financial assets included in prepayments, other receivables and other assets and other long-term receivables**	**756,490**	217,372
	798,046	233,326
Impairment of properties held for sale**	**660,810**	517,103
(Written back)/impairment of inventories**	**(1,237)**	2,892
Contract cancellation costs**	**99,503**	50,967

* Included an amount of HK$19,047,000 for the nine months ended 31 December 2023 (year ended 31 March 2023: HK$29,617,000), which was capitalized under properties under development.

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the nine months ended 31 December 2023 *HK$'000*	For the year ended 31 March 2023 *HK$'000*
Interest on bank and other borrowings (including senior notes, medium-term notes and domestic company bonds)	**2,062,810**	3,100,645
Interest on lease liabilities	**1,127**	1,749
	2,063,937	3,102,394
Less: Interest capitalized	**(1,430,270)**	(2,332,968)
Total	**633,667**	769,426

6. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (year ended 31 March 2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (year ended 31 March 2023: Nil).

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

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("**CIT**") at the statutory rate of 25% (year ended 31 March 2023: 25%) on their respective taxable income during the period.

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 credit for the period are as follows:

	For the nine months ended 31 December 2023 *HK$'000*	For the year ended 31 March 2023 *HK$'000*
Total tax credited from continuing operations	**(759,845)**	(3,856)
Total tax charge from a discontinued operation	**–**	352,541
	(759,845)	348,685

7. DISCONTINUED OPERATION

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

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

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

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

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

	For the year ended 31 March 2023 *HK$'000*
Earnings	
Profit attributable to ordinary equity holders of the parent from the discontinued operation	2,254,801

	Number of shares for the year ended 31 March 2023
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation *(note 9)*	11,028,879,149
Profit per share	
Basic and diluted, from the discontinued operation	HK20.44 cents

8. DIVIDEND

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

At a meeting of the Board held on 28 March 2024, the directors resolved not to propose a final dividend to shareholders (31 March 2023: HK2.0 cents per ordinary share).

9. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (losses)/earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 11,441,892,848 (for the year ended 31 March 2023: 11,028,879,149) in issue during the period.

No adjustment has been made to the basic (losses)/earnings per share amount presented for the nine months ended 31 December 2023 and the year ended 31 March 2023 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 (losses)/earnings per share are based on:

	For the nine months ended 31 December 2023	For the year ended 31 March 2023
	HK\$'000	*HK\$'000*
(Losses)/earnings		
(Losses)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (losses)/earnings per share calculation:		
From continuing operations	**(4,317,462)**	(1,554,817)
From a discontinued operation	**–**	2,254,801
	(4,317,462)	699,984

	Number of shares	
	For the nine months ended 31 December 2023	For the year ended 31 March 2023
Shares		
Weighted average number of ordinary shares in issue during the period/year used in the basic and diluted (losses)/earnings per share calculation	**11,441,892,848**	11,028,879,149

10. TRADE RECEIVABLES

	31 December 2023 *HK$'000*	31 March 2023 *HK$'000*
Trade receivables	**1,017,948**	1,307,359
Impairment	**(305,223)**	(330,291)
	712,725	977,068

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

	31 December 2023 *HK$'000*	31 March 2023 *HK$'000*
Within 3 months	**537,935**	880,321
Over 3 months	**174,790**	96,747
	712,725	977,068

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

	31 December 2023 *HK$'000*	31 March 2023 *HK$'000*
At the beginning of year	**330,291**	422,163
Impairment losses	**41,556**	21,431
Disposal of a subsidiary	**(34,493)**	(39,160)
Amount written off as uncollectible	**(26,392)**	(47,327)
Exchange realignment	**(5,739)**	(26,816)
At the end of year	**305,223**	330,291

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 December 2023

		Past due				
	Current	**Less than 1 year**	**1–2 years**	**2–3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**6%**	**6%**	**49%**	**78%**	**100%**	**30%**
Gross carrying amount *(HK$'000)*	**527,742**	**94,598**	**141,079**	**44,003**	**210,526**	**1,017,948**
Expected credit losses *(HK$'000)*	**39,601**	**5,868**	**14,775**	**34,453**	**210,526**	**305,223**

