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華南城

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

PROPOSED ISSUANCE OF SENIOR NOTES

The Company proposes to conduct an international offering of the Proposed Notes Issue targeted to certain qualified institutional investors in Asia and Europe. In connection with the Proposed Notes Issue, the Company will provide such investors with certain corporate and financial information regarding the Group. For purposes of equal, effective and timely dissemination of information to Shareholders and the investment community, an extract of such information is attached to this announcement and will be available on the Company's website approximately the same time when such information is released to the institutional investors.

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not materialize. Investors and Shareholders are urged to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Company proposes to conduct an international offering of the Proposed Notes Issue targeted to certain qualified institutional investors in Asia and Europe. In connection with the Proposed Notes Issue, the Company will provide such investors with certain corporate and financial information regarding the Group. For purposes of equal, effective and timely dissemination of information to Shareholders and the investment community, an extract of such information is attached to this announcement and will be available on the Company's website approximately the same time when such information is released to the institutional investors.

The materialization and completion of the Proposed Notes Issue are subject to market conditions and investor interest. The Notes are proposed to be guaranteed by the Subsidiary Guarantors. UBS, as the sole global coordinator and UBS, HSBC and Merrill Lynch, as joint lead managers and joint bookrunners, are managing the Proposed Notes Issue. As at the date of this announcement, the principal amount, the interest rates and the terms and conditions of the Proposed Notes Issue are yet to be determined. Upon the finalization of the terms of the Notes, UBS, HSBC, Merrill Lynch and the Company, among others, will enter into the Purchase Agreement and other ancillary documents, pursuant to which, UBS, HSBC and Merrill Lynch will be the initial purchasers of the Notes. Further announcement(s) in respect of the Proposed Notes Issue will be made by the Company as and when appropriate.

The Proposed Notes Issue has not been and will not be registered under the Securities Act or any state securities law and, unless so registered, may not be offered or sold within the United States and may only be offered, sold or delivered outside the United States in reliance on Regulation S under the Securities Act. None of the Notes will be offered to the public in Hong Kong.

REASONS FOR THE PROPOSED NOTES ISSUE AND THE PROPOSED USE OF PROCEEDS

The Group is one of the leading developers and operators of large-scale, integrated logistics and trade centers in the PRC. The Group has the following properties under development, including, Phase Three of China South City Shenzhen, Phase One of China South City Nanning, Phase One of China South City Nanchang, Phase One of China South City Xi'an and the Phase One of two new projects, China South City Zhengzhou and China South City Harbin.

The net proceeds of the Proposed Notes Issue will be used by the Company primarily to fund its properties under development and properties planned for future development (including land grant fees), refinance a portion of its existing debt, and for general corporate purposes.

The Company may adjust its plans to make investments in its property development business in response to changing market conditions, changes in government policies and other factors. In these situations, the Company will carefully evaluate the situation and may reallocate the use of proceeds.

LISTING

Approval in-principle has been obtained for the listing of the Notes on the SGX-ST. Admission of the Notes to the SGX-ST is not to be taken as an indication of the merits of the Company or the Notes. No listing of the Notes has been or will be sought in Hong Kong.

GENERAL

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not materialize. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Company"	China South City Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1668)
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HSBC"	The Hongkong and Shanghai Banking Corporation Limited, one of the joint bookrunners and joint lead managers in respect of the offer and sale of the Notes
"Merrill Lynch"	Merrill Lynch International, one of the joint bookrunners and joint lead managers in respect of the offer and sale of the Notes
"Notes"	the senior notes to be issued by the Company
"PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
"Proposed Notes Issue"	the proposed issue of the Notes by the Company
"Purchase Agreement"	the agreement proposed to be entered into between, among others, the Company, UBS, HSBC and Merrill Lynch in relation to the Proposed Notes Issue

"Securities Act"	the United States Securities Act of 1933, as amended
"SGX-ST"	Singapore Exchange Securities Trading Limited
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary Guarantors"	the subsidiaries of the Company which provide a guarantee for the payment of the Notes provided that those Subsidiary Guarantors will not include any subsidiaries of the Company established under the laws of the PRC
"UBS"	UBS AG, Hong Kong Branch, the sole global coordinator and one of the joint bookrunners and joint lead managers in respect of the offer and sale of the Notes
"United States"	the United States of America

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

Hong Kong, 23 September 2012

As at the date of this announcement, the executive directors of the Company are Mr. Cheng Chung Hing, Mr. Leung Moon Lam and Professor Xu Yang; the non-executive directors of the Company are Dr. Ma Kai Cheung, SBS, BBS, Mr. Sun Kai Lit Cliff, BBS, JP, Dr. Ma Wai Mo and Mr. Cheng Tai Po; and the independent non-executive directors of the Company are Mr. Leung Kwan Yuen Andrew, GBS, SBS, JP, Mr. Li Wai Keung and Mr. Hui Chiu Chung Stephen, JP.

Extract of Operating and Financial Data of China South City Holdings Limited (As of 23 September 2012)

Sections in the Offering Memorandum to be included:

1. Risk Factors
2. Capitalization and Indebtedness
3. Selected Consolidated Financial Data
4. Management's Discussion and Analysis of Financial Condition and Results of Operations
5. Industry Overview
6. History and Corporate Structure
7. Business
8. Related Party Transactions
9. Description of Other Material Indebtedness

RISK FACTORS

You should carefully consider the risks described below and other information contained in this offering memorandum before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, prospects, cash flows, financial condition and results of operations. If any of the events described below occur, our business, prospects, cash flows, financial condition and results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment. For more information concerning the PRC and related regulatory matters discussed below, see "Regulation."

Risks Relating to our Business and our Industry

Our results of operations substantially depend on economic growth and our ability to execute our business strategy.

Our results of operations substantially depend on the successful execution of our business strategy to attract and retain high-quality tenants, achieve market rental rates and improve the surrounding infrastructure. Our success will also depend upon continuing growth in the manufacturing and export industries in the Greater Pearl River Delta region, as well as the regions surrounding Nanchang, Nanning, Xi'an, Harbin and Zhengzhou, the location of our properties under development and planned for future development, and our ability to compete with other similar businesses. We may face challenges in implementing our strategy, and our ability to achieve our goals may be adversely affected by various factors, many of which are beyond our control. If we are not able to execute our business strategy or successfully compete with other similar businesses, our business, prospects, cash flows, financial condition and results of operations will be materially and adversely affected.

Our revenues and revenue mix vary significantly based upon the completion dates of our projects and prevailing market conditions.

Our business depends on the success of a small number of large-scale, multi-phase, mixed-use projects developed over the course of several years. Our strategy is to achieve an optimal mix between trade center units for sale and trade center units held as investment properties. We generally sell certain trade center units in the initial stages following completion of a project subject to prevailing market conditions and restrictions. The number of trade centers that we are able to complete during any given period is limited due to the substantial capital requirements for land acquisition and construction, as well as the lengthy development periods required before positive cash flows may be generated. If we believe that market prices will rise in the future, we may also delay sales of some trade center units in order to take advantage of increases of market prices.

Our revenues, and our mix of sales revenues versus rental incomes, vary significantly based upon the completion dates of our projects, among other factors. For instance, we sold 135,800 and 251,200 sq.m. of properties in the fiscal years ended March 31, 2011 and 2012, respectively, resulting in a 64.3% increase in revenues from sales of properties from HK$1,832.6 million to HK$3,010.8 million, accounting for 82.0% and 82.0%, respectively, of our total revenues.

We tend to experience sharp increases in revenues during periods when we complete a significant project or project phase and offer it for sale, followed by declines in revenues during periods when we offer less new saleable GFA. The sale revenues we are able to achieve in a given period vary significantly based upon the GFA and type of properties, the proportion of GFA we allocate to sales versus rental properties, prevailing sales prices, market demand, interest rates, inflation, the availability of attractive mortgage terms to our buyers, the prevailing regulatory environment for property sales, regional economic growth, competition and other factors. Accordingly, our past performance in any given period and in relation to any given project may not be indicative of our future performance. Furthermore, the market prices of trade center units that we hold for future sale may not rise in line with our expectations, or at all.

Part of our strategy is to increase our rental income, as well as rental income as a proportion of total revenue, as we complete and lease out more rental properties over time. Rental income is subject to cyclical changes in market demand. We may not be able to implement this strategy successfully if we cannot complete the development of adequate GFA of new rental properties, achieve adequate rental occupancy rates and achieve adequate effective rental rates. Furthermore, maximizing yields from properties held for investment also depends to a large extent on active ongoing management and maintenance of the properties.

Our revenues attributable to the leasing of trade center units and other properties during the fiscal years ended March 31, 2010, 2011 and 2012 were HK$101.3 million, HK$133.5 million and HK$166.4 million, respectively, accounting for 6.4%, 6.0% and 4.5%, respectively, of our total revenues.

Rental rates vary among projects according to market demand, date of completion and other factors. Tenants generally prefer to rent at a facility with a high occupancy rate, so we offer tenants in newly completed trade center units preferential rental rates and rent-free periods in order to boost initial occupancy rates. If we fail to achieve a sufficiently high occupancy rate at any of our projects, we may need to provide additional incentives to attract a core group of tenants. Our rental income for future periods may be adversely affected by these and similar incentive plans.

We may not be able to replace or renew all of our lease agreements upon their expiration.

Most of our existing leases are in our Phase One and Phase Two trade centers in China South City Shenzhen. The terms of our leases generally range from 12 to 36 months. Because many leases have identical terms and were entered into soon after completion of the relevant project phase, we often must seek to renew or replace a significant portion of our leases at about the same time. When a lease is not renewed, we must sometimes lower our rental rates to attract new tenants.

In exchange for discounts on their purchase price, the buyers of certain Phase Two trade center units in China South City Shenzhen have permitted us to lease these units to third parties for terms of three years and retain all the rental income from these units. Pursuant to these arrangements, we are able to earn rental income until the expiration of the three-year permitted period, after which we may no longer be entitled to the revenue from such leases.

We cannot assure you that we will be able to renew or replace our existing leases upon expiration or that our occupancy rates and effective rental rates will not decline. Any decline in our occupancy or rental rates could reduce our leasing revenue, which in turn could have a material adverse impact on our business, prospects, cash flows, financial condition and results of operations.

We incur significant capital expenditures in developing our existing and new projects

Development of our projects involves significant capital expenditures. In the event of a circumstance which adversely affects the operations or business of our projects, or their attractiveness to tenants, we may not have sufficient income to fully mitigate any ensuing loss or recover our capital expenditures. We are highly susceptible to a downturn in the property market of regions in which our projects are located. In addition, any property damage at these projects, resulting from fire or other causes, or a downturn in the finished and unfinished goods or manufacturing industries in the regions where our projects are located, may have a material adverse effect on our business, prospects, cash flows, financial condition and results of operations. Furthermore, we cannot assure you that these projects will continue to attract tenants and customers and generate rental income and sales revenue at historical rates, or that they will be successful in the future. We cannot assure you that we will be able to successfully diversify our revenue base, obtain land use rights for all of the land necessary to develop new projects or generate revenue and net income from new projects in amounts that will allow us to recover our capital expenditures.

We may not be able to complete the development of Phase Three of China South City Shenzhen or our properties under development and planned for future development at Nanning, Nanchang, Xi'an, Harbin and Zhengzhou on time or within budget.

Completing the development of Phase Three of China South City Shenzhen and our properties under development and planned for future development in Nanning, Nanchang, Xi'an, Harbin and Zhengzhou will involve obtaining additional land use rights for large plots of land, many of which have existing structures and residents, from municipal and provincial governments of the PRC. Other properties we may develop in the future may also involve similar circumstances. Acquiring these development rights, converting them into land use rights and committing the financial and managerial resources to develop the land involves significant risks. Before an integrated logistics and trade center development generates any revenue, we must make a variety of material expenditures, which include acquiring the development rights and constructing the integrated logistics and trade center development infrastructure.

It generally takes several years for a planned development to generate revenue, and we cannot assure you that such developments will achieve positive cash flows. Our integrated logistics and trade center development activities may be exposed to the following risks:

- we engage independent contractors to provide various services, including but not limited to construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. The services rendered by any of these independent contractors may not meet our quality standards and timing requirements, and negligence or poor work quality by contractors may result in defects in our buildings or trade center units, which could in turn cause us to suffer financial losses, harm our reputation or expose us to third-party claims;

- we may incur construction and other development costs for a development project which exceed our original estimates due to increases in material, labor, leasing or other costs, which could make the completion of the project uneconomical because market rents or sales prices may not increase sufficiently to compensate for the increase in construction and other development costs. In addition, in recent years, construction costs in China have been increasing as a result of economic growth and increased activity in the property industry in China, as well as increases in wages for construction workers and the prices of construction materials and building equipment. Although our construction contracts typically provide for fixed or capped payments, in the long run increases in construction costs may be passed on to us by our construction contractors. Because it normally takes several years for us to complete a project development, we expect that we will be affected by increases in the costs of construction materials, other goods and services and labor. Any cost increases may reduce our profits if we are unable to pass these increased costs on to our customers;

- we may delay, or change our plans for, integrated logistics trade center development opportunities after we begin to explore them and as a result we may lose deposits paid to participate in the land tender process or fail to recover expenses already incurred;

- we may be unable to complete construction of a property on schedule, or on budget, due to a variety of factors including shortages or increased costs of materials, equipment, contractors and skilled labor; adverse weather conditions; natural disasters; unforeseen engineering, design, environmental, structural or geological problems; labor disputes; disputes with contractors and subcontractors; construction accidents; changes in government priorities and policies or in applicable laws or regulations; changes in market conditions; delays in or increased costs of relocation of existing residents or demolition of existing structures; delays in obtaining requisite licenses, permits or approvals from the relevant authorities; and other problems and circumstances resulting in increased debt service expense and construction costs;

- we may be unable to obtain, or face delays in obtaining, required zoning, land use, building, occupancy, and other governmental permits, rights and authorizations, which could result in increased costs and could require us to abandon our activities in part or as a whole with respect to a project;

- we may be involved in legal, governmental or administrative proceedings or disagreements with regulatory bodies arising out of our operations and may face significant liabilities as a result;

- we may lease or sell developed properties at below expected rental rates or sales prices, and we may experience delays in the sale or leasing of developed properties; and

- occupancy rates, rents and sales prices at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in our investments being less profitable than we expected or not profitable at all.

The occurrence of any of these circumstances, most of which are beyond our control, could delay the completion or affect the profitability of our properties under development and planned for future development in Phase Three of China South City Shenzhen, Nanning, Nanchang, Xi'an, Harbin and Zhengzhou and increase our costs, which could adversely affect our business, prospects, cash flows, financial condition and results of operations. In addition, many of the assumptions on which we have based the timetables for our properties under development and planned for future development are also outside of our control. If the actual economic conditions or other facts turn out to be materially different from these assumptions, our actual development timetable could differ materially from that described in this offering memorandum.

We may not be able to obtain adequate funding to complete the development of our properties under development in Shenzhen, Nanning, Nanchang and Xi'an or our properties planned for future development in Harbin and Zhengzhou.

We will require substantial capital resources to develop our properties under development and planned for future development in Phase Three of China South City Shenzhen, Nanning, Nanchang, Xi'an, Harbin and Zhengzhou. Each of these projects is a large-scale project consisting of multiple phases that: (1) will take several years to complete; (2) do not require full completion of all phases to be operational; (3) will be completed on a phase-by-phase basis; and (4) can be financed from a variety of funding sources, including project financing, other bank borrowings, pre-sales, rental income and cash flows from operations.

We rely on cash flows from operations, bank borrowings and offerings of debt and equity securities to fund our development requirements. In this regard, our cash flows from operations alone is not likely to be sufficient to fund our future development requirements. Due to the nature of our trade center development business, we may from time to time experience periods of net cash outflows, when imbalances may arise between the timing of cash inflows from rentals and sales of trade center units and our cash outflows relating to the construction of properties and purchases of land use rights.

We expect to use a portion of the net proceeds of the offering of the Notes for the development of our projects. We may also require additional bank borrowings and, if necessary, future offerings of debt and/or equity securities for a significant portion of our liquidity requirements to finance the construction costs of these projects, which are expected to be completed in multiple phases. Our ability to secure sufficient funding for project development depends on a number of factors that are beyond our control, including market conditions in debt and equity markets, investors' perception of our business, lenders' perception of our creditworthiness, the PRC economy and PRC regulations. We cannot assure you that we will be able to obtain additional financing at competitive costs, or at all. In addition, we may not be able to renew our existing loan facilities granted by banks in the PRC on satisfactory terms, or at all. If we are unable to obtain necessary additional financing or renew existing loan facilities, we will not be able to complete our properties under development in Shenzhen, Nanning, Nanchang and Xi'an or develop our properties planned for future development in Harbin and Zhengzhou, and our business development could be severely disrupted.

In addition, the People's Bank of China, or the PBOC, has raised the reserve requirement ratio for commercial banks in China six times in 2010 and four times in 2011, although it has decreased it twice in 2012. The current reserve requirement ratio, which took effect in May 2012, ranges from 16.5% to 20.0%. Such increases may negatively impact the amount of funds available for corporate lending, including to us, by commercial banks in China. As a result, we cannot assure you that we will be able to obtain sufficient funding to finance intended purchases of land use rights, develop future projects or meet other capital needs as and when required at a commercially reasonable cost, or at all. Failure to obtain adequate funding at a commercially reasonable cost may limit our ability to acquire land, commence new projects or to continue the development of existing projects. Any such failure may also increase our borrowing costs and have a material adverse effect on our business, prospects, cash flows, financial condition and results of operations.

In previous years, the PRC government had introduced a number of measures and regulations to restrict the ability of property developers to raise capital through external financing and other methods. These PRC regulations include the following:

- pre-sale proceeds may only be used to fund the property development costs of the relevant projects to which they relate;
- we cannot pre-sell uncompleted units in a project prior to achieving certain development milestones;
- PRC banks are prohibited from extending loans to real estate companies for the purposes of funding the payment of land premium;
- we cannot borrow from a PRC bank for a particular project unless we fund at least 35% of the estimated total capital required for that project from our own capital;
- we cannot borrow from a PRC bank for a particular project unless we first obtain the land use rights certificate, construction land planning permit, construction works planning permit and construction permit for that project;
- PRC banks are restricted from granting loans for the development of luxury residential properties;
- property developers are strictly prohibited from using the proceeds from a loan obtained from a local bank to fund property developments outside the region where that bank is located;
- PRC banks are restricted from granting revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- PRC banks are prohibited from accepting properties that have been vacant for more than three years as collateral for loans;
- In November 2009, the PRC government raised the minimum down payment of land grant fees to 50% and required the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions; and
- In March 2010, the Ministry of Land and Resources of the PRC, or the MLR, stipulated that the minimum down payment of land grant fees of 50% must be paid within one month after the signing of a land grant contract and the rest of the land grant fees must be fully paid within one year after the signing of a land grant contract.

Because the local authorities in Shenzhen treat our subsidiary, China South International Industrial Materials City (Shenzhen) Co. Ltd., or China South International, as an integrated logistics enterprise, we have not been subject to these measures and regulations with respect to China South City Shenzhen. However, if local regulatory authorities were to change their current approach and treat China South International as a property developer, or if higher level or central government regulatory authorities were to override the decision of the local regulatory authorities, China South International would be subject to these measures and regulations with respect to China South City Shenzhen. We have not received any formal assurance or comfort from any authorities that such a change will not occur. Moreover, these measures may apply to our properties under development or future projects. For further discussion on the restrictions imposed on property developers, see "Regulation — Regulations on Foreign-Invested Real Estate Enterprises" and "Regulation — Regulations on Real Estate Financing." Any application of these measures to our business could have a material adverse effect on our business, prospects, cash flows, financial condition and results of operations.

If we are unable to obtain suitable sites or the land use rights for our properties under development and planned for future development, we will not be able to develop these projects.

We signed master agreements with the Nanning City Jiangnan District People's Government, Xi'an International Port Zone Committee, Harbin Daowai Government and Xin Zheng City Government in December 2007, November 2009, June 2011 and April 2012, respectively, and certain supplementary agreements thereto. Pursuant to these master agreements and the corresponding supplementary agreements, the municipal governments have identified land which is suitable for our development strategy in these locations. However, the signing of the master agreements and the corresponding supplementary agreements thereto does not guarantee that we will obtain the land identified therein, which may only be transferred by public tender, auction or listing for sale. Although we have obtained land use rights for 890,000 sq.m., or 48.6%, 599,000 sq.m., or 6.0%, 263,000 sq.m., or 4.2%, and 103,000 sq.m., or 1.5%, of the identified construction area of the Nanning, Xi'an, Harbin and Zhengzhou projects, respectively, we cannot assure you that we will be successful in bidding for the remaining parcels of land for these projects or that we will be able to obtain the land use rights at our desired price. If we are not successful in bidding for the remaining parcels of land for our properties under development or planned for future development in Nanning, Xi'an, Harbin and Zhengzhou, we will not be able to develop these projects as planned.

