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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2022	2021	
	HK$'000	*HK$'000*	**Change**
	(Unaudited)	(Unaudited)	
Revenue	**3,259,630**	6,166,251	**-47.1%**
Among which, Recurring income	**1,610,100**	1,683,065	**-4.3%**
Gross profit margin	**30.0%**	36.6%	
Core net profit attributable to owners of the parent*	**242,088**	649,201	**-62.7%**
Profit attributable to owners of the parent	**256,821**	656,721	**-60.9%**
Earnings per share – Basic	**HK2.42 cents**	HK8.12 cents	**-70.2%**
	30 September	31 March	
As at	**2022**	2022	
Cash and bank balances	**4,039,928**	4,681,068	**-13.7%**
Gearing ratio	**66.3%**	69.4%	
Asset-liability ratio	**62.3%**	63.8%	

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

INTERIM RESULTS

The board of directors (the "**Board**") of China South City Holdings Limited (the "**Company**"), together with its subsidiaries ("**China South City**" or the "**Group**") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2022 ("**1H FY2022/23**" or the "**Reporting Period**") together with the comparative figures for the previous financial period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022

	Notes	**For the six months ended 30 September 2022** *HK$'000* **(Unaudited)**	2021 *HK$'000* (Unaudited)
REVENUE	*4*	**3,259,630**	6,166,251
Cost of sales		**(2,282,622)**	(3,908,027)
Gross profit		**977,008**	2,258,224
Other income and gains	*4*	**34,410**	144,029
Fair value gains on investment properties	*4*	**19,644**	10,041
Selling and distribution expenses		**(63,836)**	(167,455)
Administrative expenses		**(469,230)**	(508,159)
Other expenses		**(108,909)**	(9,107)
Finance costs	*5*	**(282,021)**	(315,832)
PROFIT BEFORE TAX	*6*	**107,066**	1,411,741
Income tax credit/(expenses)	*7*	**148,943**	(755,395)
PROFIT FOR THE PERIOD		**256,009**	656,346
Attributable to:			
Owners of the parent		**256,821**	656,721
Non-controlling interests		**(812)**	(375)
		256,009	656,346
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic			
– For profit for the period		**HK2.42 cents**	HK8.12 cents
Diluted			
– For profit for the period		**HK2.42 cents**	HK8.12 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	For the six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**256,009**	656,346
OTHER COMPREHENSIVE (LOSSES)/INCOME		
Other comprehensive (losses)/income may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,841,063)**	562,916
OTHER COMPREHENSIVE (LOSSES)/INCOME FOR THE PERIOD, NET OF TAX	**(4,841,063)**	562,916
TOTAL COMPREHENSIVE (LOSSES)/INCOME FOR THE PERIOD	**(4,585,054)**	1,219,262
Attributable to:		
Owners of the parent	**(4,583,182)**	1,219,239
Non-controlling interests	**(1,872)**	23
	(4,585,054)	1,219,262

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2022

	Notes	**30 September 2022** *HK$'000* **(Unaudited)**	31 March 2022 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**704,853**	817,380
Investment properties		**51,530,706**	57,767,160
Right-of-use assets		**477,057**	543,937
Properties under development		**1,340,586**	1,578,157
Financial assets at fair value through profit or loss		**2,334**	3,325
Other long-term receivables		**210,358**	560,758
Deferred tax assets		**3,354,241**	3,684,246
Total non-current assets		**57,620,135**	64,954,963
CURRENT ASSETS			
Properties held for finance lease		**121,287**	135,251
Properties held for sale		**43,778,874**	46,693,652
Inventories		**42,361**	51,353
Trade receivables	*10*	**1,648,907**	2,351,409
Prepayments, other receivables and other assets		**5,193,076**	5,519,728
Cash and bank balances		**4,039,928**	4,681,068
Total current assets		**54,824,433**	59,432,461
CURRENT LIABILITIES			
Trade and other payables	*11*	**12,110,735**	12,049,373
Contract liabilities		**11,744,082**	15,543,565
Interest-bearing bank and other borrowings		**12,062,828**	8,530,761
Senior notes		**1,108,684**	9,622,708
Medium-term notes		**–**	799,382
Domestic company bonds		**–**	1,797,258
Financial liabilities at fair value through profit or loss		**5,738**	14,231
Tax payables		**4,121,459**	4,648,572
Total current liabilities		**41,153,526**	53,005,850
NET CURRENT ASSETS		**13,670,907**	6,426,611
TOTAL ASSETS LESS CURRENT LIABILITIES		**71,291,042**	71,381,574

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
As at 30 September 2022

	30 September 2022 *HK$'000* **(Unaudited)**	31 March 2022 *HK$'000* (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**7,929,193**	12,552,811
Senior notes	**11,060,040**	2,672,456
Other long-term payables	**17,529**	15,413
Deferred tax liabilities	**9,869,315**	11,050,922
Total non-current liabilities	**28,876,077**	26,291,602
Net assets	**42,414,965**	45,089,972
EQUITY		
Equity attributable to owners of the parent		
Share capital	**9,131,812**	7,222,312
Other reserves	**33,268,797**	37,851,432
	42,400,609	45,073,744
Non-controlling interests	**14,356**	16,228
Total equity	**42,414,965**	45,089,972

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

1. BASIS OF PREPARATION AND OTHER INFORMATION

Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 September 2022 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2022.

Other Information

The financial information relating to the year ended 31 March 2022 that is included in the interim condensed consolidated financial statements for the six months ended 30 September 2022 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

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

The Company's auditor has reported on those financial statements for the year ended 31 March 2022. The auditor's report was unqualified; included a reference to a matter to which the auditor drew attention by way of emphasis without qualifying its report in relation to a material uncertainty about going concern; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Going Concern Basis

As at 30 September 2022, the Group's current portion of interest-bearing debts amounted to HK$13,171.5 million, while its cash and bank balances amounted to HK$4,039.9 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 aforementioned, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

(i) On 15 July 2022, the Company, Shenzhen SEZ Construction and Development Group Co., Ltd. ("**SZCDG**") and First Asia Pacific Group Company Limited, an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement to dispose 50% equity interest of Shenzhen First Asia Pacific Property Management Company Limited at the consideration of RMB1,256,600,000 (equivalent to approximately HK$1,457,656,000) and will expect to be completed by current fiscal year, improving the liquidity of the Group;

(ii) The Group has obtained back-up facilities of HK$13,076.3 million from the banks;

(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;

(iv) The Group is actively reviewing its debt structure and looking for funding opportunities. In August 2022, the Group successfully completed the amendment of the terms of five offshore senior notes with a total size of US$1,565.5 million, reducing the Group's short-term debt pressure. In addition, the Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost;

(v) 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

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

The board of directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 30 September 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 30 September 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the interim condensed consolidated financial statements for the six month ended 30 September 2022 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. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2022, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective as of 1 April 2022.