As at 31 March 2023

		Past due				
	Current	Less than 1 year	1–2 years	2–3 years	Over 3 years	Total
Expected credit loss rate	6%	8%	48%	86%	100%	25%
Gross carrying amount *(HK$'000)*	859,606	144,156	67,070	35,418	201,109	1,307,359
Expected credit losses *(HK$'000)*	54,892	11,399	32,279	30,612	201,109	330,291

11. TRADE AND OTHER PAYABLES

	Notes	**31 December 2023** *HK$'000*	31 March 2023 *HK$'000*
Other payables and accruals		**3,710,768**	2,727,735
Notes payable	(i)	**47,107**	893,175
Rental and other receipts in advance		**784,526**	1,029,846
Lease liabilities		**2,565**	10,942
Construction fee and retention payables	(ii)	**2,349,017**	2,592,011
		6,893,983	7,253,709

(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:

	31 December 2023 *HK$'000*	31 March 2023 *HK$'000*
Within 3 months	**47,107**	642,813
Over 3 months	**–**	250,362
	47,107	893,175

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

	31 December 2023 *HK$'000*	31 March 2023 *HK$'000*
Within 1 year	**1,822,364**	1,727,870
Over 1 year	**526,653**	864,141
	2,349,017	2,592,011

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

The other payables are non-interest-bearing.

CHAIRMEN'S STATEMENT

During the reporting period, our sales fell short of expectations and the cash flow was only sufficient to fund our daily operations. The Group was experiencing much difficulty in repaying the principal of and interest on our debt obligations. In recent years, we have taken various proactive measures and successfully extended the maturity date of our offshore US dollar denominated bonds several times. However, our operations and financial situation have not yet sufficiently improved, thus we were not able to make the mandatory redemption payment due on 9 February 2024 with respect to the October 2024 Notes, which led to an event of default. Moreover, we were not able to make the interest payment due on 12 February 2024 with respect to the April 2024 Notes, nor to pay the interests within the 30-day grace period (by 13 March 2024), which led to an event of default. As at this announcement date, the Group incurred a defaulted and/or cross-defaulted principal of HK$30,825 million in its total loans, which had a significant material adverse effect on our business, operations and financial condition, and could possibly lead to insolvency or other forms of restructuring. The Company has been actively discussing debt management strategies with the defaulted and/or cross-defaulted borrowings creditors and note holders. We are considering different options, including but not limited to consent solicitation, schemes and exchange offers, and will provide an update to the market as and when appropriate.

Despite facing many difficulties, the Group made every effort to improve its operation level, optimize its management structure, and strive to reduce costs and increase efficiency and to lay a solid foundation for future development during the reporting period, however, the Group's contract sales and investment promotion performance fell short of expectations, resulting in increased cash flow pressure. The Group maintains the normal operation and strives to generate sufficient cash flow to fulfill its financial commitments and protect the interests of all creditors and shareholders.

Review of Marketing and Operations

During the reporting period, affected by multiple factors, the Group's sales were under great pressure, resulting in unsatisfactory sales performance. The Group will quickly adjust its strategy, continue to revitalize its assets and withdraw funds. Meanwhile, with mutual efforts, projects in Zhengzhou, Nanchang, Hefei and Harbin have been delivered successfully, and other projects are also progressing steadily.

During the reporting period, the Group's investment promotion work encountered great challenges, with the rental rate and rental income adversely affected. According to the market environment, the Group adjusted the investment promotion operation management, concentrated on improving the investment promotion operation level, strengthened peer cooperation, advanced transformation and upgrading, and cultivated and introduced a variety of business formats, including cultural and sports, new energy vehicles, home building materials, etc., to further improve the project site industrial ecosystem.

CSC Zhengzhou held two large-scale central China building materials and hardware fairs in spring and autumn, which reached new records in scale, service, innovation and influence, greatly drove local merchants and activated the project site popularity. At the end of the year, various China South City projects across China re-launched the brand Spring Festival Shopping Event to help merchants operate and increase the project site sales significantly.

After years of development, First Asia Pacific Group, an associate of the Group, has gained national first-class property management qualification, and is one of the few comprehensive integrated property management companies capable of managing both trade centre premises and residential properties in China. During the reporting period, First Asia Pacific Group won the honorary titles of "2023 China's Top 100 Property Services Enterprises" and "2023 China's Leading Enterprise of Special Property Services – Service Provider of Integrated Commercial Park" for its excellent comprehensive strength and service level. At present, First Asia Pacific Group has more than 120 property management service projects, with an area under management exceeding 22 million square meters.