Our ability to identify and obtain suitable sites for future development is critical to our strategy but is subject to regulatory constraints and other factors outside our control. We cannot assure you that we will be able to identify and acquire suitable sites within our budget, or at all. The PRC government controls substantially all new land supply in the PRC and regulates land sales in the secondary market. Our ability to acquire land use rights and the acquisition costs of such land use rights may be adversely affected by the PRC government's policies towards land supply, development and pricing. The PRC central and local governments regulate the means by which property developers obtain land sites for property developments. In particular, under PRC government regulations, state-owned land use rights for residential and commercial property developments may only be granted by public tender, auction or listing-for-sale. The regulatory climate may constrain our ability to pursue development opportunities in the future and may contribute to an increase in land acquisition costs. In this regard, in the past our land acquisition costs reflected the relatively lower amounts applicable to the treatment of China South International as an integrated logistics enterprise by local authorities in Shenzhen. As we increase the proportion of our properties that will be residential properties, we will be required to pay the higher costs applicable to residential properties. Furthermore, the PRC government requires property developers to pay the full land-grant fees for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. The implementation of the regulation requires property developers to maintain a higher level of working capital. This may have a material adverse effect on our business, cash flows, financial condition and results of operations.

Our flexibility to sell properties at China South City Shenzhen, China South City Nanchang and China South City Nanning is limited.

Our sales of warehouse facilities and trade centers in each of China South City Nanchang and China South City Nanning are limited to 60% of the GFA of the properties located on the parcels of land acquired in 2009 on which these warehouse facilities and trade centers are located. The sales restriction does not apply to properties for residential, commercial and other uses. As our business plan for the sales of warehouse facilities and trade centers in each of China South City Nanchang and Nanning contemplates sales of no more than 50% of their GFA, we believe the 60% limit will not affect our business operations in Nanchang and Nanning. In addition, our sales of trade center units in China South City Shenzhen are limited to 30% of the GFA of the properties located on the parcels of land on which these trade centers are located. Although these sales restrictions do not apply to land obtained by China South City Nanchang and China South City Xi'an in 2011, nor the land acquired for the Harbin and Zhengzhou projects, we are limited in our flexibility to sell trade center units on those restricted parcels of land in China South City Shenzhen, China South City Nanchang and China South City Nanning in order to take advantage of rising sales prices and other market conditions, which could have an adverse effect on our business, prospects, cash flows, financial condition and results of operations. We also cannot assure you that land we acquire in the future will not be subject to similar restrictions on sales.

The treatment of China South International as a foreign-invested real estate enterprise may subject us to restrictions imposed on such enterprises under relevant PRC laws and regulations.

China South International is treated as an integrated logistics enterprise by local authorities in Shenzhen and, as such, it is not subject to rules and regulations in the PRC applicable to foreign-invested real estate enterprises. The local governmental authorities have the discretion as to whether to treat China South International as a foreign-invested real estate enterprise, as opposed to an integrated logistics enterprise, we would become subject to these rules and regulations. Our project companies in Nanchang and Harbin are treated as domestic real estate developers and our project companies in Nanning and Zhengzhou are currently applying for domestic real estate developer certificates. If the regulatory authorities were to treat any of our project companies as a foreign-invested real estate enterprise, it would need to be recorded as such with the local commerce authorities and be subject to regulations and restrictions applicable to foreign-invested real estate enterprises, including, but not limited to, restrictions on our ability to obtain loans within and outside of the PRC, as well as restrictions on the conversion and sale of foreign exchange into the capital account.

Because China South International is not treated as a foreign-invested real estate enterprise, we are able to downstream funds to China South International in the form of shareholders' loans rather than capital contributions and China South International is not subject to certain approval and registered capital requirements applicable to foreign-invested real estate enterprises. If there is a change of policy resulting in our treatment as a foreign-invested real estate enterprise, it will become subject to registered capital ratio restrictions requiring us to maintain registered capital levels at 50% or more of our total investment. In addition, the General Affairs Department of the State Administration of Foreign Exchange, or the SAFE, issued a notice which stipulates that SAFE will no longer process foreign exchange or debt registrations or applications for the sale and purchase of foreign exchange submitted by certain real estate enterprises with foreign investment. This regulation effectively prohibits foreign-invested real estate companies from raising funds through an offshore parent for the purpose of injecting such funds into the companies by way of shareholder loans but does not restrict property developers from receiving foreign capital through approved transactions that increase the registered capital of existing foreign-invested companies or through the establishment of new foreign-invested real estate companies. As such, we may be subject to this notice if China South International is treated as a foreign-invested real estate enterprise.

Any capital contributions made to our operating subsidiaries in China are also subject to the foreign-invested regulations and foreign exchange regulations in the PRC. Unless otherwise permitted by PRC laws or regulations, Renminbi capital converted from foreign exchange capital contribution can only be applied to the activities within the approved business scope of such foreign-invested enterprise and cannot be used for domestic equity investment or acquisition. We may encounter difficulties in increasing capital contributions to our project companies and subsequently converting such capital contributions into Renminbi for equity investment or acquisition in China. In addition, we intend to repatriate to China offshore funds that we may raise in this offering by increasing the registered capital of our existing subsidiaries or by establishing new subsidiaries. However, we cannot assure you that we will be able to obtain all requisite approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make capital contributions to our project companies as their general working capital or to fund their operations may be negatively affected, which could materially and adversely affect our business, prospects, cash flows, financial condition and results of operations.

There is a lack of reliable and updated information on property market conditions in the PRC generally.

We are subject to property market conditions in the PRC generally. Currently, reliable and up-to-date information on the amount and nature of property development and investment activities, the demand for such development, the supply of new properties being developed and the availability of land and buildings suitable for development and investment is not generally available in the PRC. Consequently, our investment and business decisions may not always have been, and may not in the future be, based on accurate, complete and timely information. Inaccurate information may adversely affect our business decisions, which could materially and adversely affect our business, prospects, cash flows, financial condition and results of operations.

The cyclical nature of the real estate and logistics industries could adversely affect our results of operations.

Our results of operations are and will continue to be affected by the cyclical nature of the real estate industry in the PRC. Property values and rents are affected by, among other factors, supply and demand of comparable properties, interest rates, inflation, the rate of economic growth, tax laws and political and economic developments in the PRC. We cannot assure you that property values and rents will not decline. In addition, additional trade center and logistics properties are scheduled for completion over the next few years in China. Increased competition brought by this additional supply could adversely affect trade center rents and occupancy rates as well as sales prices for new trade center units. Our trade centers depend upon the growing demand for such developments in China. A downturn in the PRC economy could materially and adversely affect such demand. For further information on how recent market developments have affected the real estate and logistics industries, see "Industry Overview — Real Estate Market in the PRC."

The illiquid nature of, and the lack of alternative uses for, investment properties could limit our ability to respond to adverse changes in the performance of our properties.

Investment properties in general are relatively illiquid compared to other types of investments, such as securities. As such, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by many factors that are beyond our control, including general economic conditions, the availability of mortgage financing and interest rates. We cannot predict whether we will be able to sell any of our investment properties at the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us.

In addition, investment properties may not be readily convertible for alternative uses without substantial capital expenditure if the original function of such investment property became unprofitable due to competition, age, decreased demand, increased supply or other factors. Similarly, substantial capital expenditure may be required to correct defects or to make improvements before an investment property can be sold. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties may materially and adversely affect our business, prospects, cash flows, financial condition and results of operations.

Our results of operations fluctuate from period to period due to the fair value of our investment properties.

Our results of operations fluctuate due to changes in the fair value of our trade center units and other facilities retained for rental income and capital appreciation. Fair value gains on our investment properties include gains recognized upon project completion as applicable properties under development and completed properties for sale on our balance sheet are transferred to investment properties when there is a change in use with sufficient evidence. We reassess the fair value of our investment properties every year. Property valuation typically requires the use of certain bases and assumptions with respect to a variety of factors, including supply and demand of comparable properties, the rate of economic growth in the location of the property, interest rates, inflation and political and economic developments in the PRC. For the fiscal years ended March 31, 2010, 2011 and 2012, we had fair value gains on our investment properties of HK$1.3 billion, HK$1.5 billion and HK$1.1 billion, respectively, representing 69.2%, 65.1% and 37.1% of the profit for the respective periods after taking into account deferred income tax on such gains. These fair value gains reflect unrealized capital gains on our investment properties at the relevant balance sheet dates, as well as the reclassification of properties under development to investment properties. These fair value gains were not profit generated from day-to-day rental income from our investment properties, were largely dependent on prevailing property market conditions, and did not generate cash inflow which can be contributed to payments of interest, principal or other amounts under the Notes unless such investment properties can be disposed of and the capital gains are realized. Excluding the effect of gains on changes in fair value of investment properties and the deferred tax expenses in connection with such gains, we would have had a profit of HK$410.7 million, HK$542.3 million and HK$1,303.0 million in fiscal years ended March 31, 2010, 2011 and 2012, respectively. During these same periods, we had a net cash inflow from operating activities of HK$885.3 million, HK$1,325.3 million and HK$935.7 million, respectively. The change in fair value of our investment properties has been, and will continue to be, significantly affected by the prevailing property market prices and is subject to market fluctuations. We cannot assure you that we will continue to record similar levels of revaluation gains or that the fair value of our investment properties will not decrease in the future, in which case, we may incur a fair value loss. In addition, we cannot assure you that we will be able to realize all or any of these fair value gains. In the event there is a material negative change in the value of our investment properties in the future, our results of operations and financial condition will be materially and adversely affected.

We are exposed to contractual and legal risks relating to pre-sales.

We make certain undertakings in our pre-sale contracts. Our pre-sale contracts and the PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we pre-sell units in a property development and we fail to complete that development, we will be liable to the purchasers for their losses. If we fail to complete a pre-sold property on time, we may be liable to the relevant purchasers for late delivery under the relevant pre-sale contracts or pursuant to relevant PRC laws and regulations. If delays extend beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for damages. A purchaser may also terminate a contract with us if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in his or her contract. If a substantial number of purchasers claim against us for breach of contract or terminate their pre-sale contracts with us, our business, prospects, cash flows, financial condition and results of operations may be materially and adversely affected.

The customers of our trade centers and residential properties may not be able to obtain mortgages on favorable terms, or at all, which could reduce our sales.

Many of the purchasers of our trade centers rely, and, going forward, the purchasers of our residential properties will rely, on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of trade centers and residential properties. In addition, the PRC government and commercial banks may also increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unattractive or unavailable to potential property purchasers. In this regard, in recent years and in 2010, the PRC government has issued laws and regulations to raise minimum down payments for property purchases, and impose other requirements. In the event that mortgages become more difficult to obtain or that the costs of such financing increases, many of our prospective customers who rely on mortgages may not be able to purchase our properties. In addition, in line with industry practice, we provide guarantees to banks for mortgage loans that they offer to purchasers of our properties. If there are changes in laws, regulations, policies or practices that would prohibit property developers from providing such guarantees and these banks do not accept alternative guarantees from third parties, if available, it may become more difficult for property purchasers to obtain mortgages from banks in connection with pre-sales. Such difficulties may inhibit pre-sales, which could materially and adversely affect our business, prospects, cash flows, financial condition and results of operations.

We may become liable if our customers default on mortgage or bank loans we have guaranteed.

We guarantee mortgage and bank loans entered into by certain of our purchasers, including purchasers of trade center units and residential properties and purchasers under finance leases of residential and supporting commercial units. We do not conduct independent credit checks on our customers. Although the mortgages we guarantee typically finance no more than 50% to 70% of the purchase price of our trade center units and residential properties or 50% of the finance lease price of our residential and supporting commercial units, if a purchaser defaults on its mortgage or bank loan, we may be required to repay the outstanding amount together with accrued interest thereon and any penalty owed by the defaulting purchaser to the relevant bank. In the event of a purchaser default, we are entitled to take over the legal title and usage rights of the related properties. As of March 31, 2012, our outstanding guarantees in respect of mortgage and bank loans amounted to HK$352.6 million. If we are called upon to honor a material portion of our guarantees, our business, prospects, cash flows, financial condition and results of operations may be materially and adversely affected.

In addition, we make entrusted loans in connection with the sales and finance leases of certain units by advancing an amount, typically no more than one-half of the purchase price or the finance lease price, to the purchaser's lending bank. These advances appear as loan receivables and finance lease receivables on our consolidated balance sheet. In the event of a purchaser default, we write off the receivable and are entitled to take over the legal title and usage rights of the related properties.

Changes in laws and regulations in relation to pre-sale of properties may adversely affect our business, prospects, cash flows, financial condition and results of operations.

Proceeds from the pre-sales of our properties may be an important source of funds for our property developments and may have a significant impact on our cash flows and liquidity position. In August 2005, the PBOC proposed in a report that the practice of pre-selling uncompleted properties be discontinued, on the grounds that pre-sales create significant market risks and generate transactional irregularities. Since the PBOC proposal, various cities in China, including Shenzhen, have issued supervision measures regarding the pre-sale payment requirements and restrictions. However, there are no central level regulations adopted by PRC central government authorities. We cannot assure you that the PRC central government will not ban or impose material limitations on presales of uncompleted properties in the future. Future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance a portion of our property developments, which could have a material adverse effect on our business, prospects, cash flows, financial condition and results of operations.

Our operations are subject to extensive governmental regulation, and we are susceptible to changes in policies related to the real estate and logistics markets in China.

In order to develop and operate a trade center or residential development, we must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of our trade center or residential development, including land use rights documents, planning permits, construction permits, and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions.

We cannot assure you that we will be able to fulfill the pre-conditions necessary to obtain required governmental approvals, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the real estate or logistics industries in general or the particular processes with respect to the grant of approvals in China. There may be delays on the part of relevant administrative bodies in reviewing our applications and granting approvals. For example, property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within one to two years after delivery of the property or within a time frame set out in the relevant sale and purchase agreement. Under current regulations, property developers are required to submit requisite governmental approvals in connection with their property developments, including various approval certificates and a property survey report, to the local bureau of land resources and housing administration after the receipt of the certificate of completion for the relevant properties and to apply for the general property ownership certificate in respect of these properties. Property developers are then required to submit, within regulated periods after delivery of the properties, various documents in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval, as well as other factors, may affect timely delivery of the general and/or individual property ownership certificates. We may also be subject to periodic delays in our trade center and residential development projects due to building moratoria in the areas in which we operate or plan to operate. If we are unable to obtain, or experience material delays in obtaining, the requisite governmental approvals, or if a building moratorium is implemented at one or more of our project sites, the development and sale of our projects could be substantially disrupted, which would have a material adverse effect on our business, prospects, cash flows, financial condition and results of operations.

We also may be liable for monetary penalties to purchasers for late delivery of the individual property ownership certificates due to delays in the administrative approval processes, or for other reasons beyond our control. Furthermore, we cannot assure you that the implementation of laws and regulations by relevant authorities, or the interpretation or enforcement of such laws and regulations, will not cause us to incur additional costs. For example, the majority of our land used for China South City Shenzhen is designated by the local government in Shenzhen for integrated logistics uses. Under applicable PRC laws and regulations, however, “integrated logistics” is not a designated category for land use. Therefore, the land use rights certificates and building ownership certificates for China South City Shenzhen’s trade centers (which are combined into one certificate) indicate that our land and buildings are for “warehousing (integrated logistics)” purposes. Relevant government agencies of the Shenzhen Municipal Government have concluded that our use of land primarily for the wholesale business is consistent with regulations of the Shenzhen government governing the “integrated logistics” industry. Because there are not national laws, regulations or policies governing the “integrated logistics” industry in the PRC, we rely on regulations and policies in Shenzhen for the legality of our current land use. However, we cannot assure you that PRC governmental authorities will not issue regulations on the integrated logistics industry that restrict our current and planned activities or that we will not be required to change our land uses.

Between 2004 and the first half of 2008, in response to concerns over the scale of the increase in property investment and the potential overheating of the property sector in the PRC, the PRC government introduced policies to restrict development in the property sector. Beginning in the second half of 2008, in order to combat the impact of the global economic slowdown, the PRC government adopted measures to encourage domestic consumption in the residential property market and support property development. The PRC government is expected to revise or terminate such favorable policies according to changes in market conditions. For example, in December 2009 and January 2010, the PRC government adjusted some of its policies in order to enhance regulation in the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain cities. In December 2009, the PRC government abolished certain preferential treatment relating to business taxes payable upon transfers of residential properties by property owners. In January 2010, the PRC government imposed more stringent requirements on mortgage loans by requiring purchasers who have already purchased a residence through mortgage financing to pay a minimum down payment of 40% of the purchase price for any additional residences. In April 2010, the State Council issued a notice, which, among other things, provides that the minimum down payment for the first property that is larger than 90 sq.m. shall be not less than 30% of the purchase price, down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not lower than 110% the benchmark lending rate published by the PBOC. In certain areas where commodity residential properties are in short supply and prices rise too quickly, the banks may suspend mortgage loans for the third or further properties bought by mortgage applicants or to non-residents who cannot provide any proof of tax or social insurance payment for more than one year. To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the PBOC and China Banking Regulatory Commission, or CBRC, jointly issued a notice according to which the minimum down payment has been raised to 30% for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third parcel of residential property and beyond. In November 2010, Ministry of Housing and Urban Construction and the SAFE jointly issued a notice on restriction to sales of properties in the PRC by foreign individuals and foreign entities. According to this notice, a foreign individual may purchase only one self-use residential property within the PRC, and foreign entities which have established branches or representatives within the PRC may purchase only non-residential properties for office use in the registered city. On January 26, 2011, the State Council issued a notice according to which the minimum down payment was raised to 60% of the purchase price for second home purchases with the minimum mortgage interest rate at 110% of the benchmark rate. In October 2011, a number of PRC domestic banks raised the mortgage rates for first-time home buyers by 5% to 10%. In addition, due in large to the PRC government's credit tightening policies, the bank approval process for a mortgage loan application in 2011 generally took longer than before. We cannot assure you that the PRC government will not adopt more stringent industry policies, regulations and measures in the future. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, prospects, cash flows and results of operations may be materially and adversely affected.

We face competition from other trade centers and other property developers.

We face competition from other trade centers in China, particularly in Guangdong Province with regard to China South City Shenzhen. The greatest concentration of similar trade centers in China is in the Greater Pearl River Delta, the Yangtze River Delta and the Bohai-Ring region near Beijing. The finished and unfinished goods featured at these competing trade centers include textile and clothing, leather and accessories, electronic accessories, printing and finished goods, paper and packaging and metals, chemicals and plastics that compete with the finished and unfinished goods featured at China South City Shenzhen. In addition, there may be an increase in supply of trade centers in the Greater Pearl River Delta and elsewhere in China, such as Nanchang, Nanning, Xi'an, Harbin and Zhengzhou, in the future. Each of Guangxi Zhuang Autonomous Region, Jiangxi Province, Shaanxi Province, Heilongjiang Province and Henan Province also has numerous trade centers varying in size and type of industries represented. The competition may limit our ability to attract and retain tenants and buyers and may reduce the rents or prices we are able to charge. We cannot assure you that we will compete effectively against other trade center operators.

In addition, we expect to increase the proportion of residential properties in our properties under development and planned for future development in Nanchang, Nanning, Xi'an, Harbin and Zhengzhou. As a result, we will face increasing competition in the future from residential and other property developers. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers. The increasing number of property developers and the intensity of competition among property developers for land, financing, raw materials, skilled management and labor resources may result in increased costs for land acquisition, an over-supply of properties for sale, a decrease in property prices and a slowdown in the rate at which new property developments are approved by governmental authorities. Our inability to compete effectively could materially and adversely affect our business, prospects, cash flows, financial condition and results of operations.

Demand for our trade centers and residential properties may continue to be negatively affected by the recent financial market and economic crisis.

For the past three years, the economies of the United States, Europe and certain countries in Asia experienced a severe and prolonged recession and China experienced a slowdown in overall economic growth, which has led to a reduction in economic activity, and in particular the growth of the economy in the Greater Pearl River Delta region was negatively impacted. In this regard, the financial crisis had a negative impact on exports by manufacturers, including industrial suppliers, which are our principal tenants. These factors affected us by contributing to an increase in delinquencies by trade center tenants and a slowdown in the growth of our occupancy rate for Phase One of China South City Shenzhen. While some economies have resumed growth, there remains the risk that the recovery will be short-lived. Moreover, in the second half of 2011, the European sovereign debt crisis worsened and international financial markets experienced significant volatility. In this regard, following GDP growth of 10.4% in 2010 and 9.2% in 2011, according to statistics published by the National Bureau of Statistics of the PRC, the PRC lowered its GDP growth target for 2012 to 7.5% in the face of continuing global turbulence and pressing domestic demand for economic restructuring. In the first quarter of 2012, the PRC's GDP grew at an annualized rate of 8.1%, according to statistics published by the National Bureau of Statistics of the PRC. Any deterioration in economic conditions could have a material adverse effect on our business in a number of ways. For example, current and potential tenants and purchasers of trade center and residential units may be unable to sustain their business operations or make agreed upon rental or purchase payments for trade center or residential units, all of which could lead to a reduced demand for our trade center units, reduce our profit margins and delay our receipt of rental and purchase payments. In addition, a deterioration in economic conditions could depress demand for properties and reduce our average sales prices of our trade center units and residential properties. Furthermore, a deterioration of conditions in the banking system and financial markets could result in a severe tightening in credit and equity markets, which may adversely affect the availability, terms and cost of borrowings for us and our customers, including financings necessary to complete our properties under development in Nanchang, Nanning and Xi'an and our properties planned for future development in Harbin and Zhengzhou. In response to a rapid increase in liquidity in the PRC market and the rapid growth in certain industries, such as the real estate industry, as a result of the implementation of fiscal stimulus measures by the PRC government in response to the economic crisis, the PRC government later implemented a number of measures to control such increase and growth, including raising interest rates and the statutory deposit reserve ratios applicable to PRC commercial banks and monitoring overall growth in bank lending. Any of these factors may adversely affect our business, prospects, cash flows, financial condition and results of operations.