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

The adoption of the above revised HKFRSs has had no significant financial effect on the Group's unaudited condensed consolidated interim financial information and there have been no significant changes to the accounting policies applied in the unaudited condensed consolidated interim financial information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

	Property Development *HK$'000* (Unaudited)	Property Investment and Management *HK$'000* (Unaudited)	Others *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Six months ended 30 September 2022				
Segment revenue:				
Sales to external customers	**1,649,530**	**950,259**	**659,841**	**3,259,630**
Segment results before increase in fair value of investment properties	**25,515**	**644,725**	**323,383**	**993,623**
Increase in fair value of investment properties	**–**	**19,644**	**–**	**19,644**
Segment results after increase in fair value of investment properties	**25,515**	**664,369**	**323,383**	**1,013,267**
Unallocated cost of sales				**(16,615)**
Interest income				**9,922**
Fair value losses on financial assets at fair value through profit or loss, net				**(11,744)**
Unallocated income and gains				**36,232**
Unallocated expenses				**(641,975)**
Finance costs				**(282,021)**
Profit before tax				**107,066**
As at 30 September 2022				
Segment assets	**52,433,366**	**48,781,089**	**1,952,410**	**103,166,865**
Reconciliation:				
Unallocated assets				**9,277,703**
Total assets				**112,444,568**
Segment liabilities	**18,481,488**	**8,175,118**	**900,228**	**27,556,834**
Reconciliation:				
Unallocated liabilities				**42,472,769**
Total liabilities				**70,029,603**

	Property Development *HK$'000* (Unaudited)	Property Investment and Management *HK$'000* (Unaudited)	Others *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Six months ended 30 September 2021 ("1H FY2021/22")				
Segment revenue:				
Sales to external customers	4,483,186	875,653	807,412	6,166,251
Segment results before increase in fair value of investment properties	1,447,701	533,993	312,150	2,293,844
Increase in fair value of investment properties	–	10,041	–	10,041
Segment results after increase in fair value of investment properties	1,447,701	544,034	312,150	2,303,885
Unallocated cost of sales				(35,620)
Interest income				108,666
Fair value losses on financial assets/liabilities at fair value through profit or loss, net				(3,929)
Unallocated income and gains				39,292
Unallocated expenses				(684,721)
Finance costs				(315,832)
Profit before tax				1,411,741
As at 31 March 2022 (Audited)				
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

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

Revenue represents the net sales of completed properties, finance lease income, rental income, income from the provision of property management services and other revenue, such are net of sales tax and other sales related tax.

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

	For the six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue*		
Revenue from contracts with customers	**2,550,920**	4,886,774
Revenue from other sources		
Rental income	**556,885**	509,722
Finance lease income	**–**	587,352
Others	**151,825**	182,403
	3,259,630	6,166,251
Other income		
Interest income	**9,922**	108,666
Government grants**	**5,181**	6,654
Others	**35,323**	15,939
	50,426	131,259
(Losses)/gains		
Fair value losses on financial assets/liabilities at fair value through profit or loss, net	**(11,744)**	(3,929)
Gains on disposal of subsidiaries	**–**	5,894
Exchange (losses)/gains, net	**(4,272)**	10,805
	(16,016)	12,770
	34,410	144,029
Fair value gains on investment properties	**19,644**	10,041

* Included amounts of HK$124,075,000 (1H FY2021/22: HK$230,175,000) related to income from outlet operations and HK$157,566,000 (1H FY2021/22: HK$228,749,000) related to income from logistics and warehousing services.

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

5. FINANCE COST

An analysis of finance costs is as follows:

	For the six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings (including senior notes, medium-term notes and domestic company bonds)	**1,728,227**	1,616,496
Interest on lease liabilities	**765**	2,485
	1,728,992	1,618,981
Less: Interest capitalised	**(1,446,971)**	(1,303,149)
Total	**282,021**	315,832

6. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**1,624,015**	2,659,884
Cost of properties held for finance lease	**–**	375,601
Depreciation of property, plant and equipment	**55,569**	68,251
Less: Depreciation capitalised in respect of properties under development	**(168)**	(158)
	55,401	68,093
Depreciation of right-of-use assets	**11,700**	59,525
Lease payments not included in the measurement of lease liabilities	**3,826**	4,719
Impairment/(written back) of trade receivables*	**55,358**	(30,619)
Equity-settled share option expense	**547**	2,510
Impairment of financial assets included in prepayments, other receivables and other assets and other long-term receivables*	**–**	27,802

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

7. INCOME TAX (CREDIT)/EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (1H FY2021/22: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (1H FY2021/22: 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% (1H FY2021/22: 25%) on their respective taxable income during the period.

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 periods ended 30 September 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 cost, borrowing costs and all property development expenditures.

The major components of income tax (credit)/expenses for the period are as follows:

	For the six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current:		
Mainland China CIT	**43,699**	428,071
LAT in Mainland China	**(44,229)**	399,731
Deferred:		
Mainland China CIT	**(159,470)**	20,744
LAT in Mainland China	**11,057**	(99,558)
Withholding tax on dividends	**–**	6,407
Total tax (credited)/charged for the period	**(148,943)**	755,395

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

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 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 amounts presented.

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

	For the six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**256,821**	656,721

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and dilute earnings per share calculation	**10,618,122,356**	8,091,892,848

9. DIVIDENDS

At a meeting of the Board held on 28 November 2022, the directors resolved not to pay an interim dividend to shareholders (1H FY2021/22: Nil).