Based on the principle of reducing costs and increasing efficiency, Qianlong Logistics has carried out strategic structural adjustment, devoted itself to building core business capabilities, and focused on three aspects of "design of standard warehouses, construction of warehouses and investment operation of projects". Qianlong Logistics continued to benchmark and learn the business models of industry leading logistics real estate developers, focus on the development, leasing and asset management of logistics real estate, and create high-quality logistics park operation services. During the Reporting Period, Qianlong Logistics attended the "17th China (Shenzhen) International Logistics and Supply Chain Fair", demonstrating the three core capabilities, modern high-standard warehouses and integrated refrigerated storage, and was awarded "Outstanding Logistics and Supply Chain Service Provider" in the 2023 CILF.

Huasheng Outlet actively seeks project opportunities with its advantages of asset-light strategy and seasoned comprehensive business experience. During the reporting period, Huasheng Outlet launched a series of China South City Super Shopping Carnival activities, and joined hands with many brand merchants to create a super shopping feast. Huasheng Outlet took advantage of the Mid-Autumn Festival and National Day with super-high discounts and surprise membership activities to achieve a GMV increase of over 30% year-on-year and over 100% quarter-on-quarter. In addition, Huasheng Outlet received the market recognition and won many awards, in which Shenzhen Huasheng was awarded the "2022–2023 China Top 50 Outlet Index", Zhengzhou Huasheng was granted the "2022–2023 China Outlet Growth Star", and Huasheng Commercial was shortlisted in the "2022 China Top 100 Commercial Retailers". During the period, Huasheng Outlet recorded an about 30% year-on-year growth in gross merchandise volume (GMV).

In a word, the Group's financial performance continued to be under pressure during the reporting period, and we realized much room for improvement in the Company's management and operation. At present, we continued to further examine the management system and structure and further strengthen the fund control, hoping to better maintain our operating environment and better safeguard our interests.

Future Prospects

Looking ahead, the market environment is still full of challenges, the Group will maintain a positive attitude and take all measures to resolve the crisis. This may include making more market-flexible adjustments on property sales, seeking new financing from shareholders, financial institutions or other third parties through asset mortgage and other various channels, and making every effort to strive for various reasonable and compliant financing channels, so as to ensure the Company's normal operation and lay the foundation for long-term development.

Finally, a mission lies ahead of us, and we will go out to reverse the current predicament. We are always confident that we can tide over the difficulties. On behalf of the Board, we would like to thank our valued shareholders, customers and business partners for their understanding and trust in the group, and we would also like to thank the management and all staff members for their efforts and contributions to China South City.

Li Wenxiong and Cheng Chung Hing
Co-Chairmen

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Investment and Development Division

The Investment and Development Division mainly focuses on project investment, development and construction, laying a solid foundation for subsequent merchant recruitment and project operations. To meet local demands of projects in different places, the Group has developed various types of commercial complexes in a number of regions, such as Zhengzhou, Chongqing, Nanchang and Shenzhen, to develop multi-functional commercial complexes and related supporting facilities. During the Reporting Period, driven by the efforts of various parties, a number of projects in Zhengzhou, Nanchang, Hefei and Harbin have been successfully delivered, and other projects were also progressing steadily.

The Investment and Development Division promoted asset deleveraging, and strengthened funds withdrawal. Recently, as the state further strengthened financing support for real estate projects, several projects of the Group have been successfully included in the "White List" for financing, and a number of projects are under active application, providing financial support for delivering projects.

Business Management Division

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

During the Reporting Period, the Business Management Division continued to introduce high-quality businesses and tenants, further improved its investment promotion, operation and service quality, implemented the concept of "stabilizing and supporting business", cultivated and introduced various business formats including cultural and sports industry, new energy vehicle industry and home building materials industry, and further improved the industrial ecosystem of the park. In addition, China South City has promoted the operation of merchants and activated the popularity of the park through brand exhibitions such as large-scale building materials and hardware exhibitions and New Year's Shopping Festival. Merchant information was conveyed to more people through our professional market magazines and smart industrial parks mini-programs, with a combination of online and offline methods, to further expand the brand influence of China South City in the market.