We may not be able to obtain qualification certificates, or extend or renew qualification certificates, for real estate development.

Because our subsidiary, China South International, is not treated as a domestic real estate developer, it does not require a long-term (two year) qualification certificate, which is normally granted to domestic real estate developers. The Shenzhen Municipal Bureau of Land Resources and Housing Management has, in the past, granted a short-term qualification certificate to China South International confirming that China South International is allowed to undertake the development of properties necessary for its integrated logistics and trade center operations, provided that such property development operations occur within the site area of China South City Shenzhen. In June 2012, China South International obtained an annual renewal of the short-term qualification certificate.

Although we have successfully renewed this qualification certificate in the past, the final decision with respect to future applications is at the discretion of the local authorities. As a result, we cannot assure you that China South International will be able to renew the qualification certificate in a timely manner, or at all. Our project company in Nanchang has obtained the domestic real estate developer certificate from Nanchang local government authorities in September 2012. In addition, as of the date of this offering memorandum, our project company in Nanning is applying for the domestic real estate developer certificate with the Nanning local government authorities. If our project companies are unable to obtain or renew qualification certificates, they may not be permitted by the PRC government to continue to engage in property development activities associated with the development of their integrated logistics trade center businesses, which would materially and adversely affect our business, prospects, cash flows, results of operations and financial condition.

We face risks associated with the use of debt to fund developments and working capital, including refinancing risk and foreclosure risk.

We rely on debt financing, including borrowings secured by buildings, investment properties, properties under development and rental properties to finance our development activities and for general working capital purposes. We are subject to the risks normally associated with debt financing. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity or debt capital, our cash flows may not be sufficient to repay all maturing debt. If prevailing interest rates or other factors at the time of any refinancing result in higher interest rates, increased interest expense would adversely affect our ability to service our debt and our financial condition and results of operations. If we are unable to obtain or refinance our debt, our business, prospects, cash flows, financial condition and results of operations could be adversely affected.

Our business may be adversely affected by increases in interest rates and reserve requirement ratios.

We rely on borrowings to finance a substantial part of our project developments. Prior to the Notes offering, our borrowings primarily consisted of loans from commercial banks in China. Many of our customers also finance their purchases of trade center units and residential properties through loans. The current PBOC benchmark one-year lending rate, in effect since July 6, 2012, is 6.0%, and reserve requirement ratios, which took effect on May 18, 2012, range from 16.5% to 20.0%. Increases in bank reserve requirement ratios may reduce the amount of funds available to commercial banks in the PRC to lend to businesses, including us, or to consumers to finance property purchases. Increases in interest rates increase our finance costs. Moreover, interest rate volatility can make it difficult for us to make plans and implement our strategies and can deter potential trade center unit buyers. Any of these factors may have a material and adverse effect on our business, prospects, cash flows, financial condition and results of operations.

We may not be successful in expanding into the new geographic regions that we target or in developing our new projects.

We are developing projects in new geographical locations outside Shenzhen, including Nanchang, Nanning, Xi'an, Harbin and Zhengzhou. Our properties under development are different in scale and scope from our completed properties in terms of targeted customers and industry segments. For example, we plan to have new trade centers focusing on furniture, motor vehicles and electronics industries in Phase Three of China South City Shenzhen. We may not be successful in expanding into the new geographic regions that we target or in developing our new projects. In addition, our experience in Shenzhen may not be applicable to Nanchang, Nanning, Xi'an, Harbin or Zhengzhou, or to other provinces and cities where we may develop projects in the future. These cities may differ from Shenzhen in terms of the level of economic development, transportation infrastructure, regulatory practices, quality of contractors, business practices and customer tastes, behavior and preferences. If we are not able to adapt our business model to other geographical locations, our business and growth prospects would be materially and adversely affected.

Our founding shareholders have substantial influence over us and their interests may not be aligned with the interests of our creditors, including the holders of the Notes.

Our founding shareholders have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. The interests of our founding shareholders may not be consistent with our interests or those of our creditors, including the holders of the Notes, and our founding shareholders may cause us to enter into transactions or take, or omit to take, other actions or make decisions that conflict with the best interests of our creditors, including holders of the Notes.

We depend on our founding shareholders, and our business and growth prospects may be severely disrupted if we lose the support and service of all or any one of them.

Our success and growth depends on the efforts of our founding shareholders, two of whom are also our executive directors. Our founding shareholders are critical to our success because of their strategic vision and their industry knowledge and relationships. If we were to lose their support, our relationships with lenders, government officials, potential tenants and industry personnel could be adversely affected. We may not be able to replace a founding shareholder easily or at all. As a result, the loss of any of our founding shareholders, whether because any one or more of them become unwilling to continue in their present capacities with us, develop disagreements, leave to join a competitor or form a competing business, or other reasons, would severely disrupt our business and growth prospects.

We depend on our senior management and other important staff members, as well as on our ability to attract and retain qualified management personnel.

We depend on the efforts and skill of our senior management and other important staff members. For a description of our senior management and other important staff members, see "Management." As a result, our future success depends to a significant extent on the continuing service and coordination of these individuals, who are not obligated to remain employed with us.

Our success also depends on our ability to identify, hire, train and retain suitably skilled and qualified employees with requisite industry expertise. The loss of any member of our senior management team or our other key employees could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. Competition for such personnel is intense, and any failure to recruit and retain the necessary personnel or the loss of a significant number of employees at any time could harm our business and prospects.

We may suffer losses caused by natural disasters, and these losses may not be fully covered by insurance.

Our business may be adversely affected due to the occurrence of typhoons, severe storms, earthquakes, floods, wildfires or other natural disasters or similar events in the areas where we develop and operate our trade centers. Although we carry insurance on our properties with respect to specified catastrophic events of types and in amounts and with deductibles that we believe are in line with coverage customarily obtained by owners of similar properties, we cannot guarantee you that our insurance coverage is sufficient to cover potential losses, and there are other types of losses, such as from war, nuclear contamination, tsunami, pollution and acts of terrorism, for which we cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital invested in a property, as well as the anticipated future revenues from the property. Nevertheless, we would remain obligated for any bank borrowings or other financial obligations related to the property. It is also possible that third-party insurance carriers will not be able to maintain reinsurance sufficient to cover any losses that may be incurred. Any material uninsured loss could materially and adversely affect our business, prospects, cash flows, financial condition and results of operations.

In addition, we usually have to renew our insurance policies every year and negotiate acceptable terms for coverage, exposing us to the volatility of the insurance markets, including the possibility of rate increases. We regularly monitor the state of the insurance market, but we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Any material increase in insurance rates or decrease in available coverage in the future could adversely affect our business, prospects, cash flows, financial condition and results of operations.

Potential liability for environmental problems could result in substantial costs.

We are subject to a variety of environmental laws and regulations during the construction of our development projects. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. Environmental laws and conditions may result in project delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally sensitive regions or areas. In addition, we cannot predict the impact that unforeseeable environmental contingencies or new or changed laws or regulations may have on us or our trade center projects.

As required by PRC law, independent environmental consultants have conducted environmental impact assessments at all of our construction projects. Although the environmental investigations conducted to date have not revealed any material environmental liability, it is possible that these investigations did not reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware. Upon completion of each project, the relevant environmental authorities will inspect the site to ensure compliance with all applicable environmental standards and prepare a report to confirm such compliance. In the past, we experienced delays in completing environmental inspections for our hotel and restaurant at China South City Shenzhen. For further information, see "Business — Environmental Matters." In order to comply with applicable environmental laws, rules and regulations, we have adopted certain measures to improve our internal control procedures. However, we cannot assure you that such internal control procedures will be effective in preventing noncompliance. If any portion of our projects is found to be non-compliant with relevant environmental standards or if we are unable to obtain necessary licenses for releasing contaminants, we may be subject to suspension of a portion of our operations as well as fines and penalties.

Any failure to protect our brand and trademarks could have a negative impact on our business.

We have registered the trademark 華南城, "**华南城**" (China South City) and its logo with the Trade Marks Registry in Hong Kong and the PRC Trademark Office under various categories relating to metals, textiles, machines, electronics and many other categories. Any unauthorized use of our brands, trademarks, trade names and other intellectual property rights could harm our business. We cannot assure you that our trade names or trademarks will not be subject to infringement in the future. Any unauthorized or inappropriate use of our trade names or trademarks could harm our market image and reputation. If we are unable to adequately protect our brand, trademarks, trade names and other intellectual property rights, we may lose these rights and our business, prospects, cash flows, financial condition and results of operations may be materially and adversely affected.

The discovery of cultural relics at a construction site could result in the delay or abandonment of a property development project.

Xi'an and Zhengzhou were ancient, political, economic and cultural centers in China, and Xi'an and Zhengzhou are home to a large quantity of valuable cultural relics and historic sites. Under PRC law, if any cultural relics are discovered beneath our development sites during our construction process, such discovery must be immediately reported to the local department of cultural relics administration and construction must be immediately suspended or partly suspended for archaeological surveying. If an underground discovery is classified as "highly valuable" by archaeologists and a parcel of land is considered to be of public interest by reason of its historical or archaeological significance, the parcel of land has to be returned to the government and the entire project has to be relocated. Although the government is required to compensate a property developer for a parcel of land returned to it for archaeological purposes, we cannot assure you that such compensation will be sufficient to cover the full amount of the land grant fees paid, any other expenses incurred by the developer in connection with the relevant site or consequential damages. If any historic relics are discovered under any of the construction sites in the future at the Xi'an project, the completion of the projects may be delayed or we may even be required to return the relevant parcels of land to the government, which may materially and adversely affect our business, prospects, cash flows, financial condition and results of operations.

We may not be able to successfully manage our growth.

We anticipate expanding the scope of our operations significantly in the coming years. Managing our growth and implementing necessary internal controls will continue to result in substantial demands on our management, operational and other resources. Managing our future growth will require us to, among other things:

- recruit, train, manage and appropriately expand our managerial, accounting, internal audit, engineering, technical, sales and other human resources and other components of our business on a timely and effective basis;

- develop or acquire sufficient internal sources of liquidity or access to additional financing from external sources;

- manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties; and

- strengthen, implement and maintain our internal controls and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks.

We cannot assure you that we will be able to manage our expanding operations effectively or that we will be able to continue to grow. Our expansion plans may also adversely affect our existing operations and thereby have a material adverse effect on our business, prospects, cash flows, financial condition and results of operations.

Sales of our properties are subject to land appreciation tax and income tax.

Our sales of trade center units are subject to land appreciation tax in the PRC. In addition, sales of residential properties in our properties planned for future development may be subject to land appreciation tax. Land appreciation tax is payable on the gain, representing the balance of the proceeds received on such sale, after deducting various prescribed items, including sums paid for acquisition of land use rights, the direct costs and expenses of the development of the land and construction of buildings and supplementary facilities or the appraised price of any previous buildings and structures existing on the land and taxes related to the assignment of the real property. Under applicable PRC laws and regulations, land appreciation tax is chargeable on the gain at progressive rates ranging from 30% to 60%. Property developers enjoy a deduction which is equal to 20% of the sums paid for acquisition of land use rights and the direct costs of land development and construction of new buildings and supplementary facilities. On May 25, 2010, Notice of the State Administration of Taxation on Strengthening the Collection of Land Appreciation Tax (關於加强土地增值税徵管工作的通知) was issued by the State Administration of Taxation. The notice requires that, except for affordable residential housing, the land appreciation prepayment tax rate in the eastern provinces shall not be lower than 2%, while such prepayment tax rate shall not be lower than 1.5% in central and northeast provinces and 1% in western provinces.

The Shenzhen municipal tax authority started to impose the land appreciation tax in November 2005. The land appreciation prepayment tax rate in Shenzhen has been adjusted several times by the Shenzhen municipal tax authority. On August 1, 2010, according to the most recent adjustment, the land appreciation prepayment tax rates in Shenzhen have been raised to 2%, 4% and 3% for each of "ordinary standard housing facilities," "villas" and "other types of property," respectively. In the fiscal years ended March 31, 2010, 2011 and 2012, we made provisions for land appreciation tax in the amount of HK$269.6 million, HK$284.2 million and HK$403.2 million, respectively. Likewise, we are required under local regulations to pay provisional land appreciation tax in other regions or cities when we start to pre-sell or sell our property developments in these regions or cities. Generally, the provisional land appreciation tax rates in these cities range from 0.5% to 5.0% of the pre-sale proceeds, depending on the type and location of the pre-sold properties. Our cash flows and financial condition will be affected if the PRC tax authorities proceed to collect the land appreciation tax for which we have made provisions. In addition, provisioning for land appreciation tax requires our management to use a significant amount of judgment with respect to the appreciation of land value and the allowability of deductible items for income tax purposes. If the land appreciation tax provisions we have made are substantially lower than the actual land appreciation tax amounts assessed by the tax authorities, our results of operations, financial condition and cash flows will be materially and adversely affected.

The implementation of the PRC Enterprise Income Tax Law may significantly increase our income tax expenses.

On March 16, 2007, the PRC National People's Congress, the PRC legislature, adopted a new tax law, the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) (the "Enterprise Income Tax Law"), which became effective January 1, 2008. On December 6, 2007, the State Council issued the Implementation Regulations of the EIT Law (the "Implementation Regulations"), which also became effective January l, 2008. The EIT Law imposes a uniform tax rate of 25% for all enterprises incorporated or resident in China, including foreign-invested enterprises, and eliminates many tax exemptions, reductions and preferential treatments formerly applicable to foreign-invested enterprises. However, the EIT Law grandfathers preferential tax treatments for foreign-invested enterprises established before March 16, 2007. The applicable tax rate for foreign-invested enterprises that are currently enjoying the preferential tax rate of 15% were gradually phased into the new 25% tax rate during a five-year transitional period commencing in 2008. Accordingly, our subsidiaries in Shenzhen that were established before March 16, 2007 had enjoyed a preferential rate, which was gradually phased to the unified tax rate of 25% over the transitional period, which expired in 2012. Accordingly, for the year ended March 31, 2012, the EIT rate applicable to each of our subsidiaries in Shenzhen was 25%, and our corporate income tax increased as a result. A sudden increase in tax rates on our PRC subsidiaries or a demand by the relevant tax authority for retroactive payment of taxes may materially adversely affect our financial condition, prospects, cash flows and results of operations.

Under the EIT Law and Implementation Regulations, if we are deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to us by our PRC subsidiaries, unless we are entitled to reduction or elimination of such tax, including by tax treaty. According to an avoidance of double taxation arrangement between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in China to a shareholder incorporated in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong shareholder directly holds a 25% or more interest in the PRC enterprise. We cannot assure you, however, that the current tax treaties in place between the PRC and Hong Kong will remain in place or that we will continue to be able to enjoy a reduced withholding tax on dividends we receive from our PRC subsidiaries.

Any occurrence or recurrence of severe acute respiratory syndrome, or SARS, avian influenza, influenza H1N1 or other widespread public health problems could adversely affect our business, prospects, cash flows, financial condition and results of operations.

In 2003, there was an outbreak of SARS in Hong Kong, China, other Asian countries and Canada. The SARS outbreak had a significant adverse impact on the economies of many of the countries affected. During the SARS outbreak, certain segments of the real estate markets in Hong Kong and China, including the Greater Pearl River Delta, experienced declining average occupancy rates, sale prices and rental rates. The occurrence of SARS in Guangdong Province in 2003 was estimated by the Department of Statistics of Guangdong Province to have lowered the province's GDP by 1.2%. There have been media reports regarding the spread of the H5N1 virus, or avian influenza, among birds and in particular poultry, as well as some isolated cases outside Hong Kong and China of transmission of the virus to humans. The World Health Organization in June 2009 raised its pandemic alert level to 6, its highest level, in response to an outbreak of influenza A caused by the H1N1 virus that resulted in a number of confirmed cases worldwide. We cannot assure you that there will not be a serious outbreak of a contagious disease in the PRC in the future. A renewed outbreak of SARS, avian influenza, influenza H1N1 or other widespread public health problems in the PRC could have a material adverse effect on the PRC economy and its property market generally, and on our business, prospects, cash flows, financial condition and results of operations.

We may be subject to delays, fines or forfeitures of land if we do not develop such land in compliance with the terms of the underlying land grant contract.

Under PRC law, if a developer fails to develop land according to the terms of the underlying land grant contract (including terms relating to land use, payment of fees or the time for commencement and completion of development), the relevant land administration authorities may issue a warning to or impose a penalty on the developer or require the developer to forfeit the land. In addition, development not in accordance with land grant contracts may result in the breach of applicable PRC laws or regulations, orders to cease work, delays in completion, delays in the commencement of pre-sales or sales or orders to demolish non-conforming structures, among other consequences. Furthermore, the amendment of land grant contracts may result in payments of additional land grant fees. We cannot assure you that circumstances leading to delays, fines or possible forfeiture of land will not occur in the future. For example, we have one parcel of land at China South City Nanning with a site area of approximately 450,000 sq.m., a portion of which we have developed for residential use instead of warehouse use, as set forth in the related land grant contract. We have received a letter from the Nanning municipal government acknowledging our application to change the status of the land. In addition, we have received a letter from the Nanning Jiangnan district government and have entered into a supplemental agreement to our Nanning project master agreement clarifying that the Jiangnan district government has agreed to (1) our application for the conversion of the relevant land use rights from warehouse to residential use and (2) assist us in the conversion of the land use rights to supporting commercial and residential use. If we are successful in converting this land to residential use, we may be required to pay additional land grant fees. However, pursuant to the letter provided by the Jiangnan district government and the supplemental agreement to our Nanning project master agreement, the Jiangnan district government has agreed to provide additional funding for the development of the infrastructure within the Nanning project. Based on the supplemental agreement, the letters provided by the Nanning municipal and Jiangnan district officials and the opinion of our PRC legal counsel, we do not believe we will be subject to material delays, material fines or forfeitures of land in relation to the development of this parcel of land. However, unless and until we obtain government approvals to convert the land use rights for this land, we cannot assure you that we will be able to develop or sell this parcel of land for residential use.

In addition, although the local government is responsible in the master agreement, the corresponding supplementary agreements and the land grant contracts for relocating existing residents on the land and associated relocation expenses, the local government may experience delays in its negotiation process with the original occupants of the land which may result in delays in the development of our properties under development and planned for future development in Nanning, Xi'an, Harbin and Zhengzhou. With respect to our properties under development and planned for future development in Nanning, Xi'an, Harbin and Zhengzhou, we will be responsible for land payments only following the successful relocation of existing residents by and at the cost of the local government.

The construction business and the property development business are subject to claims under statutory quality warranties.

Under the relevant regulation of construction quality in PRC, all property development companies in the PRC must provide certain quality warranties for the properties they develop or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from our third-party contractors with respect to our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, prospects, financial condition and results of operations.

Risks Relating to Doing Business in the PRC

Economic, political and social conditions, as well as government policies in China could have a material adverse effect on our business, prospects, cash flows, results of operations and financial condition.

All of our business is conducted in, and all of our revenues are derived from, China. Accordingly, our business, prospects, cash flows, financial condition and results of operations are, to a significant degree, subject to economic, political and social developments in China.

The economy of China differs from the economies of most developed countries in many respects, including, but not limited to: structure; governmental involvement; level of development; growth rate of GDP; capital re-investment; allocation of resources; control of foreign currency; and rate of inflation.

The economy of China has been transitioning from a planned economy to a market-oriented economy. Although in recent years the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industries by imposing industrial policies. It also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Policies and measures taken by the PRC government to regulate the economy and guide the allocation of resources may benefit the overall economy of China but could have a significant negative impact on our business. For example, our business, prospects, cash flows, results of operations and financial condition may be materially and adversely affected by:

- government control over capital investment;
- new laws and regulations and the interpretations of those laws and regulations;
- the introduction of measures to control inflation or regulate growth;
- changes in interest rates and statutory reserve rates for banks and government control of bank lending activities;
- changes in the rate or method of taxation and tax regulations that are applicable to us; and
- the imposition of additional restrictions on currency conversions and remittances abroad.

The PRC legal system has inherent uncertainties that could negatively impact our business.

Our business is operated through, and our revenues are generated by, our operating subsidiaries in the PRC. Substantially all of our assets are located in the PRC. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has issued laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and their nonbinding nature, the interpretation and enforcement of these laws and regulations may involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. Furthermore, the legal protections available to us under these laws and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on us and on your investment.