10. TRADE RECEIVABLES

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

An ageing analysis of the trade receivables as at 30 September 2022 and 31 March 2022 based on the payment due date, net of loss allowance, is as follows:

	30 September 2022	31 March 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**1,356,152**	2,127,284
Over 3 months	**292,755**	224,125
Total	**1,648,907**	2,351,409

11. TRADE AND OTHER PAYABLES

		30 September 2022	31 March 2022
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Other payables and accruals		**4,231,636**	3,647,999
Notes payable	*(i)*	**2,284,945**	2,378,031
Advanced rental and other receipts		**1,505,301**	2,306,925
Lease liabilities		**7,193**	9,858
Construction fee and retention payables	*(ii)*	**4,081,660**	3,706,560
Total		**12,110,735**	12,049,373

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

	30 September 2022 *HK$'000* (Unaudited)	31 March 2022 *HK$'000* (Audited)
Within 3 months	**368,166**	356,239
Over 3 months	**1,916,779**	2,021,792
Total	**2,284,945**	2,378,031

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

	30 September 2022 *HK$'000* (Unaudited)	31 March 2022 *HK$'000* (Audited)
Within 1 year	**3,146,727**	2,774,755
Over 1 year	**934,933**	931,805
Total	**4,081,660**	3,706,560

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

CHAIRMEN'S STATEMENT

On behalf of the Board of the Company, together with its subsidiaries, we are pleased to report the unaudited consolidated interim results of the Group for the six months ended 30 September 2022 ("**1H FY2022/23**" or the "**Reporting Period**").

Market, operational and financial review

In the first three quarters of 2022, China's GDP grew by 3% year-on-year, representing a significant decline from the 9.8% growth for the same period of last year. Since the beginning of the year, the COVID-19 virus continued to mutate, the global pandemic remained prevalent, and new cases continued to emerge in China, leading to significant slowdown in economic growth. In addition, global crises and conflicts continued during the year, including the escalating conflict between Russia and Ukraine, the sanctions imposed on Russia by western countries led by the United States, and continued high inflation in developed economies such as Europe and the United States, making the international situation more complex and challenging than last year. Under the impact of various factors, China's real estate market faced considerable downward pressure, with significant slowdown in housing sales, sluggish investment intentions by enterprises, a continuously tightening financing environment, stagnant domestic and foreign financing and significantly higher financing costs. As a leader in integrated commercial logistics industry, the Group is also subject to the ongoing impact of the domestic and external financing environment and the market downturn, which has increased operational difficulties and uncertainties in its future development.

During the Reporting Period, the resurgence of pandemic in China also continued to affect the operation of the Group. The pandemic prevention and control led to disruptions in logistics, transportation and supply chain, and the implementation of controlling measures in various places posed serious challenges to the Group's cross-border e-commerce business. In response to the economic impact of the pandemic, governmental authorities also introduced several rounds of policies to boost the economy, which stabilized and rebounded in June 2022. Facing various unfavourable factors, the management and all staff of the Company rose to the challenges, adjusted the operational strategies in a timely manner, insisted on improving quality, reducing costs and enhancing efficiency, and maintained stable cash flow, so as to minimize the adverse impact while achieving stable, high-quality and sustainable development of the Company in the long run.

During the Reporting Period, SZCDG officially became the single largest shareholder of the Group upon the completion of its equity investment in China South City. Following the state-owned equity investment, while maintaining the management team, market-oriented operation mechanism and industry positioning and development direction of China South City, SZCDG fully utilized its advantages as a state-owned enterprise to facilitate the Group 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 the full support of SZCDG, the Group has achieved the implementation and cooperation of a number of high-quality resource projects and successfully resolved certain short-term liquidity problems. For example, 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. On 24 August 2022, SZCDG invested RMB1.257 billion in cash in First Asia Pacific Property Management, a subsidiary of China South City, which not only further improved the Group's cash flow, but also enhanced the overall value of First Asia Pacific Property Management, thereby enabling synergistic enhancement of its brand, property resources and services. In addition, with the active support of the "Keepwell Deed" of SZCDG, China South City obtained the consent of over 96% of the Holders of the Notes and successfully completed the amendment of the terms of five offshore Senior Notes with an aggregate amount of US$1,565.5 million.

Facing the continuous downward trend of the prevailing market environment, the Group insisted on reducing costs and increasing efficiency, and vigorously promoted asset disposal and accelerated capital recovery while stabilizing the operation of logistics parks. During the Reporting Period, the Group achieved positive results in strengthening merchants recruitment and operation and optimizing its staffing structure. Currently, the asset-liability ratio of the Group decreased to 62.3% and net assets per share was approximately HK$3.71. In terms of organizational structure, on 16 June 2022, SZCDG appointed or nominated senior management personnel with extensive experience in operation and management, investment and financing, internal control and management to serve as Executive Director and Vice President, Executive Director and Chief Financial Officer, Independent Non-Executive Director and other important positions of the Group. On 23 September 2022, Mr. Li Wenxiong, the chairman of SZCDG, started to serve as the Group's Co-Chairman, which greatly enhanced the capabilities of the Group's integrated management team. With SZCDG's diversified professional experience in the China market, we believe that in the future, the Group will be able to further complement the strengths of SZCDG in all aspects to achieve mutual benefits.

In terms of merchants recruitment and operation, the Group actively adapted to the development trend of the industry and each city, and continuously introduced emerging industries and new business models that are in line with the future development trend based on the characteristics of local development of different cities. For example, CSC Shenzhen introduced leading companies in the hotel supplies industry to create a one-stop procurement centre for hotel supplies and equipment, and introduced a new retail platform for cars to create a car theme park and car culture industry chain. CSC Nanchang achieved breakthrough in new business models and new consumption trend by focusing on two national bases. Qianlong Logistics, a subsidiary of the Group, actively developed its cold chain business and joined hands with strategic investors to explore more development opportunities and create new area of business growth.