During the Reporting Period, the overall layout of China South City highly adheres to major national strategies such as the "Guangdong-Hong Kong-Macao Greater Bay Area" and "Accelerated Push for Building a National Unified Market". The relevant industrial policies have brought benefits to the business of China South City, which is conducive to the expansion and strengthening of the Group's trade and logistics industry, thereby driving the overall business environment and commercial value.

Outlet Operations

The Huasheng business team is specialized in outlet development and operation, and increasingly enhances its commercial value through professional and effective commercial asset management. During the Reporting Period, Huasheng Outlet upgraded its diversified experience, leading to a year-on-year increase of 30% in the Gross Merchandise Volume (GMV). Huasheng Outlet launched the activity of "Mid-Autumn Festival Party • Discounts for the Golden Autumn – China South City Shopping Carnival" in September 2023. Leveraging on the precious period of the Mid-Autumn Festival and the National Day, Huasheng Outlet cooperated with a number of brand merchants to create a super shopping feast, and carried out strong marketing in the form of ultralow commodity discounts and surprise membership activities. The overall performance increased by more than 30% period-on-period, representing an increase of more than 100% quarter-on-quarter. During the Reporting Period, Shenzhen Huasheng was awarded the "Top 50 China Outlets Index 2022–2023"; Zhengzhou Huasheng was awarded the "2022–2023 China Outlets Growth Star"; Huasheng Commercial was included in the "2022 Top 100 Commercial Retail Enterprises in China".

Logistics and Warehousing Services

Based on the principle of cost reduction and efficiency enhancement, Qianlong Logistics carried out strategic restructuring, strived to build core business capabilities, focused on the three aspects of "standard warehouse design, warehouse engineering construction, and park investment and operation", continued to learn the business model of leading logistics real estate companies in the industry, focused on the development, leasing and asset management of logistics real estate, and created high-quality logistics park operation services. During the Reporting Period, Qianlong Logistics made its debut at the "17th China (Shenzhen) International Logistics and Supply Chain Fair", showcasing the latest construction achievements such as three core capabilities, modern high-standard warehouses and integrated refrigerated storage, and was awarded "Outstanding Logistics and Supply Chain Service Provider" in the 2023 CILF.

First Asia Pacific Group (Associated Company)

As a property service provider in China South City, First Asia Pacific Group has developed a diversified and flexible property management and ancillary service 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 segment has gained National First-Class Property Management Qualification. It was one of the few integrated business management enterprises capable of managing both trade centre premises and residential properties in China.

During the Reporting Period, Shenzhen First Asia Pacific Property Management Company Limited won a number of honorary titles, such as the "2023 China's Top 100 Property Service Enterprises" and "2023 China's Leading Enterprise of Special Property Services – Service Provider of Integrated Commercial Park". Up to now, First Asia Pacific Property Management has more than 120 property management service projects with an area under management of over 22 million sq.m..

Exhibitions and Events

During the Reporting Period, the Group actively carried out various outdoor exhibition events, which greatly improved the popularity of the park and drove the consumption in the park.

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

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

In September 2023, the "7th CSC Zhengzhou Mooncake Exhibition in 2023" was successfully held, which lasted for 33 days with a total of 55 main booths to further increase the market share of non-staple food in the regional market and promote the merchants recruitment of non-staple food. CSC Shenzhen launched the "Shopping Carnival • One-stop Shopping Season for Festival Gifts", which attracted a large number of enterprises and consumers to purchase. During the period from 23 September to 6 October 2023, business management division in Shenzhen and CSC Heung Kong Furniture jointly held the "CSC Shenzhen Shopping Carnival • Heung Kong Furniture Decoration Consumption Season".

In October 2023, CSC Nanchang launched the “CSC Nanchang Building Materials and Furniture Fairs in 2023”, which achieved good results together with the activities on the Mid-Autumn Festival and National Day. CSC Harbin took advantage of the Mid-Autumn Festival and National Day to launch a series of activities such as the Autumn Agricultural Materials for Farming and New Energy Power Products Procurement Festival. CSC Zhengzhou successfully held the three-day “2023 CSC Furniture and Building Materials Fair cum the 11th CSC Zhengzhou • Central China (Autumn) Building Materials and Hardware Exhibition”. According to incomplete statistics, the exhibition held by CSC Zhengzhou attracted a total of approximately over 50,000 buyers, with on-site sales of approximately RMB63 million and intended orders of cooperation of approximately over RMB153 million. It hit a new high in terms of specification, scale, service, influence, innovation and diversification, making it the largest event in the past.