The exchange rates between the Renminbi, the U.S. dollar and other foreign currencies is affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can fluctuate within a narrow and managed band based on market supply and demand and by reference to a basket of currencies. This change in policy has resulted in a significant appreciation of the Renminbi against the U.S. dollar. There remains significant international pressure on the PRC government to adopt a more flexible currency policy. On June 20, 2010, the PBOC announced its intention to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other foreign currency.

Substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. We rely on dividends paid by our operating subsidiaries, which in turn will be used by us to pay interest on the Notes. To the extent that we need to convert the proceeds from this offering and future financing into the Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would reduce the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments of interest and certain other amounts on the Notes or for other business purposes, appreciation of the U.S. dollar against the Renminbi would reduce the U.S. dollar amount available to us.

Governmental control over currency conversion may limit our ability to utilize our cash effectively and potentially affect our ability to pay interest to Noteholders.

We currently receive substantially all of our revenues in Renminbi through our ownership and operation of China South City Shenzhen. However, certain of our expenses, including labor costs for our employees in Hong Kong, rental expenses for our office space in Hong Kong and advertising expenses for advertising in Hong Kong and overseas media are denominated in foreign currencies, mostly Hong Kong dollars and U.S. dollars. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Under our current corporate structure, our Company's income is derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay interest to Noteholders. In addition, because a significant amount of our future cash flows from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies.

We may be deemed a PRC resident enterprise under the Enterprise Income Tax Law and thus be subject to PRC taxation on our worldwide income and be obligated to withhold PRC income tax on payment of interest and certain other amounts on Notes.

Under the EIT Law enacted by the National People's Congress in March 2007, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located within the PRC are considered "resident enterprises" for PRC tax purposes and will generally be subject to the EIT at the rate of 25% on their global income. The implementation rules of the EIT Law define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. The State Administration of Taxation promulgated a circular in April 2009 which specifies certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises or PRC enterprise groups. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for enterprises established offshore by private individuals or foreign enterprises like us. Substantially all of our management is currently located in the PRC. If we are treated as a PRC resident enterprise for income tax purposes, we will be subject to income tax at the rate of 25% on our global income. Furthermore, we would be obligated to withhold PRC income tax of up to 7%, subject to approval by the relevant tax authorities, on payments of interest and certain other amounts on the Notes to investors that are non-resident enterprises located in Hong Kong or 10% on payments of interest and other amounts on the Notes to investors that are non-resident enterprises located outside Hong Kong, because the interest and other amounts would be regarded as being derived from sources within the PRC. If we fail to make proper withholdings, we may be subject to fines and other penalties. Similarly, any gain realized by such nonresident enterprise investor from the transfer of the Notes would be regarded as being derived from sources within the PRC and accordingly would be subject to a 10% PRC tax.

We will be able to redeem the Notes in whole at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC "resident enterprise."

In the event we are treated as a PRC "resident enterprise" under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under “Description of the Notes — Redemption for Taxation Reasons,” in the event we are required to pay additional amounts as a result of certain changes in or interpretations of tax law, including any change or interpretation that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC “resident enterprise,” we may redeem the Notes at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest.

We may face PRC regulatory risks relating to our Share Option Scheme.

On March 28, 2007, the SAFE issued the *Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Holding Plan or Stock Option Plan of Overseas-Listed Company*, or the Stock Option Rules.

Under the Stock Option Rules, PRC citizens who are granted stock options and other types of stock-based awards by an overseas publicly listed company are required, through an agent of the overseas publicly listed company, generally its PRC subsidiary or a financial institution, to obtain approval from the local SAFE branch.

If we are unable to comply with these rules, we may be subject to the relevant penalties and may become subject to more stringent review and approval processes with respect to our foreign exchange activities, such as our PRC subsidiaries’ payment of dividends to us or borrowing of foreign currency loans, which would adversely affect our business and financial condition. None of the recipients of Share Options under our current Share Option Agreements are required to obtain approval from the local SAFE branch because none of these recipients is a PRC citizen. We may face regulatory risks relating to our Share Option Scheme, however, if we grant share options to PRC citizens in the future.

It may be difficult to effect service of process upon us or our directors or senior officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.

A significant portion of our assets and our subsidiaries are located in the PRC. In addition, most of our directors and officers reside in the PRC, and the assets of our directors and officers may also be located in the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of our directors and officers, including with respect to matters arising under applicable securities laws. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of any other requirements. Our PRC legal adviser has advised us that the PRC does not have treaties providing for the reciprocal acknowledgement and enforcement of judgments of courts with the United States and most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in any of these jurisdictions may be difficult.

Risks Relating to the Notes

We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries, including jointly controlled entities and associates in the PRC. The Notes will not be guaranteed by any current or future PRC subsidiaries. Our primary assets are loans to and ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or the JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of our Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on our Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries (including their obligations under guarantees issued in connection with our business), and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of March 31, 2012, the total balance of our consolidated bank and other borrowings amounted to HK$4,773.4 million, capital commitments of HK$5,861.3 million and contingent liabilities arising from guarantees of HK$431.5 million. The Notes, the 2011 Notes and their respective indentures permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor, or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

Under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to a third party of a 20% to 49.9% equity interest in such subsidiary by its direct or indirect majority shareholders (subject to the satisfaction of certain conditions, including a cap on the non-guaranteed portion of the assets of all JV Subsidiary Guarantors in aggregate). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

We have incurred significant indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial condition and could further intensify the risks associated with our leverage.

We have significant indebtedness outstanding. As of March 31, 2012, our consolidated current bank loans and other loans and our consolidated non-current bank loans and other loans amounted to HK$2,740.3 million and HK$2,033.1 million, respectively. In addition, as of March 31, 2012, our consolidated capital commitments were HK$5,861.3 million. Furthermore, as of March 31, 2012, we had a principal amount of US$241.0 million (approximately HK$1,871.5 million) of our 2011 Notes outstanding. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness and Contingent Liabilities — Commitments and Contingent Liabilities — Capital Commitments."

In addition, we and our subsidiaries may from time to time incur substantial additional indebtedness and contingent liabilities. Although the indentures governing the Notes and the 2011 Notes restrict us and our Restricted Subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we face as a result of such indebtedness and leverage could intensify. The amount of our indebtedness could have important consequences to the Noteholders. For example, it could:

- limit our ability to satisfy our obligations under the Notes, the 2011 Notes and other debt;
- increase our vulnerability to adverse general economic and industry condition;
- require use to dedicate a substantial portion of our cash flows from operations to servicing and repaying indebtedness, thereby reducing the availability of our cash flows to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in the businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, our ability to borrow additional funds; and
- increase the cost of additional financing.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing existing indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms.

In addition, the terms of the indentures governing the Notes and the 2011 Notes prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratios requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios during the life of the Notes and the 2011 Notes. Certain of our other financing arrangements also impose operating and financial restrictions on our business. See "Description of Other Material Indebtedness." Such restrictions in the Indenture, the indenture governing the 2011 Notes, and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

Our operations are restricted by the terms of the Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk.

The Indenture includes a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;

- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

If we are unable to comply with the restrictions and covenants in our current or future debt agreements or the indentures governing the Notes and the 2011 Notes, there could be an event of default under the terms of these agreements or such indentures, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in the indentures governing the Notes and the 2011 Notes or our current or future debt obligations and other agreements, there could be an event of default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the indentures governing the Notes and the 2011 Notes, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes and the 2011 Notes, or result in a default under our other debt agreements, including the indentures governing the Notes and the 2011 Notes. If any of these events occur, we cannot assure you that our assets and cash flows would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, including our jointly controlled entities and associates in the PRC, to satisfy our obligations, including our obligations under the Notes and the 2011 Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. For example, certain loan agreements of our subsidiaries contain covenants that limit their ability to pay dividends to us until the loans are repaid, or unless certain profit thresholds are satisfied, or, in certain cases, limit their ability to pay dividends to us if the amount of the dividends exceed 30% of their after-tax profits. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be).

The ability of our subsidiaries in the PRC to pay dividends to their shareholders is subject to the requirements of PRC law. PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, starting from January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies have been subject to a 10% withholding tax, unless there is an avoidance of double taxation arrangement between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such restrictions tax rate may be lowered to 5%. However, according to a circular issued by the State Administration of Taxation in October 2009, tax treaty benefits will be denied to "conduit" or shell companies without business substance. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be), and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

At present, our PRC subsidiaries are also required to pay a 7% withholding tax on the interest paid under any shareholder loans and to provide evidence of this and other documents before they can make payments of interest and principal on shareholder loans in foreign currency. See "— Risks Relating to Doing Business in the PRC — Governmental control over currency conversion may limit our ability to utilize our cash effectively and potentially affect our ability to pay interest to Noteholders."

As a result of the foregoing, we cannot assure you that we will have sufficient cash flows from dividends from our subsidiaries to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be).

The terms of the Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures.

In light of land prices, sizes of projects, the competitive landscape and other factors, we may from time to time consider developing property developments jointly with other property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries under the indenture governing the Notes. Although the indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications. See the definition of "Permitted Investment" in "Description of the Notes."

We may not be able to repurchase the Notes and the 2011 Notes upon a Change of Control Triggering Event.

We must offer to purchase the Notes and the 2011 Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See "Description of the Notes" and "Description of Other Material Indebtedness — 2011 Notes."

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding Notes and the outstanding 2011 Notes. Our failure to make the offer to purchase or to purchase the outstanding Notes and the outstanding 2011 Notes would constitute an Event of Default under the Notes and the 2011 Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and the 2011 Notes and repay the debt.

In addition, the definitions of Change of Control Triggering Event for purposes of the indentures governing the Notes and the 2011 Notes do not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancing, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definitions of Change of Control Triggering Event for purposes of the indentures governing the Notes and the 2011 Notes also include a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes and the 2011 Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

The insolvency laws of Hong Kong and the British Virgin Islands differ from U.S. bankruptcy law and the laws of other jurisdictions with which holders of the Notes are familiar.

Because our Company is incorporated in Hong Kong, an insolvency proceeding relating to us, even if brought in the United States, would likely involve Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. In addition, our Subsidiary Guarantors and JV Subsidiary Guarantors (if any) are incorporated or may be incorporated in the British Virgin Islands or Hong Kong, and the insolvency laws of the British Virgin Islands may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar.

We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. The Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. Any JV Subsidiary Guarantors which become equity holders of our PRC Subsidiaries would also be subject to such laws. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

A trading market for the Notes may not develop, and there are restrictions on resale of the Notes.

The Notes are a new issue of securities for which there is currently no trading market. Although we have received approval in-principle for the listing and quotation of the Notes on the Official List of the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing and quotation of the Notes on the SGX-ST, or that, if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See "Plan of Distribution." We cannot predict whether an active trading market for the Notes will develop or be sustained.

The ratings assigned to the Notes may be lowered or withdrawn in the future.

The Notes have been provisionally rated "B" by Standard and Poor's Ratings Services and "B2" by Moody's Investors Service. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain unchanged for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of any rating assigned to the Notes may adversely affect the market price of the Notes.

Certain transactions that constitute "connected transactions" under the Listing Rules will not be subject to the "Limitation on Transactions with Shareholders and Affiliates" covenant.

Our shares are listed on the Stock Exchange and we are required to comply with the Listing Rules, which provide, among other things, that any transaction between a listed company or any of its subsidiaries, on the one hand, and a "connected person" of such listed company, on the other hand, is a "connected transaction" that, if the value of such transaction exceeds the applicable de minimis thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of "connected person" to a listed company includes, among others, any 10% or more shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of "connected person" also captures "associates," which include, among others, (a) any subsidiary of such "connected person," (b) any holding company of such "connected person" and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power of such company.

The "Limitation on Transactions with Shareholders and Affiliates" covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10.0% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they may be connected transactions under the Listing Rules and subject to any requirements under the Listing Rules to obtain approval from independent shareholders. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenue, profit and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price of debt securities for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions in the PRC or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

There may be less publicly available information about us than is available in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements and the financial information in this Offering Memorandum are prepared and presented in accordance with HKFRS, which differ in certain significant respects from generally accepted accounting principles in other jurisdictions.

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to debt securities listed in certain other countries.

We will be subject to reporting obligations in respect of the Notes to be listed on the Official List of the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

The Notes will initially be held in book entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the Notes represented by the global certificate will trade in book entry form only, and notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of the Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global certificate representing the Notes will be made to the Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global certificate representing the Notes and credited by such participants to indirect participants. After payment to the nominee of the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book entry interest, you must rely on the procedures of Euroclear and Clearstream or, if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of Noteholder under the Indenture.

Unlike the holders of the Notes themselves, owners of book entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from Noteholders. Instead, if you own a book entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Indenture, unless and until definitive registered notes are issued in respect of all book entry interests, if you own a book entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral

Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees.

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of our PRC subsidiaries. Moreover, the charge over the shares of the offshore subsidiaries of the Company (the "Collateral") will not include the capital stock of our existing or future Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. In addition, the Subsidiary Guarantors also guarantee our obligations under the 2011 Notes. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes and the 2011 Notes if we are unable to do so. See "— Risks Relating to the Notes — We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries."

The Intercreditor Agreement may impair the ability of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors to pay amounts due under the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees, and the Intercreditor Agreement may limit the rights of the Noteholders to the Collateral.

Provided the Shared Security Agent is, to the extent requested, indemnified in respect of actions to be taken, it is required to take action to enforce the Collateral in accordance with the instructions of the secured creditors given under the Intercreditor Agreement. Any enforcement action taken by the Shared Security Agent will adversely affect our entitlement to receive proceeds from the Collateral, which will, in turn, have an adverse impact on the Company's ability to fulfill its payment obligations under the Notes. Further, our ability to pay under the Subsidiary Guarantees will be adversely affected.

The ability of the Noteholders to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Shared Security Agent is permitted to take enforcement actions. If an event of default occurs under the Notes, any secured party under the Intercreditor Agreement, including the 2011 Notes Trustee, the Trustee or the holders of any Permitted Pari Passu Secured Indebtedness, may decide whether to take any enforcement action and thereafter, through the Trustee and/or the 2011 Notes Trustee (as the case may be), subject to the satisfaction of the conditions under the Intercreditor Agreement, may instruct the Shared Security Agent to take such enforcement action. In addition, by virtue of the instructions given to the Shared Security Agent described above, actions may be taken in respect of the Collateral that may be adverse to you. In such event, the only remedy available to the Noteholders would be to sue for payment on the Notes, the Subsidiary Guarantees, the JV Guarantees and the Collateral. For a description on the Intercreditor Agreement, see "Description of the Notes — Security — Intercreditor Agreement" and "— The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes, the 2011 Notes and other pari passu secured indebtedness."

The Shared Security Agent, acting in its capacity as such, will only have such duties with respect to the Collateral pledged, charged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are expressly set forth in the Intercreditor Agreement, and as Trustee in respect of the Notes and as 2011 Notes Trustee in respect of the 2011 Notes. Under certain circumstances, the Shared Security Agent may have obligations under the Security Documents or the Intercreditor Agreement and the underlying indentures that are in conflict with the interests of the holders of the Notes. The Shared Security Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes, unless the Shared Security Agent shall have received written instructions and to the extent requested, appropriate indemnification in respect of actions to be taken.

Security over the Collateral will not be granted directly to the holders of the Notes, and the Collateral will generally be shared with creditors under certain other financings.

Security over the Collateral for the obligations of the Company under the Notes and the Indenture will not be granted directly to the holders of the Notes but will be granted only in favor of the Shared Security Agent on behalf of the Trustee and the other secured parties under the Intercreditor Agreement. As a consequence, holders of the Notes will not have direct security and will not be entitled to take enforcement action in respect of the security for the Notes, except through the Shared Security Agent, which has agreed to apply any proceeds of enforcement on such security towards such obligations.

In addition, the Indenture provides that the Collateral will be shared equally and ratably among the holders of the 2011 Notes, the Notes and other future Permitted Pari Passu Secured Indebtedness. For a further discussion of the Intercreditor Agreement, see "Description of the Notes — Collateral — Intercreditor Agreement."

Because the Collateral will be shared equally and ratably with creditors under other financings, the full value of the Collateral will not be available to satisfy the Noteholders' claims. The Indenture also permits us to enter into certain future financings, and creditors under those future financings may share the Collateral pari passu with the holders of the Notes. See "Description of the Notes — Security — Permitted Pari Passu Secured Indebtedness" for a further discussion of the sharing of the Collateral with future financings. If creditors under future financings opt to share the Collateral under the Intercreditor Agreement, a smaller portion of the proceeds from the Collateral will be available to satisfy the Noteholders' claims, which could have a material adverse effect on the ability of the Noteholders to recover sufficient proceeds to satisfy their claims under the notes.

The Subsidiary Guarantees or JV Subsidiary Guarantees (if any) may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or any JV Subsidiary Guarantees.

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the British Virgin Islands, Hong Kong and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its properties at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debts as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or JV Subsidiary Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantees (as the case may be), voidable under such applicable insolvency or fraudulent transfer laws.

If a court voids a Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), subordinates such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or holds the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor, and would solely be creditors of us and any Subsidiary Guarantors or JV Subsidiary Guarantors (if any) whose guarantees have not been voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

The pledge of certain Collateral may in some circumstances be voidable.

The pledge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong and the British Virgin Islands at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. Pledges of capital stock of future Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain Collateral may be voided based on the analysis set forth above under "— The Subsidiary Guarantees or JV Subsidiary Guarantees (if any) may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or any JV Subsidiary Guarantees." If the pledges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us and the Subsidiary Guarantor Pledgors.

The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes, the 2011 Notes and other pari passu secured indebtedness.

The Collateral will consist only of the capital stock of the initial Subsidiary Guarantors and may in the future include our proportional interest in the JV Subsidiary Guarantors (if any). The security interest in respect of certain Collateral may be released upon the disposition of such Collateral, and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, to repay other debt or to make investments in properties and assets that will not be pledged as additional Collateral.

The ability of the Shared Security Agent, on behalf of the Trustee, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise will be subject in certain instances to perfection and priority status. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Shared Security Agent, the Trustee or holders of the Notes will be able to enforce the security interest in the Collateral. In addition, although the Trustee may instruct the Shared Security Agent to foreclose the Collateral upon the occurrence of an event of default that is continuing, such instruction may be overruled by a contrary instruction to the Shared Security Agent from holders of more than 50% of the indebtedness that is subject to the Intercreditor Agreement.

The value of the Collateral in the event of liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the Collateral have been prepared by or on behalf of us in connection with this offering of the Notes. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Notes would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes. By its nature, the Collateral, which consists solely of the capital stock of any existing or future Subsidiary Guarantor, is likely to be illiquid and is unlikely to have a readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation. The Collateral consists of shares of our non-PRC subsidiaries. With one exception, our non-PRC subsidiaries do not currently hold shares of any of our PRC subsidiaries. Our PRC subsidiaries hold substantially all of our consolidated assets and generate substantially all of our consolidated revenue. Accordingly, holders of the Notes should not expect to be able, directly or indirectly, to direct the management or policies of, or otherwise exert control over, our PRC subsidiaries or gain access to our key assets by foreclosing upon the Collateral, which may further limit the value of the Collateral.

The Collateral will be shared on a pari passu basis by the holders of the Notes, the holders of the 2011 Notes and any other creditors with respect to Permitted Pari Passu Secured Indebtedness. Accordingly, in the event of a default on the Notes, the 2011 Notes or other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of such secured indebtedness. The value of the Collateral securing the Notes, the 2011 Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the obligations of the Company and each of the Subsidiary Guarantor Pledgors under the Notes, the 2011 Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes, the 2011 Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes, additional 2011 Notes or of other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture and the indenture governing the 2011 Notes.

The pledge of certain Collateral may be released under certain circumstances.

In the event the conditions applicable to the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee are satisfied, we are permitted to release the pledge of the shares granted by such Subsidiary Guarantor, as well as the pledge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge for the shares that we continue to hold in such JV Subsidiary Guarantor (but not the subsidiaries of such JV Subsidiary Guarantor) following the sale of the equity interests in such Subsidiary Guarantor. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors or otherwise create JV Subsidiary Guarantors in accordance with the terms of the Indenture, the Collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated capitalization and indebtedness as of March 31, 2012 on an actual and as adjusted basis after giving effect to the issuance of the Notes and receipt of the net proceeds from this offering by us (but before the application of such net proceeds). The following table should be read in conjunction with our audited consolidated financial statements and related notes as of and for the year ended March 31, 2012 included elsewhere in this offering memorandum.