In terms of transportation infrastructure, the overall regional advantages of the Group's key projects in terms of transportation gradually emerged. Currently, there have been more than 20 metro stations in the CSC Parks across the country, and metro stations in CSC Hefei and CSC Nanning are under construction. In addition, the Group also continued to develop its quality resource projects in Shenzhen such as the first phase of the urban renewal project of CSC Shenzhen, which is progressing steadily. China South City has entered into a strategic cooperation agreement with Shenzhen Planning Institute, a subsidiary of the SZCDG, and both parties will have all-round cooperation of project sites planning and design, urban renewal planning and architectural design. This project will become an important area of value growth for the Group in the future.

During the Reporting Period, affected by a combination of factors such as the economic downturn and resurgence of pandemic in various regions, revenue decreased by 47.1% to HK$3,259.6 million, of which recurring income decreased by 4.3% to HK$1,610.1 million.

Net profit attributable to owners of the parent decreased by 60.9% to HK$256.8 million, while core net profit attributable to owners of the parent (excluding fair value gains on investment properties and certain tax effects, etc.) decreased by 62.7% to HK$242.1 million. Basic earnings per share decreased to HK2.42 cents.

As a leading developer and operator of large-scale integrated logistics and trade centres in China, facing a series of crises and impacts in China and abroad, the Group actively explored opportunities amidst the crises, kept abreast of market changes and steadily improved the level of merchants recruitment and operation. In addition, the Group also sought changes through innovation, continuously promoted transformation and upgrading, introduced new industries, and strived to achieve collaborative development of multiple businesses while leveraging on the strong brand advantages of the Group's businesses to further enhance the Group's profitability.

During the Reporting Period, affected by the pandemic and the downward trend in real estate industry, the overall performance of the properties development business was under pressure, with revenue for the first half of the financial year decreasing by 63.2% to HK$1,650 million as compared to the same period of last year. The properties development business will continue to promote refined management, optimize its organizational structure, strive for stable operations and continuously decrease financial leverage and speed up disposal of assets.

During the Reporting Period, the Business Management division continued to integrate its resources and introduce high-quality businesses and tenants, further improving its merchants recruitment and operation capabilities, and won numerous industry commendations and market recognition. In August 2022, CSC Shenzhen was awarded the title of "Shenzhen Famous Brand" by the Federation of Shenzhen Industries for the sixth consecutive year. In September 2022, China South City E-Commerce Industrial Park was recognized as one of the "Top Ten" national e-commerce demonstration bases for its outstanding performance in comprehensive assessment. In addition, based on the "National E-Commerce Demonstration Base" and "National Business Incubation Demonstration Base", CSC Nanchang focused on quality, improved its services and welcomed the Jiangxi Tea Trading Service Centre, thereby achieving breakthrough in new business models and new consumption trend. CSC Chongqing successfully established a well-known local hospitality market cluster, and CSC Nanning shifted its focus to sports industry, which further improved the business ecosystem of the projects.

During the Reporting Period, Qianlong Logistics actively developed its cold chain business and invested in the construction of a 50,000-tonne capacity cryogenic freezer in Shenzhen, a key city in the Greater Bay Area. By upgrading and optimizing the value of projects, transferring projects to revitalize assets and strengthen cash flow, Qianlong Logistics has laid a foundation for exploring more commercial logistics business models by focusing on its main business and future development.

Huasheng Outlet organized a series of activities such as the "Benefits for All Businesses" campaign to promote the concept of "high-quality products at affordable prices" and actively tried new online marketing models such as Douyin group purchase, and strived to overcome the adverse impact of the pandemic, thus achieving customer inflow and performance growth to a certain extent.

Prudent Financial Management

During the Reporting Period, the Group strived to overcome the adverse impact of the external environment and effectively reduced its interest-bearing debts while ensuring smooth operations of the Company. In April and August 2022, the Group paid the principal and interest of RMB2,150 million in full in accordance with the terms and conditions of the notes. In August 2022, the Group successfully completed the amendment of the terms of five offshore Senior Notes with a total size of US$1,565.5 million or approximately RMB11.0 billion, reducing the Group's short-term debt pressure. In October 2022, SZCDG granted a 3-year loan of RMB200 million to the Group. In the future, the Group will continue to adhere to prudent financial management strategy and strengthen asset deleverage to further reduce interest-bearing debts.

Future Prospects

Looking ahead to the second half of the fiscal year, with a complex and volatile external environment and uncertainty over the development of the pandemic, the Company will continue to face huge challenges in its development. China South City will pay close attention to the overall environment and the development direction of the industry, adjust its development strategy when appropriate, and insist on improving quality, reducing costs and enhancing efficiency, so as to achieve long-term and steady development of the Group.

With the successful completion of state-owned SZCDG's share subscription, the Group will join hands with SZCDG in the future to carry out comprehensive cooperation in development and construction, park operation, financing resources and urban renewal, so as to gather momentum and empower high-quality sustainable development. At the same time, the Group will also further optimize its organizational structure and increase its efforts in de-stocking to maintain a safe and sound cash flow. We will build a stable and sustainable management team and management mechanism by integrating marketing centres, clarifying responsible entities for assessment, and improving system construction and business practices to lay a solid foundation for future development. With the equity investment from SZCDG, the Group will also deepen cooperation with more state-owned enterprises, fully enhance its development confidence, revitalize its resources, introduce new business models and implement compliance management, so as to continuously create new growth.

Last but not least, on behalf of the Board, we wish to express our deepest gratitude to our honourable shareholders, customers and business partners for their consistent trust and support to the Group. We would also like to thank the management and all staff members for their dedication and wholehearted commitment, which have helped China South City grow from strength to strength.

Li Wenxiong and Cheng Chung Hing
Co-Chairmen

Hong Kong, 28 November 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Collaborative Development in Various Areas by Leveraging on the Strengths of Substantial Shareholder

1H FY2022/23 was characterized by a complex and volatile international environment, resurgence of pandemic in various places in China and ongoing impact from tightened prevention and control measures. According to data released by the National Bureau of Statistics, in the first three quarters of this year, China's gross domestic product (GDP) grew by 3% year-on-year, representing a significant decline in growth as compared to the same period of last year. China's Manufacturing Purchasing Managers Index (PMI) was 49.2% in October 2022, falling back into contraction range again, with economy still under considerable downward pressure. For capital markets, the domestic and international financing environment remained challenging, with the liquidity crisis gradually spreading across leading industry players and depressed consumer confidence in the market. As many real industries endured a downturn, industries such as trade and logistics were also affected with recurring pandemic and increased uncertainty in future development, posing challenges to the Group's overall operation.