In addition, China South City and professional companies and also held various marketing campaigns and small-scale exhibitions across its various projects based on local characteristics and holiday trends to enliven market popularity and drive up consumption.

Land Bank

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

The table below sets forth the breakdown of the total land bank of the subsidiaries and an associate company of the Group as at 31 December 2023:

Region	Main Planned Usage of Projects	Site Area (sq.m)	Gross Land Bank Area[1] (sq.m)	Attributable Interests Held by the Group (%)
Properties developed by the Group and its subsidiaries				
Shenzhen	Trade centres, commercial, hotels, warehouse and other ancillary facilities	1,023,500	1,757,300	100%
Nanchang	Trade centres, residential, commercial, warehouse and other ancillary facilities	1,799,400	3,180,000	100%
Nanning	Trade centres, residential, commercial, warehouse and other ancillary facilities	728,400	2,380,800	100%
Xi'an	Commercial and other ancillary facilities	58,200	116,500	100%
Harbin	Trade centres, residential, commercial, hotels, warehouse and other ancillary facilities	2,143,600	6,421,500	100%
Zhengzhou	Trade centres, residential, commercial, warehouse and other ancillary facilities	3,193,800	8,153,400	100%
Hefei	Trade centres, residential, commercial, warehouse and other ancillary facilities	2,022,000	3,740,400	100%
Chongqing	Trade centres, residential, commercial, warehouse and other ancillary facilities	2,339,300	5,891,700	100%
Sub-total of land bank developed by the Group and its subsidiaries			31,641,600	
Sub-total of interests in the land bank developed by the Group and its subsidiaries			31,641,600	
Properties developed by the Group's associate				
Xi'an	Trade centres, residential, commercial, warehouse and other ancillary facilities	1,444,300	3,204,600	30.65%
Sub-total of land bank developed by the Group's associate			3,204,600	
Sub-total of interests in the land bank developed by the Group's associate			982,100	
Total			**34,846,200**	
Total interests			**32,623,700**	

Note:

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

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 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 December 2023, the total interest-bearing debts of the Group were HK$31,752.3 million (31 March 2023: HK$32,830.8 million). The gearing ratio was 84.0% (31 March 2023: 71.0%). Furthermore, as at 31 December 2023, cash and bank balances were HK$1,143.6 million (31 March 2023: HK$2,525.1 million).

Comparing with the last fiscal year, the revenue of the Group decreased by 13.4% to HK$3,508.9 million (FY2022/23: HK$4,052.3 million). Net loss attributable to owners of the parent was HK$4,317.5 million (FY2022/23: profit of HK$700.0 million) and the basic loss per share was HK37.73 cents (FY2022/23: earnings of HK6.34 cents). The net loss attributable to owners of the parent and loss per share are mainly due to (i) fair value losses on financial liabilities; (ii) assets impairment of trade receivables and other receivables; (iii) increase in the provision for inventory impairment; (iv) fair value losses on investment properties; and (v) decrease in rental income.

The Group changed its financial year end date from 31 March to 31 December at the end of 2023. Accordingly, the 2023 financial period covered the nine months ended 31 December 2023 whereas the preceding financial period covered the twelve months ended 31 March 2023. Therefore, the relevant figures shown are not directly comparable.

Revenue

Revenue for the Period decreased by 13.4% to HK$3,508.9 million (FY2022/23: HK$4,052.3 million) comparing with last fiscal year. The decrease was mainly attributable to decrease in recurring income during the Period.

	For the nine months ended 31 December 2023 *HK$'000*	For the year ended 31 March 2023 *HK$'000*	**Change** %
Sale of properties	**2,522,694**	2,372,775	+6.3
Recurring income	**986,232**	1,679,487	-41.3
Property leasing income	***456,863***	*775,809*	*-41.1*
Other recurring revenue	***529,369***	*903,678*	*-41.4*
	3,508,926	4,052,262	-13.4

Sales of Properties

Revenue from sale of properties increased by 6.3% to HK$2,522.7 million (FY2022/23: HK$2,372.8 million). The increase was mainly due to the fact that during the Period, more properties that had completed contract sales in previous periods were delivered during the Year. Due to the overall property market situation, property contract sales during the Period recorded a deep adjustment compared to the same period last year.