	As of March 31, 2012			
	Actual		As adjusted	
	HK$	US$	HK$	US$
	(in thousands)		(in thousands)	
Cash and cash equivalents and restricted cash	3,831,987	493,456		
Short-term debt[1]				
Interest-bearing bank and other borrowings	2,740,273	352,873	2,740,273	352,873
Total short-term borrowings	2,740,273	352,873	2,740,273	352,873
Long-term debt [2]				
Interest-bearing bank and other borrowings	2,033,109	261,810	2,033,109	261,810
2011 Notes	1,844,984	237,584	1,844,984	237,584
Notes to be issued	—	—		
Total long-term debt	3,878,093	499,394		
Equity				
Equity attributable to equity holders of the parent				
Issued capital	59,876	7,710	59,876	7,710
Reserves	12,429,737	1,600,615	12,429,737	1,600,615
Proposed final dividends	449,067	57,828	449,067	57,828
	12,938,680	1,666,153	12,938,680	1,666,153
Minority interests	56,611	7,290	56,611	7,290
Total equity	12,995,291	1,673,443	12,995,291	1,673,443
Total capitalization[3]	16,873,384	2,172,837		

(1) Includes the current portion of long-term debt.

(2) Excludes the current portion of long-term debt.

(3) Total long term debt plus total equity.

Subsequent to March 31, 2012, we have obtained new banking facilities and repaid some of our matured debts. As of June 30, 2012, the outstanding balance of our interest-bearing bank and other borrowings amounted to HK$5,193.3 million. Subsequently, our subsidiary, Grand City Hotel Investment Ltd., entered into a HK$400 million loan facility with The Hongkong and Shanghai Banking Corporation Limited. As of September 20, 2012, the entire amount of the facility had been drawn down. See "Description of Other Material Indebtedness — HIBOR Loan."

Except as disclosed above, there has been no material change in our consolidated capitalization or indebtedness since March 31, 2012.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables present our selected consolidated financial data. The selected consolidated financial data as of and for each of the years ended March 31, 2010, 2011 and 2012 (except for EBITDA data) have been derived from our audited consolidated financial statements as of such dates and for such years included elsewhere in this offering memorandum.

Our financial statements have been prepared and presented in accordance with HKFRS. The selected consolidated financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

	Fiscal Year Ended March 31,		
	2010	2011	2012
	(HK$'000)	(HK$'000)	(HK$'000)
Income Statement Data:			
Revenue	1,570,229	2,234,033	3,670,767
Cost of sales	(587,522)	(900,985)	(1,434,671)
Gross Profit	982,707	1,333,048	2,236,096
Other income and gains	150,434	39,499	547,191
Fair value gains on investment properties	1,308,543	1,464,168	1,117,696
Selling and distribution costs	(83,573)	(111,805)	(187,334)
Administrative expenses	(187,696)	(208,079)	(350,918)
Other expenses	(25,427)	(34,566)	477
Finance costs	(32,982)	(30,495)	(58,873)
Share of profits and losses of:			
A jointly-controlled entity	1,287	1,337	1,497
An associate/associates	(302)	(331)	(317)
Profit before tax	2,112,991	2,452,776	3,305,515
Income tax expense	(785,345)	(908,658)	(1,257,953)
Profit for the year	1,327,646	1,544,118	2,047,562
Attributable to:			
Owners of the parent	1,329,593	1,552,455	2,070,708
Non-controlling interests	(1,947)	(8,337)	(23,146)
	1,327,646	1,544,118	2,047,562
Other financial data			
EBITDA(1)	2,182,380	2,513,202	3,378,980
Adjusted EBITDA(2)	763,219	1,063,898	2,329,363
Net cash inflow from operating activities	885,339	1,325,317	935,720

	As of March 31,		
	2010	2011	2012
	(HK$'000)	(HK$'000)	(HK$'000)
Consolidated Statement of Financial Position Data:			
Non-current assets	11,379,165	15,398,215	17,421,439
Current assets:			
Cash and cash equivalents and restricted cash	3,702,977	4,564,491	3,831,987
Other current assets	1,217,626	1,421,191	9,412,917
Total current assets	4,920,603	5,985,682	13,244,904
Total assets	16,299,768	21,383,897	30,666,343
Current liabilities:			
Short-term interest-bearing bank and other borrowings(3)	1,558,417	1,696,394	2,740,273
Other current liabilities	1,295,291	2,224,554	8,154,227
Total current liabilities	2,853,708	3,920,948	10,894,500
Non-current liabilities:			
Long-term interest-bearing bank and other borrowings(3)	2,644,308	2,546,303	2,033,109
Other non-current liabilities	1,775,067	4,298,610	4,743,443
Total non-current liabilities	4,419,375	6,844,913	6,776,552
Total liabilities	7,273,083	10,765,861	17,671,052
Total equity	9,026,685	10,618,036	12,995,291
Total equity and liabilities	16,299,768	21,383,897	30,666,343

(1) EBITDA consists of profit before interest income, income tax expense, depreciation and amortization and finance costs (excluding capitalized interest). EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year or period under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented above is calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

(2) Adjusted EBITDA consists of profit before interest income, income tax expense, depreciation and amortization, finance costs (excluding capitalized interest) and non-operating income and expenses (including fair value gains and losses on investment properties).

(3) On November 29, 2010, the HKICPA issued HK Interpretation 5, which provides that amounts repayable under loan agreements that contain a repayment on demand clause should be classified as current liabilities in the borrower's statement of financial position. For further information, see "Management Discussion and Analysis of Financial Condition and Results of Operations – Recently Issued Accounting Pronouncements." The classification of our current and non-current interest-bearing bank and other borrowings contained in our Consolidated Statement of Financial Position as of March 31, 2011 and 2012 was done in accordance with HK Interpretation 5. However, we have not made any adjustments to reclassify amounts repayable under such loan agreements as current liabilities in our Consolidated Statement of Financial Position as of March 31, 2010 and no reconciliation of our Consolidated Statement of Financial Position as of these dates has been prepared. As such, our financial information as of and for the year ended March 31, 2010 is not directly comparable to our corresponding financial information as of and for the years ended March 31, 2011 and 2012 prepared in accordance with HK Interpretation 5.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the section entitled "Selected Consolidated Financial Data" and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. Our consolidated financial statements were prepared in accordance with HKFRS.

Overview

We are one of the leading developers and operators of large-scale, integrated logistics and trade centers in the PRC, based on GFA, industry coverage and range of supporting services and facilities offered, according to Colliers International. Leveraging our experience and brand reputation, we currently have six projects in different stages of development located in regional economic hubs in Shenzhen, Nanning, Nanchang, Xi'an, Harbin and Zhengzhou, China, with a total planned GFA of 47.3 million sq.m.

Our business model is built on a premise of "One Body with Two Wings," with the "One Body" represented by our large-scale integrated logistics and trade centers, designed to serve as key commercial hubs to satisfy the economic and industrial needs of the regions in which we operate, and the "Two Wings" represented by the supporting residential and commercial facilities, designed to facilitate the operations of our trade center tenants and their customers. We complement our trade center operations by providing comprehensive supporting facilities including hotel, office, warehouse, exhibition and conference facilities and third-party banking services. Our residential facilities further complement our trade center operations by providing convenient, high-quality accommodations for our trade center tenants, as well as providing cash flows to cover a portion of project-related capital expenditures. Our business model is further augmented by the on-site presence of PRC government agencies, which offer a diverse range of services to trade center tenants and other customers.

We have been further building upon our "One Body with Two Wings" business model to include five pillars of ancillary services that complement our core business of developing and operating trade centers. We provide one-stop logistics services including warehousing, on-site delivery and freight forwarding. We provide an e-commerce platform through which our clients can promote their businesses and products, and plan to update our online platform to allow our trade center shops to promote online wholesale and retail trade. Following the success of the various industrial fairs at China South City Shenzhen and Nanning, we aim to provide a non-stop exhibition platform to organize convention and exhibition services, which we believe will also facilitate the traffic flow through our trade centers. We plan to further boost overall traffic by building upon our successful opening of our first outlet center at China South City Shenzhen, expanding and replicating this further in Shenzhen and at our other projects. Our property management services maintain a safe and comfortable business environment at our projects. We believe that this expansion of the scope of services provided will enable us to build a self-sustaining business strategy that will strengthen our overall business model.

We generate revenue at China South City Shenzhen primarily from sales of trade center units and rental income from our trade center units and supporting facilities. Accordingly, our results of operations tend to fluctuate from period to period depending upon the proportion and GFA of trade center units that are sold or leased, and when our projects in various stages of development are completed. We generally sell a portion of our trade center units, and thereby generate revenues and cash flows, in the initial stages following completion of a trade center development. Sales of trade center units in the initial stages following completion of a trade center development assist in financing the development of our projects. In addition, we have arrangements with certain purchasers of trade center units to allow us to lease their trade center units to third parties pursuant to which we receive rental income. The amount of our revenues from rental income has increased historically in line with the development of our projects, and we expect the amount and proportion of our revenues from rental income to increase in the future as we continue to complete additional properties under development.

With more projects launched to the market, we recorded significant growth in revenue during fiscal year ended March 31, 2012. Sales and leasing of China South City Shenzhen continued to deliver a sound performance. Meanwhile, the launch of properties in other projects for sale or pre-sale, namely China South City Nanchang, China South City Nanning and China South City Xi'an, have been met with strong responses among buyers. In fiscal year ended March 31, 2012 the Group achieved total Contracted Sales of HK$7.1 billion, exceeding our target of HK$7.0 billion. The table below sets forth our Contracted Sales for the fiscal year ended March 31, 2012:

	Contracted area	ASP (before deduction of business tax)	Contracted Sales (before deduction of business tax)
	sq.m.	HK$/sq.m.	HK$ million
China South City Shenzhen	96,800	13,800	1,335
Trade center	51,300	17,300	889
Office	41,000	10,000	411
Residential property	4,500	7,700	35
China South City Nanchang	344,900	8,900	3,063
Trade center	174,300	11,900	2,076
Residential property	170,600	5,800	987
China South City Xi'an	98,200	11,500	1,133
China South City Nanning	35,300	14,400	507
China South City Heyuan(1)	16,700	10,500	169
China South City Heyuan(2)	N/A	N/A	894
Total			7,101

(1) Contracted Sales up to September 28, 2011 (date of disposal of the residential segment of China South City Heyuan).

(2) Balance represented the consideration for disposal of the residential segment of China South City Heyuan (RMB730 million).

For the year ended March 31, 2012, we achieved approximately HK$7,101 million of Contracted Sales. We expect to achieve HK$8.0 billion to HK$10.0 billion of Contracted Sales for the year ending March 31, 2013. For the period from April 1, 2012 to September 17, 2012, we had Contracted Sales of approximately HK$1,549.0 million, representing more than 190% of the HK$806.9 million of Contracted Sales achieved for the period from April 1, 2011 to September 30, 2011. We normally schedule our project launches in the second half of our financial year around major trade fairs and exhibitions.

Factors Affecting Our Results of Operations

We have identified the following important factors (as well as uncertainties associated with such factors) that could impact our future results of operations and financial condition.

The GFA, Sales Prices, Rental Rates and Occupancy Levels of Our Properties

Our business depends on the success of a small number of large-scale, multi-phase, mixed-used projects developed over the course of several years. Our policy is to maintain an optimal mix between trade center units for sale and trade center units held as investment properties. However, our results of operations and the sources and amount of our cash from operations may vary significantly from period to period depending upon the type and GFA of our completed trade center units that are sold or rented out to tenants, as well as when our projects in various stages of development are completed. Our revenues, and our mix of sales revenues versus rental incomes, vary significantly based upon the completion dates of our projects, among other factors. For instance, we had revenues from sales of properties from HK$1,408.1 million, HK$1,832.6 million and HK$3,010.8 million in the fiscal years ended March 31, 2010, 2011 and 2012.

The GFA of the trade center units we sell or lease depends on the progress we make on the construction of our development projects. Our results of operations and cash flows also vary depending on the market demand at the time we sell or rent our completed trade centers, the rental and occupancy rates of our investment properties and the sales prices for sold trade center units. The rental rates, sales prices and occupancy levels of our trade center developments are dependent on market prices in the local market, which depend on local demand and supply conditions, competitive conditions and general macroeconomic conditions in the PRC, including GDP growth rates, interest rates, inflation rates and unemployment rates.

We tend to experience sharp increases in revenues during periods when we complete a significant project or project phase and offer it for sale, followed by declines in revenue during periods when we offer less new saleable GFA. Historically, periods in which we had a larger percentage of trade center units sold to buyers generated greater revenues and cash flows than periods in which we had a larger percentage of trade center units completed and retained for investment and rented out to tenants. Such sale revenues also vary significantly based upon the GFA and quality of new saleable GFA, the proportion of GFA we allocate to sales versus rental properties, prevailing sales prices, market demand, interest rates, inflation, the availability of attractive mortgage terms to our buyers, the prevailing regulatory environment for property sales, regional economic growth, competition and other factors. Please see "Risk Factors — Risks Relating to our Business and our Industry — Our revenues and revenue mix vary significantly based upon the completion dates of our projects and prevailing market conditions."

Part of our strategy is to increase our rental income, as well as rental income as a proportion of total revenue, as we complete and lease out more rental properties over time. Rental income is subject to cyclical changes in market demand. Rental rates vary among projects according to market demand, date of completion and other factors. Tenants generally prefer to rent at a facility with a high occupancy rate, so we offer tenants in newly completed trade center units preferential rental rates and rent-free periods in order to boost initial occupancy rates. If we fail to achieve a sufficiently high occupancy rate at any of our projects, we may need to provide additional incentives (such as rental discount) to attract a core group of tenants. Our rental income for future periods may be negatively impacted by these and similar incentive plans.

Changes in Product Mix

The prices and gross profit margins of our products vary by the location and the classification and end use of certain facilities on the properties that we develop and sell or rent. Our trade center and commercial facilities usually afford us higher sales profit margins than residential and logistics facilities, because they typically have higher sales prices per sq.m. As a result, our gross profit margin is affected by the proportion of sales revenue attributable to trade centers, which have our higher gross margins compared to sales revenue attributable to residential properties, which have lower gross margins. In addition, properties in larger-scale projects will typically command a higher selling price as the overall development approaches completion due to the attractiveness of a more established development, thereby increasing our sales profit margin during the relevant period. Our product mix varies from period to period due to a number of reasons, including project locations, land size and cost, market conditions and our development planning. While trade centers remain our primary focus, we expect our properties under development in Nanchang and Nanning will include more residential facilities than China South City Shenzhen.

Valuation of Our Investment Properties

Our investment properties consist of trade centers and supporting commercial facilities that are held for rental income and capital appreciation. We state our investment properties at their fair value on our balance sheet as non-current assets as of each balance sheet date based on valuations by Savills Valuation and Professional Services Limited, a qualified independent professional valuer. With respect to newly completed properties, the properties are measured initially at cost and, subsequently, at fair value. The change in fair value of a newly completed project is calculated as the difference between the project's fair market value as of the first balance sheet date after completion and the project's construction costs. Thereafter, the fair market value of the project for the most recent balance sheet date is compared to the fair market value as of the previous balance sheet date. As we complete new projects in the future, we expect the addition of these new projects will positively contribute to changes in fair values of investment properties, especially in the years in which the projects are completed.

Net increases or decreases in the fair market value of investment properties are reflected as an income or expense item, as appropriate, in the income statement as "change in fair value of investment properties." In addition, the fair value gains on our investment properties include gains recognized when the fair value of applicable investment properties under development can be reliably measured. Revaluation of completed investment properties has in the past resulted in, and may in the future result in, significant fluctuations in our results of operations.

We had fair value gains on investment properties of HK$1,308.5 million, HK$1,464.2 million and HK$1,117.7 million in the fiscal years ended March 31, 2010, 2011 and 2012, respectively. During the fiscal years ended March 31, 2010, 2011 and 2012, changes in fair value of investment properties represented 69.2%, 65.1% and 37.1%, respectively, of our profit for the respective periods after taking into account related deferred tax expense.

Costs Associated with Land Acquisition and Construction

Land acquisition costs, construction costs and capitalized finance costs are the principal components of our cost of properties sold. Land acquisition costs, which primarily consist of land grant fees, have increased in recent years due to a greater demand for properties as a result of the PRC's economic growth. PRC governmental land supply policies and implementation measures may further intensify competition among developers for available land. For example, competition has significantly increased due to regulations introduced in July 2002 requiring departments and agencies to grant state-owned land use rights for residential or commercial property development through competitive processes, including public tenders, auctions or listings for sale at land exchanges administered by local governments. In addition, the PRC government recently set a minimum down payment for land grant fees of 50%, which is required to be paid within one month of signing the land grant contract. The remaining land grant fee is required to be fully paid within one year of signing the land grant contract, subject to limited exceptions.

Construction costs, which comprise all costs related to the design and construction of a project, can vary widely based on GFA, type of development, building design, types of construction materials, height of the buildings, and geology of the construction site. Changes in the market price for construction materials can cause fluctuations in construction costs. We experienced increases in construction costs during the fiscal years ended March 31, 2010, 2011 and 2012, primarily due to the variances in the design and architecture of our trade centers; and a general increase in the cost of construction materials and labor. In addition to our development of Phase Three of China South City Shenzhen, we will require substantial resources to develop our properties under development and planned for future development in China South City Nanning, Nanchang, Xi'an, Harbin and Zhengzhou. Each of these projects is a large-scale project consisting of multiple phases that: (1) will take several years to complete; (2) do not require full completion of all phases to be operational; (3) will be completed on a phase-by-phase basis; and (4) can be financed from a variety of funding sources, including project financing, other bank borrowings, pre-sales, rental income and other cash flow from operations. In this regard, as a result of the continued growth and development of the PRC economy and the property development industry, wages for construction workers and the prices of construction materials and building equipment, we have experienced a substantial increase in recent years, and we expect continued increases in the future.

Our capitalized expenses include all costs relating to the acquisition of land parcels, construction and development of our projects, including interest expense, to the extent that such costs are directly attributable to the costs of the construction and development of the projects. Finance costs we incur after we complete construction are not capitalized.

Land use rights costs and construction costs may fluctuate from period to period depending upon the timing of our acquisitions of land, our ability to fix our construction costs and the construction schedules of our properties under development.

Land Appreciation Tax

Under PRC laws and regulations, our PRC subsidiaries that engage in integrated logistics and trade center development activities are subject to land appreciation tax, or LAT, which is levied on us by local tax authorities. The Shenzhen municipal tax authority started to impose land appreciation tax in November 2005 in accordance with: (1) the Notice on the Levy of Land Appreciation Tax in Shenzhen Municipality; (2) the Notice on the Adjustment of Rates of Land Appreciation Tax in Shenzhen Municipality; and (3) the Announcement on the Adjustment of Rates of Land Appreciation Tax in Shenzhen Municipality, issued by the Shenzhen Local Taxation Bureau on November 9, 2005, July 1, 2008 and July 23, 2010, respectively. These regulations provide that all enterprises and individuals, domestic and foreign, who receive income as a result of a grant of land use rights are subject to prepayment of LAT at the rates of 2%, 4% and 3%, respectively. LAT is levied on the "appreciation value" of property, as defined in the relevant tax laws. All taxable gains from the sale or transfer of land use rights, buildings and related facilities in China are subject to LAT at progressive rates that range from 30% to 60%. On November 1, 2005, upon obtaining a real estate qualification certificate, we began to pay LAT at a fixed prepayment rate of 0.5% on the total sales amount of the contracts we entered into with purchasers of trade center units in Shenzhen for the fiscal year.

We are also required under local regulations to pay provisional land appreciation tax in other regions or cities when we start to pre-sell or sell our property developments in these regions or cities. Generally, the provisional land appreciation tax rates in these cities range from 0.5% to 5.0% of the pre-sale or sale proceeds, depending on the type and location of the pre-sold or sold properties. During the fiscal years ended March 31, 2010, 2011 and 2012, we made provisions for LAT in the amount of HK$269.6 million, HK$284.2 million and HK$403.2 million, respectively.

The method of calculating LAT liability may differ for a subsidiary from year to year depending on the application made by such subsidiary and approvals granted by the relevant government authorities. See "Risk Factors — Risks Relating to Our Business and Our Industry — Sales of our properties are subject to land appreciation tax and income tax."

Economic and Other Conditions in the PRC

The trade center market is sensitive to broader economic developments. The economic growth China has experienced over the past two decades has led to growth in both wholesale trade aimed at large-scale industrial and commercial purchasers and retail trade aimed at individual consumers, which has facilitated the development of trade centers where merchant wholesalers and retailers can sell goods to purchasers. Beginning in the second half of 2008, China's economy experienced a slowdown as a result of the global economic crisis, affecting consumer and business spending generally, including trade among domestic and international suppliers, manufacturers and distributors of raw materials and finished goods, which form our primary customer base, as well as the demand for, and prices of, real estate properties. Although China's economy has shown positive signs of recovery and demand for our trade centers has grown significantly since the economic downturn, demand for our trade centers may continue to be affected by future domestic and international macroeconomic developments.

Our continued growth will, to a certain extent, depend on the continued development of trade among industrial and commercial purchasers and the growth in size and purchasing power of the middle class in China. China South City Shenzhen is located in Guangdong Province and our other trade centers under development and planned for future development are located in the provinces of Jiangxi, Shaanxi, Heilongjiang and Henan and the autonomous region of Guangxi. The real estate and logistics markets in these regions are also affected by a number of other macroeconomic factors, including the level of interest rates, the exchange rate of the Renminbi and the PRC political, economic and regulatory environment.