Facing the complex and volatile internal and external situations as well as the difficulties arising from continuous economic downturn, the management and all staff of the Company reviewed the current situation, timely adjusted the operation strategy based on market conditions and strived to improve the operation and management performance. Leveraging on the advantages of state-owned investment, the Group fully facilitated asset disposal and increased the liquidity of the Company; meanwhile, it insisted on cost reduction and efficiency enhancement, continuously optimized the staff structure and maintained safe and stable operations; on this basis, the Group actively explored more new industries and businesses and strived to create new value growth.

During the Reporting Period, SZCDG became the single largest shareholder of the Group upon the completion of its equity investment in China South City. Established in 2011, SZCDG is a wholly state-owned enterprise under the Shenzhen State-owned Assets Supervision and Administration Commission, with strong resource advantages in the fields of infrastructure investment, construction and operation, development, construction and operation of industrial park and strategic emerging industry investment. With the support of our substantial shareholder, the Group successfully completed the amendment of the terms of five offshore Senior Notes with a total amount of US$1,565.5 million and secured new credit facilities of RMB5.03 billion from domestic banks during the Reporting Period. In addition, the Group also recovered RMB1.7 billion in a single transaction through a logistics asset transfer cooperation, which further reduced its overall debt level, maintained its short-term liquidity and significantly enhanced its overall financial strength.

In terms of organizational structure, the Group achieved positive results in strengthening its management team and optimizing its staff structure. The Group built a stable and sustainable management team and management mechanism by integrating marketing centres, clarifying responsible entities for assessment, and improving system construction and business practices. In addition, SZCDG appointed or nominated senior management personnel with extensive experience in operation and management, investment and financing, internal control and management to serve as Executive Director and Vice President, Executive Director and Chief Financial Officer, Independent Non-Executive Director and other important positions of the Group, and the chairman of SZCDG also served as a co-chairman of the Group, which further enhanced the capabilities of the Group's management team.

Leveraging on the advantages of the state-owned enterprise platform of SZCDG, the Group continued to facilitate asset disposal and, on the basis of stabilizing logistics park operations, actively explored more new industries and businesses to achieve collaborative multi-industry development through continuous improvement of operation and management. For example, on 3 March 2022, China South City and the Shenzhen Planning Institute, a subsidiary of the SZCDG, entered into a strategic cooperation agreement and, after several rounds of discussions at a later stage, have agreed on a preliminary direction for the first phase of urban redevelopment of CSC Shenzhen. On 31 March 2022, China South City entered into a cooperation agreement with Shenzhen International Holdings Limited to transfer its Qianlong Logistics' two high-standard logistics and warehousing projects in Zhengzhou and Hefei, which further strengthened its cash flow. In addition, the Group's smart parking project in cooperation with Jieshun, a subsidiary of SZCDG, has completed the renovation of 51 ramps in CSC Shenzhen; the transformation of the fire monitoring system in the park has entered in-depth implementation stage; and the Group has reached cooperation with SZCDG on the equity interest of First Asia Pacific Property Management and has started the negotiation on taking over the management of three properties of SZCDG.

During the Reporting Period, the total revenue of the Group decreased by 47.1% to HK$3,259.6 million (1H FY2021/22: HK$6,166.3 million). Its recurring income decreased by 4.3% year-on-year from HK$1,683.1 million in 1H FY2021/22 to HK$1,610.1 million in the Reporting Period, accounting for 49.4% of the total revenue (1H FY2021/22: 27.3%). Gross profit margin was 30.0% (1H FY2021/22: 36.6%). Net profit attributable to owners of the parent was HK$256.8 million (1H FY2021/22: HK$656.7 million). Basic earnings per share amounted to HK2.42 cents (1H FY2021/22: HK8.12 cents).

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 30 September 2022, construction of a GFA of approximately 2.39 million sq.m. was completed in CSC Shenzhen, and planned construction of a GFA of approximately 250,000 sq.m. was underway.

CSC Nanchang

As of 30 September 2022, construction of a GFA of approximately 2.40 million sq.m. was completed in CSC Nanchang, and planned construction of a GFA of approximately 710,000 sq.m. was underway.

CSC Nanning

As of 30 September 2022, construction of a GFA of approximately 1.95 million sq.m. was completed in CSC Nanning, and planned construction of a GFA of approximately 150,000 sq.m. was underway.

CSC Xi'an

As of 30 September 2022, the development of CSC Xi'an is well underway with construction of a GFA of approximately 2.41 million sq.m. completed, and planned construction of a GFA of approximately 760,000 sq.m. was underway.

CSC Harbin

As of 30 September 2022, the development of CSC Harbin is well underway with construction of a GFA of approximately 2.09 million sq.m. completed, and planned construction of a GFA of approximately 710,000 sq.m. was underway.

CSC Zhengzhou

As of 30 September 2022, the development of CSC Zhengzhou is well underway with construction of a GFA of approximately 5.21 million sq.m. completed, and planned construction of a GFA of approximately 2.11 million sq.m. was underway.

CSC Hefei

As of 30 September 2022, the development of CSC Hefei is well underway with construction of a GFA of approximately 3.68 million sq.m. completed, and planned construction of a GFA of approximately 640,000 sq.m. was underway.

CSC Chongqing

As of 30 September 2022, the development of CSC Chongqing is well underway with construction of a GFA of approximately 2.33 million sq.m. completed, and 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 and focused 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 actively developed its cold chain business and invested in the construction of a 50,000-tonne capacity cryogenic freezer in Shenzhen, a key city in the Greater Bay Area, and 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 upgraded, optimized and enhanced the value of its projects and recovered over RMB1.7 billion through project transfer and asset revitalization, which further strengthened its cash flow and laid a foundation for exploring more commercial logistics business models by focusing on its main business and future development.