Property Leasing Income

The Group intends to retain certain of trade centre units for self-use or rental purposes. Meanwhile, the Group also provide property management services for its trade centres, shops and residential properties delivered and in use. Given the diversity of its property types and industries in China South City projects, the Group's business management division continued to provide diversified leasing and property management services, to cater the needs of different property types and industries across respective projects during the Year. The Group disposed of 50% equity interest in First Asia Pacific Group which engages in the provision of property management services of China South City projects had been completed in December 2022. Since then, the disposal was classified as a discontinued operation, and the Group did not record related property management service income. Property leasing income will become an important component of the recurring income of the Group in the long run. CSC Shenzhen, being the more mature project in the Group's portfolio, contributed a substantial part of the property leasing income. During the Period, due to decline of leasing demand, the Group's property rental income was HK$456.9 million, an annualized decrease of 21.5% compared with the same period of last fiscal year (FY2022/23 financial year: HK$775.8 million).

Other Recurring Revenue

Other recurring revenue decreased by 41.4% to HK$529.4 million (FY2022/23: HK$903.7 million). Revenue from logistics and warehousing services was HK$179.0 million (FY2022/23: HK$267.8 million) due to the decrease in the third party logistic services income for the Period, and the revenue from outlet operations was HK$261.5 million (FY2022/23: HK$296.0 million).

Cost of Sales

The Group's cost of sales mainly includes construction costs, capitalized interest and land costs of properties sold, and operating costs of recurring business. During the Period, the cost of sales decreased by 16.5% to HK$2,700.2 million (FY2022/23: HK$3,232.2 million).

Gross Profit

Gross profit decreased by 1.4% to HK$808.7 million (FY2022/23: HK$820.0 million). During the Period, gross profit margin increased to 23.0% (FY2022/23: 20.2%), which was mainly due to the relatively high in average selling price of properties previous sold.

Other Income and (Losses)/Gains

During the Period, other income decreased by 40.1% to HK$95.5 million (FY2022/23: HK$159.5 million), which was mainly attributable to the decrease in interest income and government grant. In addition, other losses increased from HK$19.8 million for the corresponding period of last year to HK$632.9 million, which was mainly attributable to the fair value losses on financial liabilities at fair value through profit or loss during the Period.

Fair Value (Losses)/Gains on Investment Properties

The fair value losses on investment properties were HK$2,317.4 million (FY2022/23: Gains of HK$151.6 million), mainly due to the decrease in demand for leasing.

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

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 24.1% to HK$166.0 million (FY2022/23: HK$218.7 million). The decrease was mainly attributable to the implementation of effective cost control measures over marketing activities on the sales of properties during the Period.

Administrative Expenses

Administrative expenses decreased by 22.0% to HK$660.0 million (FY2022/23: HK$846.7 million), mainly because the Period lasted only nine months, average monthly expenses were similar to last year.

Other Expenses

Other expenses increased by 91.6% to HK$1,670.5 million (FY2022/23: HK$871.7 million), which was mainly attributable to the impairment of trade receivables, properties held for sales and financial assets included in prepayments, other receivables and other assets and other long-term receivables.

Finance Costs

Finance costs was HK$633.7 million (FY2022/23: HK$769.4 million). By optimizing the financial structure, the Group's weighted average financing cost decreased to 7.4% as at 31 December 2023 (31 March 2023: 8.1%). The average financing cost of bank and other borrowings and senior notes are 7.0% and 8.2% respectively as at 31 December 2023 (31 March 2023: 7.6% and 9.0%).

Share of Profits of Associates

During the Period, the Group recorded share of profits of associates of HK$98.9 million (FY2022/23: 36.1 million), which was primarily attributable to the profits contributed by First Asia Pacific Group during the Period.

Tax

Income tax reported a credit of HK$759.8 million (FY2022/23: HK$3.9 million), which was due to deferred taxation arising from impairment of assets and fair value losses on financial liabilities at fair value through profit or loss during the Period.

Liquidity and Financial Resources

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

Cash and Bank Balances

As at 31 December 2023, the Group had HK$1,143.6 million cash and bank balances (31 March 2023: HK$2,525.1 million), of which HK$913.6 million were restricted cash (31 March 2023: HK$1,150.4 million). The Group's cash and bank balances were primarily denominated in Renminbi, HK dollars and US dollars.