Regulatory Environment

Our results of operations have been, and will continue to be, affected by the regulatory environment in the PRC, including:

- any changes in the PRC with respect to land acquisition, property development and property developer policies, tax policies, planning, zoning and land use rights policies and building design and construction regulations; and

- the availability of project and mortgage financing, interest rates and regulations affecting the transfer of completed properties.

For further information on the regulatory environment in the PRC, see "Regulation."

In response to concerns over the increase in property investment and the overheating of the property sector in the PRC, the PRC government has introduced policies to restrict development in the property sector. From time to time, the PRC government adjusts or introduces macroeconomic control policies to encourage or restrict development in the private property sector by regulating land grants, land utilization, pre-sales of properties, bank financing and taxation. Measures taken by the PRC government to control money supply and credit availability also have a direct impact on our business and results of operations. The PRC government may introduce initiatives which may affect our and our customers' access to capital and the means by which we may finance property development. See "Risk Factors — Risks Relating to Our Business and Our Industry — Our operations are subject to extensive governmental regulation, and we are susceptible to changes in policies related to the real estate and logistics markets in China."

Pre-sales

Proceeds from pre-sales of properties under development constitute a source of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain conditions and requires us to use the specific pre-sale proceeds to develop the project that has been pre-sold. The amount and timing of cash received from pre-sales are affected by a number of factors, including any restrictions and conditions in our pre-sale permits issued by, and land use contracts entered into with, local government authorities, for example the Shenzhen Municipal Bureau of Land Resources and Housing Management. Pursuant to certain land grant contracts signed by China South City Shenzhen, the saleable GFA of China South City Shenzhen properties built on these parcels of land is limited to 30% of total buildable GFA. We build and hold the restricted portions of these properties for leasing and self-use. Pursuant to certain land grant contracts signed by China South City Nanchang and Nanning in 2009, the saleable GFA of trade centers and storage facilities built on these parcels of land is limited to 60% of total buildable GFA. This restriction does not apply to properties built for residential, commercial and other uses, and also does not apply to the land obtained by China South City Nanchang and Xi'an in 2011, nor to the land acquired by China South City Harbin in June 2012 and China South City Zhengzhou in August 2012. Other factors include the permitted timing and other restrictions on pre-sales imposed by relevant PRC laws and regulations, market demand, and the number of our properties that are available for pre-sale. Any modification of the relevant pre-sale permits and land use contracts, or any restriction on our ability to engage in the pre-sales of our properties, could result in a reduced cash inflow, which could increase our reliance on external financing and increase our finance costs, and accordingly, could have an adverse effect on our ability to finance our continuing property developments and our results of operations. See "Risk Factors — Risks Relating to Our Business and Our Industry — Our revenues and revenue mix vary significantly based upon the completion dates of our projects and prevailing market conditions."

Demand for Residential Properties in China

Domestic economic conditions and the volatility of residential property prices in the PRC may impact our business and results of operations, particularly with respect to our properties planned for future development, which are intended to include more residential units as compared to China South City Shenzhen. The residential property industry in the PRC is significantly dependent on the PRC's overall economic growth and consumer demand for residential properties. The development of the PRC economy and the resulting demand for residential properties in China are expected to have an increasing impact on our results of operations as our properties planned for future development begin operations.

Critical Accounting Policies

We have identified accounting policies which involve subjective assumptions and estimates as well as complex judgments relating to certain accounting items. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 2 to our audited consolidated financial statements and unaudited condensed consolidated interim financial statements included in this offering memorandum.

Revenue Recognition

We recognize revenue from the sale of properties in our income statement when the significant risks and rewards of ownership have been transferred to the buyer. We consider the significant risks and rewards of ownership to have been transferred when the construction of properties is completed, the properties are delivered to the buyers pursuant to the sales agreement and the collectibility of the related receivables is reasonably assured. We include deposits received on properties sold prior to the date of revenue recognition, including pre-sale proceeds, in the balance sheet as trade and other payables.

We recognize rental income in the period in which the properties are leased on a straight-line basis over the lease term. Any rent-free period offered as an incentive to our trade center tenants is amortized over the term of the related lease agreements.

Because the building ownership certificates granted to us for West Garden, the Global Logistic Center and China South Development Tower restrict the transfer of the underlying property, we have entered into lease agreements with tenants of these units. However, because the lease terms will last in duration for the major part of the economic life of the units and the lease agreements with tenants of these units transfer to the tenants substantially all the risks and rewards incidental to ownership, we treat the leases for accounting purposes as finance leases in accordance with the current accounting standards in Hong Kong. We commenced delivery of the residential units of West Garden and the office units of our Global Logistic Center and China South Development Centre in February 2008, April 2010 and March 2012, respectively. We recognize revenue from these units once the following criteria are satisfied: (1) construction is completed; (2) construction completion registration procedures are completed; (3) delivery is made to the tenants pursuant to the finance lease agreement; and (4) the collectibility of the related receivables is reasonably assured. See “Business — Purchaser and Tenant Financing.”

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that taxable profit will be available against which these deductible temporary differences can be utilized. Deferred tax assets and liabilities are determined at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Land Appreciation Tax

Under PRC tax laws and regulations, our properties developed for sale are subject to LAT. We have calculated and accrued all LAT payable on our property sales and transfers made since November 2005 in accordance with the progressive rates specified in relevant tax laws, including the LAT Notice. LAT provisions represent provisions for the estimated LAT payable in relation to our properties sold during a period. We estimate and make provisions for the amount of LAT payable based on our own calculations in accordance with our understanding of the relevant laws and regulations. Our estimate of LAT provisions requires us to exercise significant judgment with respect to the appreciation of land value, total proceeds derived from the sale or lease of projects and the allowability of deductible items for income tax purposes. Our profit in the relevant periods will be affected if the ultimate tax determination differs from the amounts that were initially recorded. In addition, any disagreements with the tax authorities could result in additional taxes, and possibly, penalties.

Valuation of Properties

In accordance with Hong Kong Accounting Standard 40 "Investment Properties" issued by the Hong Kong Institute of Certified Public Accountants, investment properties may be recognized by using either the fair value model or the cost model. We state our investment properties at their fair value as non-current assets in our balance sheet on the basis of valuations by a qualified independent professional valuer. We provide the independent professional valuer with various information including relevant data pertaining to the leases existing on our investment properties for the valuer to use as a basis for valuation purposes. See "— Factors Affecting Our Results of Operations — Valuation of Our Investment Properties" for more information on the valuation of our investment properties.

Properties held for sale and held for finance lease

Properties held for sale includes completed properties held for sale and properties under development expected to be completed within normal operating cycle. Properties held for sale and held for finance lease are stated at the lower of cost and net realisable value. Cost includes land cost, all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices, on an individual property basis.

Properties under development are stated at the lower of cost and net realisable value. Cost comprises the land costs, construction costs, capitalised borrowing costs and other cost directly attributed to such properties during the period of construction.

Properties under development are initially classified as non-current assets and transferred to current assets under the category of properties held for sale when the construction of the relevant properties commences and the construction period of the relevant property development project is expected to complete within normal operating cycle.

Description of Components of Results of Operations

Revenues

In the fiscal year ended March 31, 2011, we started to generate revenue from projects in addition to China South City Shenzhen. The following table sets forth a breakdown of our revenues between our Shenzhen projects and our non-Shenzhen projects for the periods indicated.

	Fiscal Year Ended March 31,		
	2010	2011	2012
		(HK$ in thousands)	
Shenzhen	1,570,229	1,759,763	1,211,121
Non-Shenzhen	–	474,270	2,459,646
Total	1,570,229	2,234,033	3,670,767

We generate revenues from: (1) sales of our trade center units in China South City Shenzhen, Nanchang, Nanning and Heyuan; (2) leasing of residential units in West Garden, office units in our Global Logistic Center and the Phase Three office tower in China South City Shenzhen, which we characterize as finance lease income; (3) rental income from leases of trade center units, warehouses, supporting commercial facilities and, to a lesser extent, motor vehicles and other properties located in Shenzhen; (4) income from the operation of our Grand City Hotel in China South City Shenzhen; and (5) property management fees and other fees from providing management and other services to our tenants in China South City Shenzhen.

The following table sets forth a breakdown of our revenues for the periods indicated.

	Fiscal Year Ended March 31,					
	2010		2011		2012	
	HK$	%	HK$	%	HK$	%
	(in thousands, except for percentages)					
Sale of properties	1,408,108	89.7	1,832,580	82.0	3,010,808	82.0
Finance lease income	11,245	0.7	213,729	9.6	420,515	11.5
Rental income	101,277	6.4	133,453	6.0	166,393	4.5
Hotel income	22,930	1.5	21,670	1.0	26,946	0.7
Property management service income	24,523	1.6	30,695	1.3	41,500	1.2
Other fee income	2,146	0.1	1,906	0.1	4,605	0.1
Total	1,570,229	100.0	2,234,033	100.0	3,670,767	100.0

Sale of Properties

Sale of properties represents revenue from the sales of our trade center units in China South City Shenzhen, Nanchang and Nanning and, prior to our disposal of China South City Heyuan, sales of residential properties at this property. We present revenues from property sales net of sales tax levied on the relevant Contracted Sales value.

The following table sets forth a breakdown of our revenues from sale of properties by project for the fiscal years indicated.

	Average Selling Price(1)		GFA sold		Sales Revenue(2)	
	Fiscal Year ended March 31, 2011	Fiscal Year ended March 31, 2012	Fiscal Year ended March 31, 2011	Fiscal Year ended March 31, 2012	Fiscal Year ended March 31, 2011	Fiscal Year ended March 31, 2012
	(HK$/sq.m.)		(sq.m.)		(HK$ in thousands)	
China South City Shenzhen	16,800	16,500	85,600	35,400	1,358,330	551,162
China South City Nanning	–	14,600	–	24,800	–	341,208
China South City Nanchang	–	11,900	–	174,300	–	1,959,160
China South City Heyuan	10,000	10,500	50,200	16,700	474,250	159,278
Total					1,832,580	3,010,808

(1) Prior to deduction of business tax

(2) Net of business tax

Finance Lease Income

Finance lease income represents revenue from the lease arrangements for our West Garden residential units and Global Logistic Center office units in Phase Two, and China South Development Tower office units in Phase Three, in China South City Shenzhen. Tenants make their rental payments for the West Garden residential units and office units at the beginning of the lease term, either in the form of a lump-sum payment or with an initial deposit followed by payment of the outstanding balance within two months of the payment of the initial deposit. We include the revenue from our residential and office units in the income statement and the related construction costs are accounted for as cost of properties under finance lease in the income statement.

Rental Income

Rental income represents revenue from the rental of our Phase One and Phase Two trade center units, warehouses and supporting commercial facilities. These properties also include trade center units sold and subsequently leased by us to third parties under agreements with the purchasers of these units. Under these arrangements, we provide purchase price discounts to buyers of trade center units who choose not to occupy their units but, instead, allow us to lease out their units to third parties for an agreed term, while we keep the rental income generated thereby. We calculate rental income based on the effective rental rate multiplied by leased GFA. We amortize rental income on a straight-line basis over the term of the lease. Our rental income and occupancy rates have generally increased since the completion of China South City Shenzhen's Phase One trade centers in December 2004.

Hotel Income

Hotel income revenue represents income from the operation of our Grand City Hotel (Shenzhen).

Property Management Service Income

Property management service income represents income from the provision of property management services, such as security, cleaning, repair and maintenance services, through our wholly owned subsidiary Shenzhen First Asia Pacific, to our tenants in China South City Shenzhen. We charge tenants a monthly property management fee for their lease term, which is currently fixed at RMB3.8 per sq.m. for our Phase One trade center units, RMB15.0 per sq.m. for our Phase Two trade center units, RMB2.5 per sq.m. for our West Garden residential facilities, and RMB8.0 per sq.m. and RMB10.0 per sq.m. for our office buildings and retail facilities, respectively, in the Global Logistic Center.

Other Fee Income

Other fee income represents income from the provision of exhibition services and other services.

Cost of Sales

Cost of sales primarily represents the costs of properties sold and costs of services provided, which includes rental expenses. The principal component of cost of sales is the cost of properties sold. The following table sets forth a breakdown of our cost of sales for the periods indicated.

	Fiscal Year Ended March 31,					
	2010		**2011**		**2012**	
	HK$	**%**	**HK$**	**%**	**HK$**	**%**
	(in thousands, except for percentages)					
Cost of properties sold[(1)]	422,031	71.8	610,004	67.7	1,044,147	72.8
Cost of properties held for finance lease	5,922	1.0	120,541	13.4	221,370	15.4
Cost of services provided	159,569	27.2	170,440	18.9	169,154	11.8
Total	587,522	100.0	900,985	100.0	1,434,671	100.0

(1) Includes construction costs and related costs, such as land use rights costs and capitalized expenses.

Cost of Properties Sold

Cost of properties sold includes costs we have incurred directly in the course of our property development activities. These consist primarily of: (1) construction costs; and (2) related costs, such as land use rights costs and capitalized expenses.

Construction Costs. We outsource the construction of all of our projects to third party contractors, whom we select through a competitive tender process. Our construction contracts provide for payments which cover substantially all labor, materials, fittings and equipment costs, subject to re-negotiation for design changes requested by our tenants during construction or changes in government-regulated steel prices. Our construction costs consist primarily of payments to our third party contractors, which are paid over the construction period based on specified milestones. Our construction costs also include land leveling expenses, surveying expenses and design fees.

Other Costs. Land use rights costs include the land grant fees we pay to acquire land use rights for our property development site. Land grant fees are the payments to the relevant land bureau or the relevant provincial or local government for the right to occupy, use and develop a particular parcel of land and to market the units or other projects developed on such land.

We acquired our land for China South City Shenzhen through negotiations with local government authorities in accordance with local regulations. Our land use rights costs for China South City Shenzhen are fixed under our master agreement and the corresponding supplementary agreements with the local government authorities. We have acquired a portion of the land for our properties under development and planned for future development in Nanchang, Nanning, Xi'an, Harbin and Zhengzhou. Our master agreements and the corresponding supplementary agreements with local government authorities for these projects provide that the land use right costs for these properties be determined through competitive bidding at public tender, auction or listing for sale.

Cost of Properties Held for Finance Lease

Cost of properties held for finance lease includes costs we have incurred directly in the course of our property development activities related to our West Garden residential units, Global Logistic Center and China South Development Tower office units at China South City Shenzhen. These consist of land use rights costs, construction costs and capitalized expenses.

Cost of Services Provided

Our cost of services provided includes costs associated with property management services, including security, cleaning and maintenance services, rental costs that we incurred in leasing trade center units and the operating expenses of Grand City Hotel (Shenzhen).

Other Income and Gains

Other income and gains consists primarily of interest income from banks, loan and finance lease receivables, and gains or losses on held for trading investments at fair value through profit or loss. For the fiscal year ended March 31, 2010, we also recognized fair value gains on held for trading investments and a one-off gain on the restructuring and buy back of US$125 million convertible notes, or the Convertible Notes, issued on July 11, 2007 and bearing interest at coupon rates ranging from 7% to 11% per annum. In addition, for the fiscal year ended March 31, 2012, we recognized gains of approximately HK$545.7 million from the disposal of three wholly-owned subsidiaries and gains of HK$14.0 million on repurchase of senior notes.

Change in Fair Value of Investment Properties

We engage a qualified independent property valuer on an annual basis to conduct a valuation of our investment properties. See "— Factors Affecting Our Results of Operations — Valuation of Our Investment Properties."

Selling and Distribution Expenses

Our selling and distribution expenses include:

- staff salaries (including commissions), employee benefit expenses and office expenses for sales and marketing personnel;

- advertising fees associated with advertisements placed in various mass media outlets, and design and promotion expenses, which include print advertisement costs, marketing materials, billboard and other display advertising costs;

- depreciation and amortization of facilities used by marketing personnel; and

- miscellaneous expenses, including fees associated with sponsoring conferences, business related travel expenses, referral fees paid to tenants who introduce new tenants to our trade centers and organizational membership fees for our selling and marketing staff.

We expect our selling and distribution expenses, in particular costs related to wages, advertising, design, and office expenses, to increase as we develop Phase Three of China South City Shenzhen, our properties under development in Nanchang, Nanning and Xi'an, and our properties planned for future development in Harbin and Zhengzhou.

Administrative Expenses

Administrative expenses principally include:

- staff salaries and employee benefit expenses for our management, administrative, finance and accounting staff, employee share option benefits and directors fees;

- depreciation of fixed assets, including office buildings and self-use properties, but excluding investment properties and properties under development;

- consultancy fees paid in relation to corporate strategy, marketing and promotion, property management and property development and legal and professional fees;

- office expenses;

- water and electricity fees;

- business development expenses and promotional activities; and

- miscellaneous expenses, such as rental of residential quarters, motor vehicles and shuttle buses for administrative staff, utilities expenses, property insurance expenses and travel expenses.

We expect that our administrative expenses will increase as we grow our operations in Phase Two and Three of China South City Shenzhen, as well as our properties under development in Nanchang, Nanning and Xi'an, and our properties planned for future development in Harbin and Zhengzhou.

Other Expenses

Other expenses consist primarily of provisions for trade receivables, impairment of interests in jointly controlled entities and donations to charitable organizations.

Finance Costs

Our finance costs consist primarily of interest paid on bank borrowings. Interest rates on our bank borrowings, most of which are granted by PRC commercial banks and denominated in Renminbi, are typically linked to PBOC rates. Effective from July 6, 2012, the PBOC benchmark rate for one-year loans was 6.0% per annum and the benchmark rate for one-year to three-year loans was 6.15% per annum.

We capitalize certain of our interest expenses based on the purposes for which the underlying borrowings or proceeds from offerings of debt securities are used. Under HKFRS, we are permitted to capitalize interest expenses related to debt incurred for construction costs directly attributable to the acquisition, construction or production of qualifying assets, and we are required to cease capitalization of such costs when the assets are substantially ready for their intended use or sale. Because the proceeds from the Convertible Notes and the 2011 Notes, were used for the development and construction of our properties, we capitalized all related interest expenses. In fiscal years ended March 31, 2010, 2011 and 2012, bank borrowings used for general working capital purposes were recorded as interest expenses in the income statement.

Share of Results of Jointly Controlled Entities

Share of results of jointly controlled entities consists primarily of profit or loss, as applicable, from China South NEL and China South Royal Restaurant (Shenzhen), in which we hold a 51% and 50.5% interest, respectively.

Share of Results of Associates

Share of results of associates primarily includes profit or loss, as applicable, of China South Intimex and China South City Pico Exhibition, in each of which we hold a 30% interest. China South Intimex engages in website development, the maintenance and development of software, the provision of consultancy services and trading of e-commerce hardware and software. China South City Pico Exhibition provides exhibition services.

Taxation

We and our subsidiaries are incorporated in different jurisdictions, with different taxation requirements. The following table sets forth the major components of income taxes for the periods indicated.

	Fiscal Year Ended March 31,					
	2010		2011		2012	
	HK$	%	HK$	%	HK$	%
	(in thousands, except for percentages)					
Enterprise income tax	170,243	21.7	221,824	24.4	569,597	45.3
Land appreciation tax	269,619	34.3	284,174	31.3	403,171	32.0
Deferred PRC tax	345,483	44.0	402,660	44.3	285,185	22.7
Total income tax	785,345	100.0	908,658	100.0	1,257,953	100.0

Enterprise Income Tax

Our subsidiaries incorporated in the PRC are subject to PRC EIT on their taxable income as reported in the PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. Prior to the effectiveness of the EIT law, on January 1, 2008, domestic companies were generally subject to EIT at a statutory rate of 33%.

The new EIT law imposes a uniform EIT rate of 25% on all domestic enterprises and foreign invested enterprises unless they qualify under certain exceptions. The new EIT law and related regulations provide a five-year transition period for certain entities which were established before March 16, 2007 and enjoyed a preferential EIT rate of less than 25% under the old EIT law to gradually increase their rates to 25%. Enterprises that were entitled to tax holidays for a fixed term may continue to enjoy such treatment until the tax holidays expire.

British Virgin Islands and Hong Kong

We are incorporated in Hong Kong, and we have four subsidiaries incorporated in the British Virgin Islands and three subsidiaries incorporated in Hong Kong as investment holding companies holding interests in our PRC operating entities. We are not subject to tax in the British Virgin Islands on income or capital gains, and dividend payments are not subject to withholding tax in the British Virgin Islands. Our subsidiaries incorporated in Hong Kong are not subject to Hong Kong corporate income tax because we have no assessable profits in Hong Kong.

Land Appreciation Tax

LAT in the amount of HK$269.6 million, HK$284.2 million and HK$403.2 million for the fiscal years ended March 31, 2010, 2011 and 2012, respectively, were charged to our consolidated income statements. See "— Factors Affecting Our Results of Operations — Land Appreciation Tax" and "— Critical Accounting Policies — Land Appreciation Tax."

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in our financial statements and the corresponding tax basis. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences, carry-forward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are determined at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. A reconciliation of deferred tax liabilities and tax assets to deferred PRC EIT is provided in the table below for the periods indicated.