Outlet Operations

Huasheng Outlet, a subsidiary of the Group, is specialized in outlet development and operation, and increasingly enhances its commercial value through professional and effective commercial asset management. During the Reporting Period, Huasheng Outlet organized a series of activities such as the "Autumn Carnival" campaign to promote the concept of "High-quality Products at Affordable Prices" and actively tried new online marketing models such as Douyin group purchase, and strived to overcome the adverse impact of the pandemic, thus achieving customer inflow and performance growth.

Active Merchants recruitment and Operation and Positive Results in Innovative Breakthrough

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, 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 various unfavourable factors, the Business Management division of China South City assisted merchants to maintain stable operation, and improved the operating environment and service quality by standardizing its operation system and ensuring satisfactory customer services. Meanwhile, adhering to the investment strategy of "Recruiting Big and Good Merchants" and the service spirit of "Go Out and Invite In", it promoted change in merchant recruitment from quantity to quality through external cooperation and internal and external interactions, thus making new breakthroughs in merchant recruitment. In August 2022, CSC Shenzhen was awarded the honorary title of "Shenzhen Famous Brand" by the Federation of Shenzhen Industries for the sixth consecutive year. In September 2022, China South City E-Commerce Industrial Park was recognized as one of the "Top Ten" national e-commerce demonstration bases for its outstanding performance in comprehensive assessment. In addition, CSC Nanchang achieved breakthrough in new business models and new consumption trend by focusing on two national industrial bases; CSC Chongqing successfully established a well-known local market cluster for hotel supplies; and CSC Nanning achieved favourable results in merchants recruitment in sports and other industries.

In addition, the Group continued to cooperate with various cities 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 activities, such as "Facilitating Intelligent Development of Industries and Cities through Digitalization" salon, "Warm Gathering" merchants networking event, Huasheng Outlet Autumn Carnival and "2022 China E-Commerce Industry Alliance Live Conference on Innovative Development and Cross-border E-Commerce Policy Explanation", and further implemented the concept of "Stabilizing Business and Supporting Merchants" to promote collaborative development of various industries.

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 seize the opportunities from introduction of state capital and 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, First Asia Pacific Property Management, a subsidiary of China South City, 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 "Shenzhen Famous Brand", "National E-Commerce Demonstration Base with Outstanding Performance in Comprehensive Assessment in 2022", "2021 Advanced Unit in Combating Pandemic in the Property Management Industry of Guangdong Province" and other awards. In July 2022, the Group and SZCDG entered into an agreement to dispose of 50% equity interest in Shenzhen First Asia Pacific Property Management Company Limited to SZCDG. In the future, the Group will join hands with SZCDG for a win-win cooperation to expand and strengthen the property management business.

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 intelligent digital service systems such as mobile payment, online payment, electronic invoicing and smart device control, and accelerated the upgrade of intelligent parking systems and fire monitoring systems in logistics parks to enhance the overall level of digitalization.

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 July 2022, hosted by China South City Group and China South City E-Commerce Industry Alliance, the "2022 China E-Commerce Industry Alliance Live Conference on Innovative Development and Cross-border E-Commerce Policy Explanation" was held simultaneously in eight cities covered by China South City.

In August 2022, the 14th product selection session – "Gifts and Household Goods" by the Qianyu Cross-border E-Commerce Product Selection Base of China South City was held at the No. 1 Trading Square of CSC Shenzhen, where more than 30 source factories gathered to empower brands to go to overseas.

In September 2022, the "Facilitating Intelligent Development of Industries and Cities through Digitalization" salon was held at China South City to facilitate enhancement of service efficiency and empower the enterprises in the park to jointly promote digital transformation.

In September 2022, China South City held a series of activities for the "Benefits for All Businesses" campaign featuring a number of events such as merchants recruitment conference, contract signing, innovation and start-up service platform, shop sales, merchant evaluation and networking dinner.

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.

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 Group's current land bank is mainly for residential and commercial purposes.

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	
(in sq. m.)	Sold	Saleable and in operation		Estimated	Estimated		(% to total planned GFA)[4]
CSC Shenzhen	923,100	1,469,200	248,800	66,200	2,707,300	2,707,300	100%
CSC Nanchang	1,408,500	992,400	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	1,713,800	698,700	761,500	995,000	17,500,000	4,169,000	24%
CSC Harbin	867,900	1,221,400	706,400	2,980,400	12,000,000	5,776,100	48%
CSC Zhengzhou	3,179,500	2,030,500	2,111,200	2,871,000	12,000,000	10,192,200	85%
CSC Hefei	2,449,700	1,226,500	641,200	1,675,600	12,000,000	5,993,000	50%
CSC Chongqing	925,400	1,408,800	495,400	3,672,200	13,100,000	6,501,800	50%
Total	**12,163,000**	**10,305,500**	**5,830,000**	**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 30 September 2022, the total interest-bearing debts of the Group were HK$32,160.7 million (31 March 2022: HK$35,975.4 million). The gearing ratio was 66.3% (31 March 2022: 69.4%). Furthermore, as at 30 September 2022, cash and bank balances were HK$4,039.9 million (31 March 2022: HK$4,681.1 million) and the Group had unused banking facilities of approximately HK$13,076.3 million.

Comparing with the same period last year, the revenue of the Group decreased by 47.1% to HK$3,259.6 million (1H FY2021/22: HK$6,166.3 million). Net profit attributable to owners of the parent decreased by 60.9% to HK$256.8 million (1H FY2021/22: HK$656.7 million) and the basic earnings per share decreased to HK2.42 cents (1H FY2021/22: HK8.12 cents). The decrease in net profit attributable to owners of the parent and basic earnings per share are mainly due to (i) the decline in delivery of properties and hence decline in revenue from properties sales during the period as the COVID-19 pandemic continued to repeat and depressed macro market environment; and (ii) the decline in average selling price of properties delivered during the period, resulting in the decrease in the gross profit margin.

Revenue

Revenue for the Reporting Period decreased by 47.1% to HK$3,259.6 million (1H FY2021/22: 6,166.3 million) comparing with the same period last year. The decrease was mainly attributable to less properties were sold and delivered during the Reporting Period.