Subsequent to 31 December 2023, the Group have paid the principal and interest of senior notes amounting to approximately US$22,442,000 and the principal and interest of bank and other borrowings amounting to approximately HK$971.1 million.

Borrowing and Charges on the Group's Assets

As at 31 December 2023, the total interest-bearing debts of the Group were HK$31,752.3 million (31 March 2023: HK$32,830.8 million). The details of borrowings and charges on the Group's assets are set out below.

Interest-bearing Bank and Other Borrowings

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

	For the nine months ended 31 December 2023 *HK$'000*	For the year ended 31 March 2023 *HK$'000*
Interest-bearing bank and other borrowings repayable:		
Within one year	**7,403,739**	11,862,881
Between one and two years	**4,288,092**	1,725,349
Between three and five years	**4,862,537**	2,617,039
More than five years	**4,741,412**	5,073,887
Total	**21,295,780**	21,279,156
By fixed or floating interest rates		
Fixed interest rate	**6,604,133**	8,390,363
Floating interest rate	**14,691,647**	12,888,793
Total	**21,295,780**	21,279,156

As at 31 December 2023, the Group's interest-bearing bank and other borrowings of approximately HK$20,707.0 million were secured by certain buildings, investment properties, properties under development, properties held for sales and bank deposits with a total carrying value of approximately HK$54,013.0 million. All interest-bearing bank and other borrowings of the Group were denominated in HK dollars, Renminbi or US dollars.

Subsequent to 31 December 2023, the Group did not repay a principal of US$12 million (equivalent to HK$91 million) and interest of US$13 million (equivalent to HK$101 million) for certain senior notes due in February 2024. As of the date of this announcement, the total amount of defaulted and/or cross-defaulted on certain borrowings is approximately HK$30,825 million.

Issuance of Notes

Senior Notes

During the Year, the Company has obtained the consent from the note holders that the 9.0% senior notes due July 2024 were extended for further thirty-seven months and the corresponding new maturity date and the interest rates notes were 19 August 2027 and 4.5% respectively.

Subsequent to 31 December 2023, the Company did not repay a principal of US$12 million (equivalent to HK$91 million) and interest of US$13 million (equivalent to HK$101 million) for certain senior notes due in February 2024. As of the date of this announcement, the total amount of defaulted and/or cross-defaulted on certain borrowings is approximately HK$30,825 million.

Other details of movement during the Period are set out below:

	9.0% senior notes due April 2024	**9.0% senior notes due June 2024**	**4.5% senior notes due August 2027 (9.0% senior notes due July 2024)**	**9.0% senior notes due October 2024**	**9.0% senior notes due December 2024**
ISIN	XS2085883119	XS2120092882	XS1720216388	XS2238030162	XS2227909640
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Issued nominal value	350,000	350,000	300,000	225,000	370,000
As at 1 April 2023	306,240	321,780	262,675	213,750	360,750
Interest capitalized	–	–	1,704	–	–
Redeem upon maturity	(17,400)	(34,600)	(27,650)	(11,250)	(27,750)
As at 31 December 2023	288,840	287,180	236,729	202,500	333,000

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

As at 31 December 2023, the carrying value of Senior Notes were HK$10,456.5 million (31 March 2023: HK$11,551.6 million). The Senior Notes are jointly guaranteed by certain subsidiaries and part of the Senior Notes are secured by pledges of share of certain subsidiaries.

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 84.0% as at 31 December 2023 (31 March 2023: 71.0%).

Net Current Assets and Current Ratio

As at 31 December 2023, the Group had net current assets of HK$5,533.7 million (31 March 2023: HK$11,499.8 million) and a current ratio of 1.14 (31 March 2023: 1.28).

Contingent Liabilities

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

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

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

Exercise price = A+A x B x C/360 – D

A = subscription consideration actually paid by the Subscriber

B = a return rate of 6.0%

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

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

As of the end of the period, the actual subscription consideration paid by the subscriber was RMB3,500.0 million. As of December 31, 2023, the fair value of the Put Option was HK$1,070.1 million and has been recognized as a financial liability at fair value through profit and loss.

Commitments

As at 31 December 2023, the Group had future capital expenditure contracted but not yet provided for amounting to HK$6,430.6 million (31 March 2023: HK$9,808.4 million).