	Fiscal Year Ended March 31		
	2010	**2011**	**2012**
		(HK$ in thousands)	
Deferred PRC corporate income tax(1)	345,483	402,660	285,185
Deferred tax charged/(credited) to the income statement during the year/period(1)			
Deferred tax liabilities	410,920	481,969	403,220
Deferred tax assets	(65,437)	(79,309)	(118,035)
	345,483	402,660	285,185

(1) For more information, please refer to related notes in the audited consolidated financial statements for the fiscal year ended March 31, 2011 and March 31, 2012, respectively included in this offering memorandum.

Non-controlling Interests

Non-controlling interests represent our profit or loss after taxation that is attributable to the other shareholders of our non-wholly owned subsidiaries.

Consolidated Results of Operations

The following is a discussion of our consolidated results of operations for the fiscal years ended March 31, 2010, 2011 and 2012.

Fiscal Year Ended March 31, 2012 Compared with Fiscal Year Ended March 31, 2011

Revenue

Revenues increased by HK$1,436.8 million, or 64.3%, from HK$2,234.0 million in the fiscal year ended March 31, 2011 to HK$3,670.8 million in the fiscal year ended March 31, 2012. The increase was primarily due to the commencement of sales of trade center units in China South City Nanchang and Nanning.

Sale of properties. Revenue from sale of properties increased by HK$1,178.2 million, or 64.3%, from HK$1,832.6 million in the fiscal year ended March 31, 2011 to HK$3,010.8 million in the fiscal year ended March 31, 2012, due primarily to an increase in GFA sold. GFA sold increased from 135,800 sq.m. in the fiscal year ended March 31, 2011 to 251,200 sq.m. in fiscal year ended March 31, 2012. The increase in GFA sold was primarily due to the commencement of sales of trade center units in China South City Nanchang and Nanning, which generated revenue of approximately HK$2,300.4 million, offset in part by decrease in GFA sold in China South City Shenzhen and China South City Heyuan. Total GFA sold was approximately 251,200 sq.m, an increase of 85.0% from 135,800 sq.m. for the fiscal year ended March 31, 2011.

Finance lease income. Finance lease income increased by HK$206.8 million, or 96.8%, from HK$213.7 million in the fiscal year ended March 31, 2011 to HK$420.5 million in the fiscal year ended March 31, 2012, primarily attributable to finance lease contracts secured since the completion of our Phase Three office tower in China South City Shenzhen. We entered into finance lease arrangements with tenants for approximately 45,500 sq.m. at an average price of approximately HK$9,800 per sq.m.

Rental income. Rental income increased by HK$32.9 million, or 24.7%, from HK$133.5 million in the fiscal year ended March 31, 2011 to HK$166.4 million in the fiscal year ended March 31, 2012. The increase was primarily due to continued increase in rental income contribution from our Phase One and Two trade centers at China South City Shenzhen.

Property management service income. Property management service income increased by HK$10.8 million, or 35.2%, from HK$30.7 million in the fiscal year ended March 31, 2011 to HK$41.5 million in the fiscal year ended March 31, 2012. The increase was primarily due to the continued increase in occupancy at our Phase One and Two trade centers at China South City Shenzhen and their supporting facilities.

Cost of Sales

Cost of sales increased by HK$533.7 million, or 59.2%, from HK$901.0 million in the fiscal year ended March 31, 2011 to HK$1,434.7 million in the fiscal year ended March 31, 2012, in line with the increase in GFA of properties sold and the increase in cost of properties under finance leases.

Gross Profit

As a result of the foregoing, gross profit increased by HK$903.1 million, or 67.7%, from HK$1,333.0 million in the fiscal year ended March 31, 2011 to HK$2,236.1 million in the fiscal year ended March 31, 2012. Gross profit margin, or gross profit as a percentage of total revenue, increased slightly from 59.7% in the fiscal year ended March 31, 2011 to 60.9% in the fiscal year ended March 31, 2012.

Other Income and Gains

Other income and gains increased significantly by HK$507.7 million, or 1,285.3%, from HK$39.5 million in the fiscal year ended March 31, 2011 to HK$547.2 million in the fiscal year ended March 31, 2012. The increase was mainly due to the gains of approximately HK$545.7 million generated from our disposal of three wholly-owned subsidiaries.

In September 2011, we disposed of the residential segment of China South City Heyuan for an aggregate consideration of approximately RMB730 million for the equity interest in, and assignment of RMB237.8 million in loans due from, China South City Heyuan.

As of March 31, 2012, the Group had collected an aggregate of RMB350 million from the purchaser for the cash consideration of RMB730 million. The remaining cash consideration of RMB380 million was intended to be settled by June 15, 2012 and by July 31, 2012 with payment of RMB50 million and RMB330 million, respectively, as agreed by the Group and the purchaser under an agreement dated March 28, 2012 ("Heyuan Supplemental Agreement 1"). On July 27, 2012, the Group entered into another supplemental agreement with the purchaser ("Heyuan Supplemental Agreement 2"), which provided for the settlement of the remaining cash consideration by July 31, 2012, October 31, 2012, December 31, 2012 and March 31, 2013 with payment of RMB50 million, RMB50 million, RMB50 million and RMB180 million, respectively. The Group collected RMB50 million on June 14, 2012 and July 31, 2012, respectively, pursuant to the Heyuan Supplemental Agreement 1 and Heyuan Supplemental Agreement 2.

Under Heyuan Supplemental Agreement 2, it was agreed that the assignment of loans of approximately RMB237.8 million would be settled by March 31, 2013.

Change in Fair Value of Investment Properties

The change in fair value of investment properties was HK$1,464.2 million in the fiscal year ended March 31, 2011 compared to HK$1,117.7 million in the fiscal year ended March 31, 2012. The decrease was mainly attributable to our new properties in China South City Nanning, for which fair value was compared with the booked land and construction costs. The value of our properties in Shenzhen remained stable, because property prices in Nanning are generally lower than in Shenzhen, the addition of new properties in Nanning to our portfolio resulted in a decrease in the balance of fair value gain as compared to the previous year.

Selling and Distribution Costs

Selling and distribution costs increased by HK$75.5 million, or 67.6%, from HK$111.8 million in the fiscal year ended March 31, 2011 to HK$187.3 million in the fiscal year ended March 31, 2012. The increase was primarily due to advertising and promotion expenses related to our new projects in Nanning, Nanchang and Xi'an, for which we commenced sales and pre-sales during the year.

Administrative Expenses

Administrative expenses increased by HK$142.8 million, or 68.6%, from HK$208.1 million in the fiscal year ended March 31, 2011 to HK$350.9 million in the fiscal year ended March 31, 2012. The increase in administrative expenses was primarily due to an increase in business activities as a result of additional new projects in progress as well as the expansion of our management team and employee headcount. In addition, we granted 226,900,000 share options to a director and certain of our employees, with respect to which expenses of HK$42.3 million were recorded.

Finance Costs

Finance costs increased by HK$28.4 million, or 93.1%, from HK$30.5 million in the fiscal year ended March 31, 2011 to HK$58.9 million in the fiscal year ended March 31, 2012, primarily due to an increase in new bank and other loans for general business purposes, with interest expenses recorded on our income statement, as well as the increase in PBOC interest rates during the year.

Profit Before Tax

As a result of the foregoing, profit before tax increased by HK$852.7 million, or 34.8%, from HK$2,452.8 million in the fiscal year ended March 31, 2011 to HK$3,305.5 million in the fiscal year ended March 31, 2012.

Taxation

Income taxes increased by HK$349.3 million, or 38.4%, from HK$908.7 million in the fiscal year ended March 31, 2011 to HK$1,258.0 million in the fiscal year ended March 31, 2012. This increase was primarily due to the increase in current income tax expenses and land appreciation tax as a result of income generated from China South City Nanchang and Nanning during the year.

Profit for the Year

As a result of the foregoing, profit for the year increased by HK$503.5 million, or 32.6%, from HK$1,544.1 million in the fiscal year ended March 31, 2011 to HK$2,047.6 million in the fiscal year ended March 31, 2012.

Fiscal Year Ended March 31, 2011 Compared with Fiscal Year Ended March 31, 2010

Revenue

Revenues increased by HK$663.8 million, or 42.3%, from HK$1,570.2 million in the fiscal year ended March 31, 2010 to HK$2,234.0 million in the fiscal year ended March 31, 2011. The increase was primarily due to the commencement of sales of residential properties located in China South City Heyuan, and the significant increase in finance lease income generated primarily from the leasing of office units in China South City Shenzhen.

Sale of properties. Revenue from sale of properties increased by HK$424.5 million, or 30.1%, from HK$1,408.1 million in the fiscal year ended March 31, 2010 to HK$1,832.6 million in the fiscal year ended March 31, 2011 due primarily to an increase in GFA sold. GFA sold increased from approximately 98,000 sq.m. in the fiscal year ended March 31, 2010 to approximately 135,800 sq.m. in the fiscal year ended March 31, 2011. The increase in GFA sold was primarily due to the commencement of sales of residential properties located in China South City Heyuan, which generated revenue of approximately HK$474.3 million.

In the fiscal year ended March 31, 2011, we sold approximately 50,200 sq.m. of residential properties with an average sales price per sq.m. of HK$9,990, and approximately 85,600 sq.m. of trade center units at China South City Shenzhen, a decrease of 12.7% from approximately 98,000 sq.m. in the fiscal year ended March 31, 2010. The average sales price per sq.m. of the trade center units was HK$16,750, an increase of 11.7% from HK$15,000 per sq.m. in the fiscal year ended March 31, 2010.

Finance lease income. Finance lease income increased significantly by HK$202.5 million, or 1,808.0%, from HK$11.2 million in the fiscal year ended March 31, 2010 to HK$213.7 million in the fiscal year ended March 31, 2011, primarily due to the completion of our Global Logistic Center, with respect to which finance lease arrangements were entered into with tenants for approximately 24,000 sq.m. at an average price of approximately HK$8,760 per sq.m.

Rental income. Rental income increased by HK$32.2 million, or 31.8%, from HK$101.3 million in the fiscal year ended March 31, 2010 to HK$133.5 million in the fiscal year ended March 31, 2011. The increase was primarily due to rising rental income contribution from Phase Two at China South City Shenzhen.

Property management service income. Property management service income increased by HK$6.2 million, or 25.2%, from HK$24.5 million in the fiscal year ended March 31, 2010 to HK$30.7 million in the fiscal year ended March 31, 2011. The increase was primarily due to the increasing contribution in connection with the operations of the trade center and supporting facilities as the occupancy at these properties increased during the year.

Cost of Sales

Cost of sales increased by HK$313.5 million, or 53.4%, from HK$587.5 million in the fiscal year ended March 31, 2010 to HK$901.0 million in the fiscal year ended March 31, 2011, primarily as a result of the commencement of sales of residential properties located in China South City Heyuan and an increase in cost of properties under finance leases, primarily due to an increase in finance leases of office units in China South City Shenzhen.

Gross Profit

As a result of the foregoing, gross profit increased by HK$350.3 million, or 35.7%, from HK$982.7 million in the fiscal year ended March 31, 2010 to HK$1,333.0 million in the fiscal year ended March 31, 2011. Gross profit margin, or gross profit as a percentage of total revenue, decreased from 62.6% in the fiscal year ended March 31, 2010 to 59.7% in the fiscal year ended March 31, 2011. The decrease in gross profit margin was primarily due to the change of product mix to include the sales of residential properties and the finance lease of office units. Sales of trade center units typically generate a higher gross profit margin as compared to our other types of revenue.

Other Income and Gains

Other income and gains decreased by HK$110.9 million, or 73.7%, from HK$150.4 million in the fiscal year ended March 31, 2010 to HK$39.5 million in the fiscal year ended March 31, 2011. The decrease in other income and gains was primarily due to the previous year's one-off gain on the restructuring and buy back of the Convertible Notes.

Change in Fair Value of Investment Properties

The change in fair value of investment properties was HK$1,308.5 million in the fiscal year ended March 31, 2010 compared to HK$1,464.2 million in the fiscal year ended March 31, 2011. The increase was mainly due to a continued rise in property prices in Shenzhen and the addition of new investment properties during the year.

Selling and Distribution Costs

Selling and distribution costs increased by HK$28.2 million, or 33.8%, from HK$83.6 million in the fiscal year ended March 31, 2010 to HK$111.8 million in the fiscal year ended March 31, 2011. The increase in selling and distribution costs was primarily due to advertising and promotion expenses in the fiscal year ended March 31, 2011 related to our new projects during the year, including China South City Heyuan, which commenced sales of residential properties, and China South City Nanning, which held the China-ASEAN Light Industrial Products Fair in October 2010.

Administrative Expenses

Administrative expenses increased by HK$20.4 million, or 10.9%, from HK$187.7 million in the fiscal year ended March 31, 2010 to HK$208.1 million in the fiscal year ended March 31, 2011. The increase in administrative expenses was primarily due to an increase in business activities as a result of additional new projects in progress as well as the expansion of our management team.

Finance Costs

Finance costs decreased by HK$2.5 million, or 7.5%, from HK$33.0 million in the fiscal year ended March 31, 2010 to HK$30.5 million in the fiscal year ended March 31, 2011, primarily due to an increase in new bank and other loans for construction purposes, with interest expenses capitalized to properties under development.

Profit Before Tax

As a result of the foregoing, profit before tax increased by HK$339.8 million, or 16.1%, from HK$2,113.0 million in the fiscal year ended March 31, 2010 to HK$2,452.8 million in the fiscal year ended March 31, 2011.

Taxation

Income taxes increased by HK$123.4 million, or 15.7%, from HK$785.3 million in the fiscal year ended March 31, 2010 to HK$908.7 million in the fiscal year ended March 31, 2011. This increase was primarily due to the increase in both current and deferred tax expenses during the year, which was in line in the increase in revenue and gains.

Profit for the Year

As a result of the foregoing, profit for the year increased by HK$216.5 million, or 16.3%, from HK$1,327.6 million in the fiscal year ended March 31, 2010 to HK$1,544.1 million in the fiscal year ended March 31, 2011.

Liquidity and Capital Resources

Our primary uses of cash are to pay for construction costs, land costs (principally the payment of land grant fees), infrastructure costs, and consulting fees paid to architects and designers, as well as to service our indebtedness and fund working capital and normal recurring expenses. For the fiscal years ended March 31, 2010, 2011 and 2012, we financed our operations primarily through internally generated funds, bank borrowings, the offering of the 2011 Notes and proceeds from our 2009 initial public offering.

As of March 31, 2012, we had HK$3,315.7 million in cash and cash equivalents and had unused bank facilities available in the amount of HK$2,200.3 million. We believe that our current levels of cash and cash equivalents, cash flows from operations and available bank facilities, combined with the net proceeds from this offering, will be sufficient to meet our anticipated cash needs for at least the next 12 months. However, we may need additional resources in the future if we experience changed business conditions or other developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, strategic cooperation or other similar actions, beyond our currently budgeted intentions with respect to the continued development of our projects. If we determine that our cash requirements exceed our amounts of cash and cash equivalents on hand, we may seek to issue additional debt or equity securities or obtain a bank facility. It is possible that, when we need additional cash resources, financing will only be available to us in amounts or on terms that would not be acceptable to us or financing will not be available at all.

Cash Flows

The following table sets forth selected cash flow data from our consolidated cash flow statements for the periods indicated.

	Fiscal Year Ended March 31,		
	2010	2011	2012
		(HK$ in thousands)	
Cash flows provided by operating activities	885,339	1,325,317	935,720
Cash flows used in investing activities	(2,223,078)	(1,961,680)	(2,050,220)
Cash flows provided by (used in) financing activities	4,784,450	1,401,871	(141,974)
Net increase (decrease) in cash and cash equivalents	3,446,711	765,508	(1,256,474)
Effect of foreign exchange rate changes on cash and cash equivalents	1,331	61,676	50,821
Cash and cash equivalents at beginning of year	246,084	3,694,126	4,521,310
Cash and cash equivalents at end of year	3,694.126	4,521,310	3,315,657

Restriction on Cash Transfers from our Subsidiaries

We conduct all of our business through our subsidiaries, as well as our jointly controlled entities and associates, incorporated in the PRC. We rely on dividends paid by our subsidiaries and our jointly controlled entities and associates for our liquidity requirements, including the funds necessary to service any debt we may incur, including the 2011 Notes, and to pay our operating expenses. PRC law restricts the ability of our subsidiaries, jointly controlled entities and associates to transfer funds to us in the form of cash dividends, loans or advances.

Certain of our loan agreements for our bank borrowings have certain restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances. For more information on our bank borrowings and other indebtedness, see “Description of Other Material Indebtedness.” For a discussion of legal restrictions on the ability of our subsidiaries, jointly controlled entities and associates to transfer funds to us in the form of cash dividends, loans or advances, see “Regulation — Regulation of Foreign Currency Exchange and Dividend Distribution” and “Description of Other Material Indebtedness.”

Furthermore, under regulations of the SAFE, the Renminbi is not convertible into foreign currencies for capital account items, such as loans, repatriation of investments and investment outside of the PRC, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made. These restrictions have not historically had, and are not expected in the future to have, a material adverse impact on our ability to meet our financial requirements.

Cash Flows Provided By Operating Activities

We derive cash from operating activities principally from the sale of trade center units, finance lease income of leasing residential and commercial properties, and rental income received from trade center units, office units and residential properties retained as investment properties. We also receive rental income from the rental of warehouses and supporting commercial facilities. We use cash generated from operating activities principally for investments in properties under development.

In the fiscal year ended March 31, 2012, net cash provided by operating activities was HK$935.7 million, which consisted of operating cash inflow before working capital of HK$1,782.5 million and working capital cash outflow of HK$846.8 million. Working capital decreased due to an increase in properties held for sale of HK$3,380.0 million and an increase in trade receivables of HK$113.7 million, partially offset by an increase in trade and other payables of HK$3,636.7 million and an increase in prepayments, deposits and other receivables of HK$388.9 million.

In the fiscal year ended March 31, 2011, net cash provided by operating activities was HK$1,325.3 million, which consisted of operating cash inflow before working capital of HK$1,066.1 million and working capital cash inflow of HK$259.2 million. Working capital improved due to a decrease in properties held for sale of HK$619.8 million, a decrease in properties held for finance lease of HK$121.6 million, a decrease in prepayments, deposits and other receivables of HK$17.6 million and an increase in trade and other payables of HK$9.4 million, partially offset by an increase in trade receivables of HK$380.4 million.

In the fiscal year ended March 31, 2010, net cash provided by operating activities was HK$885.3 million, which consisted of operating cash inflow before working capital of HK$762.6 million and working capital cash inflow of HK$122.7 million. Working capital improved due to a decrease in properties held for sale of HK$311.0 million, a decrease in prepayments, deposits and other receivables of HK$48.5 million and an increase in trade and other payables, HK$31.3 million, partially offset by an increase in trade receivables of HK$234.0 million.

Cash Flow Used in Investing Activities

In the fiscal year ended March 31, 2012, net cash used in investing activities was HK$2,050.2 million, which primarily consisted of a cash outflow of HK$2,315.7 million for the development of Phase Three of China South City Shenzhen, and Phase One of China South City Nanchang, Nanning and Xi'an.

In the fiscal year ended March 31, 2011, net cash used in investing activities was HK$1,961.7 million, which primarily consisted of a cash outflow of HK$1,826.7 million for the development of Phase Two of China South City Shenzhen, and Phase One of China South City Nanchang, Nanning and Xi'an.

In the fiscal year ended March 31, 2010, net cash used in investing activities was HK$2,223.1 million, which primarily consisted of a cash outflow of HK$2,199.4 million for the development of Phase Two of China South City Shenzhen, and China South City Nanchang and Nanning.

Cash Flow From Financing Activities

Our cash from financing activities since April 1, 2009 have primarily consisted of the proceeds of our initial public offering, our offering of the 2011 Notes and bank and other borrowings. Our cash used in financing activities has historically been used primarily for repayment of principal of and interest on our bank and other borrowings.

In the fiscal year ended March 31, 2012, net cash used in financing activities was HK$142.0 million, which consisted of repayment of bank loans of HK$1,588.2 million, payment of interest on our 2011 Notes of HK$262.2 million, interest paid of HK$259.4 million, dividend distributions of HK$150.0 million and payment for repurchase of our 2011 Notes of HK$54.1 million, partially offset by new bank borrowings of HK$2,171.5 million.

In the fiscal year ended March 31, 2011, net cash provided by financing activities was HK$1,401.9 million, which primarily consisted of new bank loans of HK$2,050.1 million and proceeds from the issue of our 2011 Notes of HK$1,842.9 million, partially offset by repayment of bank loans of HK$2,196.0 million, interest paid of HK$210.5 million, dividend distributions of HK$120.0 million and payment for repurchase of shares of HK$24.6 million.

In the fiscal year ended March 31, 2010, net cash provided by financing activities was HK$ 4,784.5 million, which consisted primarily of new bank loans of HK$3,997.2 million and proceeds from the issue of shares of HK$2,996.0 million, partially offset by repayment of bank loans of HK$1,168.0 million, the buy back of Convertible Notes of HK$851.7 million and interest paid of HK$189.0 million.