	For the six months ended 30 September		
	2022	2021	Change
	HK$'000	*HK$'000*	%
Sale of properties and finance lease income	**1,649,530**	4,483,186	-63.2
Recurring income	**1,610,100**	1,683,065	-4.3
Property leasing and management service income	***950,259***	*875,653*	*8.5*
Other recurring revenue	***659,841***	*807,412*	*-18.3*
	3,259,630	6,166,251	-47.1

Sales of Properties and Finance Lease income

Revenue from sale of properties decreased by 57.7% to HK$1,649.5 million (1H FY2021/22: HK$3,895.8 million). The decrease was mainly attributable to less sales and delivery of properties during the Reporting Period.

No finance lease income was derived from the leasing of office buildings during the Reporting Period (1H FY2021/22: HK$587.4 million) whereas the revenue of last year was primarily attributable to finance lease income from office building at CSC Shenzhen.

Property Leasing and Management Service Income

The Group intends to retain certain of trade centre units for self-use or rental purposes. Meanwhile, the Group also provide property management services for its trade centres, shops and residential properties delivered and in use. Given the diversity of its property types and industries in China South City projects, the Group's business management division continued to provide diversified leasing and property management services, to cater the needs of different property types and industries across respective projects during the Reporting Period. 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 Reporting Period, property leasing and property management service income of the Group increased by 8.5% to HK$950.3 million (1H FY2021/22: HK$875.7 million) comparing with the same period of last fiscal year.

Other Recurring Revenue

Other recurring revenue decreased by 18.3% to HK$659.8 million (1H FY2021/22: HK$807.4 million). As part of the asset has been sold last year, revenue from logistics and warehousing services decreased 31.1% to HK$157.6 million (1H FY2021/22: HK$228.7 million) during the Reporting Period. Due to the continuous and direct impact of the novel coronavirus outbreak, the revenue from outlet operations decreased 46.1% to HK$124.1 million (1H FY2021/22: HK$230.2 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 Reporting Period, the cost of sales decreased by 41.6% to HK$2,282.6 million (1H FY2021/22: HK$3,908.0 million). The decrease in cost of sales was in line with the decrease of total recognised sales during the Reporting Period.

Gross Profit

Gross profit decreased by 56.7% to HK$977.0 million (1H FY2021/22: HK$2,258.2 million). During the Reporting Period, gross profit margin decreased to 30.0% (1H FY2021/22: 36.6%), which was mainly due to the decrease in average selling price of properties sold and increase of construction cost.

Other Income and Gains

During the Reporting Period, other income decreased by 61.6% to HK$50.4 million (1H FY2021/22: HK$131.3 million), which was mainly attributable to the decrease in interest income. In addition, during the Reporting Period, other gains turned from HK$12.8 million gains for the corresponding period of last year to other losses of HK$16.0 million, which was mainly attributable to the fair value losses on financial assets at fair value through profit or loss and losses on exchanges.

Fair Value Gains on Investment Properties

The fair value gains on investment properties amount to HK$19.6 million (1H FY2021/22: HK$10.0 million). During the Period, 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 61.9% to HK$63.8 million (1H FY2021/22: HK$167.5 million). The decrease was mainly attributable to the implementation of effective cost control measures over marketing activities on the sales of properties during the Reporting Period, and certain property sales are directly sold by the Group to end customers rather than through intermediaries.

Administrative Expenses

Administrative expenses decreased by 7.7% to HK$469.2 million (1H FY2021/22: HK$508.2 million). The decrease was primarily due to actions taken by the Group to streamline human resources and the effective control of administrative costs.

Other Expenses

Other expenses increased to HK$108.9 million (1H FY2021/22: HK$9.1 million), which was mainly attributable to the impairment of trade receivables.

Finance Costs

Finance costs decreased by 10.7% to HK$282.0 million (1H FY2021/22: HK$315.8 million). Due to the change in capital market conditions, the Group's weighted average financing cost decreased to 8.4% as at 30 September 2022 (31 March 2022: 9.0%).

The average financing cost of bank and other borrowings and senior notes are 8.0% and 9.0% respectively as at 30 September 2022 (31 March 2022: 8.2% and 10.5%).

Tax

Income tax expenses recorded a credit of HK$148.9 million (1H FY2021/22: expenses of HK$755.4 million). The credit in income tax expenses was mainly due to the deferred taxation for the Reporting Period.

Liquidity and Financial Resources

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

Cash and Bank Balances

As at 30 September 2022, the Group had HK$4,039.9 million cash and bank balances (31 March 2022: HK$4,681.1 million). The Group's cash and bank balances were primarily denominated in Renminbi, HK dollars and US dollars.

Borrowing and Charges on the Group's Assets

As at 30 September 2022, the total interest-bearing debts of the Group were HK$32,160.7 million (31 March 2022: HK$35,975.4 million). The details of borrowings and charges on the Group's assets are set out below.

Interest-bearing bank and other borrowings

The Group had aggregated interest-bearing bank and other borrowings of HK$19,992.0 million as at 30 September 2022 (31 March 2022: HK$21,083.6 million), of which HK$12,062.8 million is repayable within one year or on demand, HK$1,780.4 million will be repayable in the second year, HK$2,402.5 million will be repayable in the third to fifth years and HK$3,746.3 million will be repayable after five years. As at 30 September 2022, the Group's interest-bearing bank and other borrowings of approximately HK$19,647.4 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$47,056.2 million.

All interest-bearing bank and other borrowings of the Group were denominated in HK dollars, Renminbi or US dollars with interest rates range from 2.80% to 15.00% (31 March 2022: 3.75% to 15.00%) per annum. Furthermore, as at 30 September 2022, the Group had unused banking facilities of approximately HK$13,076.3 million. The Group will, depending on the needs of project development and working capital status, utilize these banking facilities as appropriate.