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

On 16 December 2022, an indirect wholly-owned subsidiary of the Company, China South City Group Co., Ltd ("**China South City Group**"), a direct wholly-owned subsidiary of the Company, China South International Industrial Materials City (Shenzhen) Co., Ltd. ("**Shenzhen China South City**") and Shenzhen Shenji No. 1 Industrial Park Investment and Operation Co., Ltd. ("**Shenzhen Shenji No. 1**") entered into the investment agreement, pursuant to which Shenzhen Shenji No. 1 agreed to subscribe, and the Xi'an China South City Co., Ltd. ("**Xi'an China South City**") agreed to issue, the Subscription Shares at the Subscription Consideration of RMB5,000.0 million. The completion of the disposal of Xi'an China South City took place in May 2023. Upon completion, China South City Group has become interested approximately 30.65% in Xi'an China South City and Xian China South City has become an associate of the Company. As of 31 December, the Subscription Consideration received amounts to RMB3,500.0 million. Further details of the above disposal of Xi'an China South City were disclosed in the Company's announcement dated 18 December 2022. For the nine months ended 31 December 2023, the Company has no other significant investments or material acquisitions or disposals of subsidiaries and associates.

Foreign Exchange Risk

The Group conducts its business primarily in Renminbi. The income and bank deposits of the Group were substantially denominated in Renminbi to meet the Group's development and operation needs in the PRC. Other than the bank deposits, bank borrowings and senior notes denominated in foreign currency, the Group does not have any other material exposure to foreign exchange risk.

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

Economic, Commercial and Other Risks

The Group may be affected by multiple uncertainties, which may lead to a decrease in property sales and prices, property rental income and occupancy rates, as well as a decrease in demand for the supporting services and facilities it provides. It may also result in credit constraints and increased financing and other operating costs. As the Group takes time to develop, it may be affected by various risks. Although the Group engages high-quality partners for project development, it may still be affected by risks arising from the quality and safety of the products and services they provide. The management of the Group will make timely adjustments in response to such changes and risks. The Group's further approach to managing financial risks will be set out in the 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 December 2023, the Group had a workforce of 2,787 employees (including associate companies). The Group aims to optimize the organizational structure and talent structure to further control operating costs, remunerations and other benefits of employees are reviewed annually in response to both market conditions and trends, and are based on qualifications, experience, responsibilities and performance. In addition to basic salaries and other staff benefits, discretionary bonuses and share options may be awarded to employees who display outstanding performance and contributions to the Group.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

Disclaimer of opinion

We were engaged to audit 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 December 2023, 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 nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the *Basis for Disclaimer of Opinion* section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple uncertainties relating to going concern

As set out in note 2.1 to the consolidated financial statements, the Group recorded a loss attributable to the owners of the Company of HK$4,317 million for the nine months ended 31 December 2023. As at 31 December 2023, the Group's current portion of interest-bearing debts amounted to HK$16,295 million, while its cash and bank balances amounted to HK$1,143 million. Subsequent to 31 December 2023, the Group did not repay a principal of US$12 million (equivalent to HK$91 million) and interest of US$13 million (equivalent to HK$101 million) for certain senior notes due in February 2024 (the "**Defaulted Borrowings**"). As of the date of this report, the total amount of defaulted and/or cross-defaulted on certain borrowings is approximately HK$30,825 million (the "**Defaulted and/or Cross-Defaulted Borrowings**"). These conditions, together with other matters disclosed in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking restructuring plans and measures to improve the Group's liquidity and financial position, which are set out in note 2.1 to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including:

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

(ii) timely implementation of plans to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables; and the Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures; and

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

As a result of these multiple uncertainties, their potential interaction, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amount 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.

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 Period.

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 Period in relation to the securities dealings, if any.

AUDIT COMMITTEE

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

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

Scope of Work of Ernst & Young on the Preliminary Announcement

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, the Company redeemed part of the Senior Notes upon maturity with an aggregated principle amount of US$118.65 million. 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 Period.

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 AGM to be held on Friday, 28 June 2024, the register of members of the Company will be closed on Tuesday, 25 June 2024 to Friday, 28 June 2024, both days inclusive. In order to qualify for attending and voting at the AGM, Shareholders shall lodge all transfer documents for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 24 June 2024.

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

28 March 2024

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

*This announcement contains operating statistics for the 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.*