Issuance of Notes

Senior Notes

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

Details of movement is set out below:

Issued Date	**Dec 2019 and Jan 2020**	**Feb and Jun 2020**	**Nov 2017**	**Sep 2020 and Jan 2021**	**Mar 2021**
	11.5% Senior Notes due 2022 (9.0% Senior Notes due Apr 2024)	**10.875% Senior Notes due 2022 (9.0% Senior Notes due Jun 2024)**	**7.25% Senior Notes due 2022 (9.0% Senior Notes due Jul 2024)**	**10.75% Senior Notes due 2023 (9.0% Senior Notes due Dec 2024)**	**11.95% Senior Notes due 2023 (9.0% Senior Notes due Oct 2024)**
ISIN	**XS2085883119**	**XS2120092882**	**XS1720216388**	**XS2227909640**	**XS2238030162**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Issued nominal value	350,000	350,000	300,000	370,000	225,000
As at 1 April 2022	348,000	346,000	276,500	370,000	225,000
Redeemed upon maturity	(17,400)	–	–	–	–
As at 30 September 2022	330,600	346,000	276,500	370,000	225,000

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

As at 30 September 2022, the carrying value of Senior Notes were HK$12,168.7 million (31 March 2022: HK$12,295.2 million). The Senior Notes are jointly guaranteed by certain subsidiaries and part of the Senior Notes are secured by pledges of share of certain subsidiaries.

Medium-Term Notes

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

Domestic Company Bonds

In August 2019, China South International issued the first and second tranche of the domestic company bonds of 2019 with an aggregate principal amount of RMB1.4 billion with a maximum maturity period of 3 years and at an interest rate of 8% per annum. In July 2021, the principal amount of RMB12 million of domestic company bonds were sold back to China South International and then the outstanding principal balance of RMB1.388 billion was fully settled in August 2022.

Gearing Ratio

The Group's gearing ratio (net debt divided by total equity) was 66.3% as at 30 September 2022 (31 March 2022: 69.4%).

Net Current Assets and Current Ratio

As at 30 September 2022, the Group had net current assets of HK$13,670.9 million (31 March 2022: HK$6,426.6 million) and a current ratio of 1.33 (31 March 2022: 1.12).

Contingent Liabilities

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

Commitments

As at 30 September 2022, the Group had future capital expenditure contracted but not yet provided for amounting to HK$11,521.8 million (31 March 2022: HK$13,512.5 million).

Acquisition and Disposal of Subsidiary and Associated Companies

Except for the disposal of 50% equity interest in Shenzhen First Asia Pacific Property Management Company Limited announced on 18 July 2022 and 28 July 2022, the Group had no material acquisitions and disposals of subsidiaries and associated companies during the Reporting Period.

Foreign Exchange Risk

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

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

Economic, Commercial and Other Risks

The Group may be exposed to the risk of negative developments in national and regional economies, property and financial markets. It may result in reductions in sales and selling prices of the properties, rental rates and occupancy rates of properties, and demand for ancillary services and facilities it provides. It may also result in recession, inflation, deflation and currency fluctuations as well as restrictions in the availability of credit, increases in financing and other operating costs. The development of the Group's projects may subject to market risks as it usually takes time to complete. Though the Group appoints quality partners for the development of its projects, it may still be subject to associated risk of the quality and safety of the products and services provided to the Group. The Group may also be subject to a number of regulatory environments in the territories in which it operates. Changes in the regulatory approach to such matters as ownership of assets and businesses, regulations related to development and operations, exchange controls, tax rules and employment legislation may impact the business of the Group. Changes in the policy environment in such territories may also affect the business of the Group. The management of the Group will keep abreast of the environment and policy changes and make the necessary adjustments in response to such changes, if any. Further steps taken by the Group to manage the financial risk can be read in conjunction with note 43 to the financial statements as set out in the Company's 2021/22 Annual Report.

Land for Projects and Restriction on Sales

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

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

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

Human Resources

As at 30 September 2022, the Group had a workforce of 2,671 employees. The Group aims to optimize the organizational structure and talent structure to further reduce 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. During the Reporting Period, SZCDG has appointed two senior management to join the Group as Executive Directors of the Board, and the Chairman of SZCDG also serves as Co-Chairman of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the guidelines for the directors' dealing in the securities of the Company. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code throughout the 1H FY2022/23.

AUDIT COMMITTEE

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process, risk management and internal controls system and review of the Company's financial statements. Their written terms of reference are in line with the provisions under the CG Code and the roles and responsibilities delegated to the Audit Committee by the Board.

The Audit Committee consists of Mr. Li Wai Keung as chairman, Mr. Leung Kwan Yuen Andrew, Mr. Hui Chiu Chung and Ms. Shen Lifeng. All of the Audit Committee members are Independent Non-Executive Directors.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Company and its subsidiaries for the six months ended 30 September 2022 have been reviewed and approved by the Audit Committee.

EVENT AFTER THE REPORTING PERIOD

On 20 October 2022, China South International entered into the entrusted loan agreement with SZCDG and the bank, pursuant to which SZCDG has entrusted the bank to provide the loan to the China South International in the maximum principal amount of RMB200 million. In connection with the entrusted loan agreement, on the same date, Chongqing CSC entered into the security agreement with SZCDG, pursuant to which Chongqing CSC agreed to pledge certain properties to SZCDG.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Company redeemed part of the Senior Notes with an aggregated principal amount of US$17.4 million. Details are set out in the section headed "Senior Notes".

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

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

Hong Kong, 28 November 2022

As at the date of this announcement, the Co-Chairmen of the Company are Mr. Li Wenxiong (Non-Executive Director) and Mr. Cheng Chung Hing (Executive Director); the Executive Directors of the Company are Ms. Geng Mei, Mr. Wan Hongtao, Mr. Qin Wenzhong and Ms. Cheng Ka Man Carman; the Non-Executive Director of the Company is Mr. Cheng Tai Po; 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 Reporting Period and forward-looking statements relating to the business outlook, forecast business plans and growth strategies of the Group (collectively "**Information Statements**"). The Information Statements are unaudited and are made based on the Group's business plans, internal information, certain expectations, assumptions and premises, which may be subjective or beyond our control. They do not constitute warranties of future performance of the Group and subject to factors included but not limited to general industry and economic conditions and changes in government policies. With these, the Information Statements in this announcement should not be regarded as representations by the Board or the Company that they will be achieved, and investors should not place undue reliance on such Information Statements.*