Indebtedness and Contingent Liabilities

Overview

As of March 31, 2012, the total outstanding balance of our 2011 Notes and consolidated interest-bearing bank and other borrowings amounted to HK$6,618.4 million.

We also have certain commitments and contingent liabilities, consisting of commitments in respect of properties under development, commitments to purchase land and guarantees provided to banks in respect of mortgage loans entered into by purchasers of our trade center units and residential properties, and bank loans entered into by tenants of our residential and commercial properties. The aggregate amount of these capital commitments and contingent liabilities was HK$6,213.9 million as of March 31, 2012. We also provided guarantees for a bank facility granted to Heyuan Enterprises of HK$78.9 million as of March 31, 2012.

2011 Notes

On January 14, 2011, we issued 13.5% senior notes due 2016 in an aggregate principal amount of US$250.0 million (approximately HK$1,950 million) pursuant to an indenture. As of March 31, 2012, we had a principal amount of US$241 million (approximately HK$1,871.5 million) of the 2011 Notes outstanding. We used the net proceeds for the development of our projects in Shenzhen, Nanchang, Nanning and Xi'an. On September 30, 2011 and February 2, 2012, we repurchased from the market US$9.0 million aggregate principal amount of the 2011 Notes for total consideration of approximately US$6.9 million, and recorded a gain of HK$14.0 million. For a detailed description of the 2011 Notes, see "Description of Other Material Indebtedness."

Bank and Other Borrowings

Bank and other borrowings are important sources of funding for our operations. As of March 31, 2012, we had aggregate loan facilities of HK$6,973.7 million available, of which HK$4,773.4 million had been drawn down. These loan facilities included both short-term working capital loans and long-term project construction loans. The following table sets forth a breakdown of our short-term loans and long-term bank and other loans as of the dates indicated.

	As of March 31,		
	2010	2011	2012
	(HK$ in thousands)		
Short-term bank and other borrowings	1,558,417	1,696,394	2,740,273
Long-term bank and other borrowings	2,644,308	2,546,303	2,033,109
Total	4,202,725	4,242,697	4,773,382

As of March 31, 2012, all of our bank and other borrowings bore interest at floating rates ranging from 5.98% to 7.87% per year.

The following table sets forth a breakdown of our secured and unsecured bank and other borrowings as of the dates indicated.

	As of March 31,		
	2010	2011	2012
		(HK$ in thousands)	
Unsecured bank and other borrowings	1,370,687	1,346,570	1,814,706
Secured bank and other borrowings	2,832,038	2,896,127	2,958,676
Total	4,202,725	4,242,697	4,773,382

Most of our secured loans are project construction loans, which are generally secured by mortgages over a portion of our land use rights and a portion of our properties.

The following table sets forth the maturity profile of our interest-bearing bank and other borrowings as of the dates indicated.

	As of March 31,		
	2010	2011	2012
		(HK$ in thousands)	
Within one year	1,558,417	1,696,394	2,740,273
Between 1–5 years	2,160,871	1,889,378	1,562,511
Over 5 years	483,437	656,925	470,598
Total	4,202,725	4,242,697	4,773,382

The agreements under our banking facilities contain certain customary covenants, including to maintain certain financial ratios and to abide by certain restrictive and affirmative covenants. We were in compliance with all relevant covenants and financial ratios in our loan agreements as of March 31, 2012. Several of our loan agreements for our bank and other borrowings have certain restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances until the loans are repaid, or unless certain net income thresholds applicable to the subsidiary borrowers are satisfied, or, in certain cases, limit their ability to pay dividends to us if the amount of the dividends exceed 30% of their after-tax profits. For a description of our material indebtedness, see "Description of Other Material Indebtedness."

Commitments and Contingent Liabilities

Capital Commitments

The following table sets forth our capital commitments as of the dates indicated.

	As of March 31,		
	2010	2011	2012
		(HK$ in thousands)	
Properties under development			
Authorized but not contracted for	5,641,374	6,408,729	2,731,722
Contracted but not provided for	48,411	966,079	3,129,592
Total	5,689,785	7,374,808	5,861,314

Guarantees

We guarantee mortgage and bank loans entered into by certain of our purchasers, including purchasers of trade center units and residential properties, and bank loans entered into by tenants of our residential and commercial properties. Although the mortgages we guarantee typically finance no more than 50% to 70% of the purchase price of our trade center units and residential properties or no more than 50% of the finance lease price of our residential and supporting commercial units, if a purchaser or tenant defaults on its mortgage or bank loan, we may be required to repay the outstanding amount together with accrued interest thereon and any penalty owed by the defaulting purchaser or tenant to the relevant bank. We are then entitled to take over the legal title and usage rights of the related properties. As of March 31, 2012, our outstanding guarantees in respect of mortgage and bank loans amounted to HK$352.6 million.

In addition, we make entrusted loans in connection with the sales and finance leases of certain units by advancing an amount, typically no more than one-half of the purchase price or the finance lease price, to the purchaser's lending bank. These advances appear as loan receivables and finance lease receivables on our consolidated balance sheet. In the event of a purchaser default, we write off the receivable and are entitled to take over the legal title and usage rights of the related properties.

In the fiscal years ended March 31, 2010, 2011 and 2012, we provided guarantees for mortgage loans for purchasers of and residential properties in the amount of HK$217.9 million, HK$152.6 million and HK$352.6 million, respectively.

The Group provided guarantees for a bank facility granted to Heyuan Enterprises before its disposal. The guarantee balance was HK$78.9 million as at March 31, 2012.

Capital Expenditures

In the fiscal years ended March 31, 2010, 2011 and 2012, we incurred capital expenditures in the amounts of HK$2,323.1 million, HK$2,307.0 million and HK$9,317.9 million, respectively. Our capital expenditures were mainly used for property development.

The following table sets forth our capital expenditures for the periods indicated.

	Fiscal Year Ended March 31,		
	2010	**2011**	**2012**
		(HK$ in thousands)	
Property, plant and equipment	8,736	22,417	11,273
Property under development	2,314,326	2,284,603	9,306,603
Total	2,323,062	2,307,020	9,317,876

We cannot assure you that our capital expenditures can be financed on commercially acceptable terms, or at all. Our ability to obtain adequate financing to satisfy our capital expenditures, contractual obligations and debt service requirements may be limited by our financial condition and results of operations and the liquidity of domestic and international financial markets.

Off-Balance Sheet Arrangements

As of March 31, 2012, we did not have any off-balance sheet arrangements with unconsolidated entities. However, from time to time we do guarantee mortgage and bank loans entered into by purchasers of our trade center, residential and supporting commercial units. For further information on these arrangements, see "— Indebtedness and Contingent Liabilities — Commitments and Contingent Liabilities."

Qualitative and Quantitative Disclosures About Market Risk

We are exposed to various types of market risks in the normal course of business, including foreign exchange risk and interest rate risk. We have not in the past used derivatives to manage our exposure to interest rate risk or foreign exchange risk. The following discussion and analysis, which constitute "forward-looking statements" that involve risk and uncertainties, summarizes our exposure to different market risks.

Foreign Exchange Risk

We conduct our business primarily in Renminbi. In addition, our expenses are also primarily denominated in Renminbi, although a small portion of expenses are denominated in foreign currencies, such as salaries in Hong Kong dollars paid to staff in Hong Kong, advertising expenses for advertising in Hong Kong and overseas media, rental expenses for our office space in Hong Kong and other general office expenses. However, our reporting currency is the Hong Kong dollar because we are incorporated in Hong Kong and the reporting currency of our major shareholders is also the Hong Kong dollar. During the fiscal year ended March 31, 2012, substantially all of our revenues were denominated in Renminbi. During the same period, substantially all of our expenses were denominated in Renminbi. As of March 31, 2012, all of our indebtedness was denominated in Renminbi except for our 2011 Notes. The Notes which are the subject of this offering will also be denominated in U.S. dollars. Our cash and bank balances are mainly held in bank deposits and primarily denominated in Renminbi and Hong Kong dollars. We believe the impact of foreign currency risk is not material to our operations and we have not hedged our foreign currency exposures or entered into any other derivative financial instruments.

Interest Rate Risk

We are exposed to interest rate risk due to fluctuations in interest rates on our debt and deposits. Our indebtedness consists primarily of bank and other borrowings. As of March 31, 2012, we had HK$4,773.4 million in total bank and other borrowings, all of which bore interest at floating rates ranging from 5.98% to 7.87%.

Increases in interest rates could potentially result in an increase in our cost of borrowing, which could negatively affect our business and results of operations. Increases in interest rates could also adversely affect the ability of prospective purchasers to obtain financing for the purchase of units in our trade centers. The PBOC regulates the interest rates of our Renminbi-denominated borrowings. The PBOC-published benchmark one-year lending rates in China as of March 31, 2010, 2011 and 2012 were 5.31%, 6.06% and 6.56%, respectively.

We also make entrusted loans to purchasers of trade center, residential and office units. All of our entrusted loans bear interest at fixed rates, and are denominated in Renminbi. Our entrusted loans are long-term loans, which increases our interest rate risk exposure relating to these loans. Changes in market interest rates could affect the interest rates we charge and receive on our entrusted loans differently from the interest rates that we may be required to pay in relation to our external financings. Any adjustments to benchmark rates or changes in market interest rates may result in an increase in interest expense relative to interest income.

Inflation

In recent years, China has not experienced significant inflation, and thus inflation has not had a material impact on our results of operations. According to the National Bureau of Statistics of China, the change in Consumer Price Index in China was 4.8%, 5.9%, -0.7%, 3.3% and 5.4% in 2007, 2008, 2009, 2010 and 2011 respectively.

Non-GAAP Financial Measures

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our earnings before the following items:

- interest income;
- income tax expense;
- depreciation and amortization; and
- finance costs.

EBITDA is not a standard measure under either U.S. GAAP or HKFRS. As our market sector is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on the profit for the year of companies with similar operating results. Therefore, we believe this type of financial measure may be useful to assess the operating performance of companies in our market sector.

As measure of our operating performance, we believe that the most directly comparable HKFRS and U.S. GAAP measure to EBITDA is profit for the year or period. We use EBITDA in addition to profit for the year or period because profit for the year includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and interest income and interest expense. These accounting items may vary between companies depending on the method of accounting adopted by the company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible assets amortization and interest income and expense, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The table below reconciles our profit for the year under HKFRS to our definition of EBITDA for the periods indicated.

	Fiscal Year Ended March 31,		
	2010	**2011**	**2012**
		(HK$ in thousands)	
Profit before taxation	2,112,991	2,452,776	3,305,515
Adjustments for			
Interest income	(1,049)	(5,700)	(8,770)
Depreciation and amortization	37,456	35,631	23,362
Finance costs	32,982	30,495	58,873
EBITDA	**2,182,380**	**2,513,202**	**3,378,980**
Adjustments for			
Fair value gains on investment properties	(1,308,543)	(1,464,168)	(1,117,696)
Gain on restructure and buying back of interest-bearing notes	(136,709)	–	(14,018)
Fair value (gains)/losses on held for trading investments at fair value through profit or loss	(2,630)	(20,098)	40,260
Equity settled share option expense	3,294	396	42,314
Provision for impairment of trade receivables	25,468	34,959	–
Impairment of interests in jointly-controlled entities	(41)	(393)	(477)
Adjusted EBITDA	**763,219**	**1,063,898**	**2,329,363**

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year or period or any other standard measure under HKFRS or U.S. GAAP or as an indicator of operating performance. Our definition of EBITDA does not account for taxes, interest income, depreciation and amortization and finance costs. Our EBITDA measures may not be comparable to similarly titled measures used by other companies.

Recently Issued Accounting Pronouncements

On November 29, 2010, the Hong Kong Institute of Certified Public Accountants ("HKICPA"), issued HK Interpretation 5: Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Interpretation 5"). HK Interpretation 5 addresses the issue of whether a term loan that contains a repayment on demand clause should be classified as a current or non-current liability in the borrower's statement of financial position. HK Interpretation 5 also addresses the issue of whether a borrower should classify cash flows associated with such term loans based on the contractual repayment dates or the earliest date on which the lender could demand repayment. HK Interpretation 5 concludes that (i) the classification of a term loan as a current or non-current liability should be determined by reference to the rights and obligations of the lender and the borrower, as contractually agreed between the two parties and in force as of the reporting date, irrespective of the probability of the lender choosing to exercise its rights within the next twelve months after the reporting date; (ii) amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time should be classified by the borrower as current in its statement of financial position; and (iii) amounts repayable under a loan agreement that includes a clause that gives the lender the unconditional right to call the loan at any time should be classified in the earliest time bracket. HK Interpretation 5 is a clarification of Hong Kong Accounting Standard 1: Presentation of Financial Statements and is effective as of the date of issue. The HKICPA considers the conclusions set forth in HK Interpretation 5 to be consistent with IFRS.

Based on HK Interpretation 5, where the application of HK Interpretation 5 constitutes a change in accounting policy, it should be accounted for retrospectively. Under HK Interpretation 5, amounts repayable under loan agreements which contain a repayment on demand clause and are recorded under non-current liabilities should be classified as current liabilities in a borrower's statement of financial position. We have not made adjustments to reclassify amounts repayable under such loan agreements as current liabilities in our Consolidated Statement of Financial Position as of March 31, 2010 because HK Interpretation 5 was issued after the issuance of these financial statements. However, the classification of our current and non-current interest-bearing bank and other borrowings contained in our Consolidated Statement of Financial Position as of March 31, 2011 and 2012 was done in accordance with HK Interpretation 5. As such, our financial information as of and for the year ended March 31, 2010 is not directly comparable to our corresponding financial information as of and for the years ended March 31, 2011 and 2012 prepared in accordance with HK Interpretation 5. As of March 31, 2012, we had term loans in the amount of HK$225.6 million which contained a repayment on demand clause and were recorded under non-current liabilities in our Consolidated Statement of Financial Position as of March 31, 2012. We have not received any indication from our lenders that they will demand early repayment pursuant to the on demand clause in any of these term loans. Furthermore, we do not believe HK Interpretation 5 has or will materially affect our business, results of operations or liquidity position.

The information in the section below has been derived, in part, from official government sources unless otherwise indicated. This information has not been independently verified by us or the Initial Purchasers or any of our or their respective affiliates or advisors. The information may not be consistent with other information complied within or outside the PRC.

Overview of the PRC Economy

Over the last decade, China has experienced significant economic growth, largely as a result of the government's post-1978 economic reforms. China's accession to the World Trade Organization (the "WTO"), in 2001 has further accelerated the reform of the PRC economy. In the past five years, China's GDP has increased from approximately RMB26,581.0 billion in 2007 to approximately RMB47,156.4 billion in 2011 at a compound average growth rate, or CAGR, of approximately 15.4%. In 2011, China's real GDP grew by 9.2%.

The table below sets forth selected annual data relating to the PRC economy for the years indicated.

	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	26,581.0	31,404.5	34,090.3	40,151.3	47,156.4
Real GDP growth rate	14.2%	9.6%	9.2%	10.4%	9.2%
Per capita GDP (RMB)	20,169	23,708	25,608	30,015	35,083
Foreign direct investment (US$ in billions)	74.8	92.4	90.0	105.7	116.0
Fixed asset investment (RMB in billions)	13,732.4	17,282.8	22,459.9	27,812.2	31.102.2
Consumer price index	104.8	105.9	99.3	103.3	105.4
Unemployment rate	4.0%	4.2%	4.3%	4.1%	4.1%

Source: China Statistical Yearbook, National Bureau of Statistics of China.

Since 2004, with a view to preventing China's economy from overheating and to achieving more balanced and sustainable economic growth, the PRC government has taken various measures to control money supply, credit availability and fixed assets investment. In particular, the PRC government has taken measures to discourage speculation in the residential property market and has increased the supply of affordable housing. For additional information, see the section headed "Regulation."

Regional Growth in the PRC Economy

Guangdong Province

Guangdong Province is located in the heart of the Pearl River Delta, adjacent to Hong Kong to its south. It covers a total area of approximately 179,813 sq.km., and had a population of approximately 105.1 million as of December 31, 2011. The Pearl River Delta has been an important economic region in China with significant development and growth over the past decades. In line with the economic growth in Guangdong Province, the purchasing power of Guangdong residents has increased significantly over the years, which has supported the growth of the real estate market in Guangdong Province. In 2011, the per capita GDP of Guangdong Province increased by approximately 7.4% as compared to 2010. The table below sets forth selected economic statistics for Guangdong Province for the years indicated.

	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	3,067.4	3,569.6	3,908.2	4,601.3	5,267.4
As % of PRC GDP	12.5%	11.9%	11.6%	11.5%	11.2%
Per capita GDP (RMB)	32,713	37,588	40,748	46,821	50,295
Per capita GDP growth rate	16.6%	13.1%	4.8%	13.4%	12.4%
Consumer price index	103.7	105.6	97.7	103.1	105.3
Unemployment rate	2.5%	2.6%	2.6%	2.5%	2.5%

Source: Statistics Bureau of Guangdong Province.

Jiangxi Province

Jiangxi Province, located in the southern part of China with the Yangtze River as its northern border, comprises approximately 166,900 sq.km. in area. According to the Statistics Bureau of Jiangxi Province, as of December 31, 2011, Jiangxi Province had a population of approximately 44.9 million. In 2011, the per capita GDP of Jiangxi Province increased by approximately 11.8% as compared to 2010. The table below sets forth selected economic statistics of Jiangxi Province for the years indicated.

	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	546.9	648.0	758.9	945.1	1,158.4
As % of PRC GDP	2.2%	2.2%	2.3%	2.4%	2.4%
Per capita GDP (RMB)	12,562	15,900	17,335	21,253	25,884
Per capita GDP growth rate	19.5%	19.4%	9.0%	22.6%	21.8%
Consumer price index	104.8	106.0	99.3	103.0	105.2
Unemployment rate	3.4%	3.4%	3.4%	3.3%	3.0%

Source: Statistics Bureau of Jiangxi Province.

Guangxi Zhuang Autonomous Region

Guangxi Zhuang Autonomous Region, located in Southwest China, comprises approximately 236,700 sq.km. in area. Because of its shared border with Vietnam and its proximity to Guangzhou and Hong Kong, Guangxi Zhuang Autonomous Region is an important commercial center that provides China strategic access to Southeast Asia. According to the Statistics Bureau of Guangxi Zhuang Autonomous Region, as of December 31, 2011, Guangxi Zhuang Autonomous Region had a population of approximately 52.0 million. In 2011, the per capita GDP of Guangxi Zhuang Autonomous Region increased by approximately 19.1%. The table below sets forth selected economic statistics of Guangxi Zhuang Autonomous Region for the years indicated.

	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	588.6	717.2	770.0	950.2	1,171.4
As % of PRC GDP	2.2%	2.2%	2.3%	2.4%	2.4%
Per capita GDP (RMB)	12,408	14,966	15,923	20.219	25,315
Per capita GDP growth rate	21.3%	19.3%	9.5%	26.0%	25.2%
Consumer price index	106.1	107.8	97.9	103.0	105.9
Unemployment rate	3.8%	3.8%	3.7%	3.7%	3.5%

Source: Statistics Bureau of Guangxi Province.

Shaanxi Province

Shaanxi Province, located at the east side of Northwest China, comprises approximately 205,800 sq.km. in area. According to the Statistics Bureau of Shaanxi Province, as of December 31, 2011, Shaanxi Province had a population of approximately 37.4 million. In 2011, the per capita GDP of Shaanxi Province increased by approximately 13.7% as compared to 2010. The table below sets forth selected economic statistics of Shaanxi Province for the years indicated.

	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	537.0	685.1	818.7	1,002.1	1,239.1
As % of PRC GDP	2.2%	2.3%	2.4%	2.5%	2.6%
Per capita GDP (RMB)	14,350	18,246	21,732	27,133	33,142
Per capita GDP growth rate	21.1%	26.7%	11.4%	23.6%	22.1%
Consumer price index	105.1	106.4	100.5	104.0	105.7
Unemployment rate	4.0%	3.9%	3.9%	3.9%	3.6%

Source: Statistics Bureau of Shaanxi Province.

Henan Province

Henan Province, located in the central part of China, comprises approximately 167,000 sq.km. in area. According to the Statistics Bureau of Henan Province, as of December 31, 2011, Henan Province had a population of approximately 104.9 million. In 2011, the per capita GDP of Henan Province increased by approximately 6.2% as compared to 2010. The table below sets forth selected economic statistics of Henan Province for the years indicated.

	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	1,501.2	1,801.9	1,948.0	2,309.2	2,723.2
As % of PRC GDP	5.6%	5.7%	5.7%	5.8%	5.8%
Per capita GDP (RMB)	16,012	19,181	20,597	24,446	25,960
Per capita GDP growth rate	21.6%	19.8%	7.4%	18.7%	18.6%
Consumer price index	109.1	114.3	112.4	114.1	105.6
Unemployment rate	3.4%	3.4%	3.5%	3.4%	N/A(1)

Source: Henan Statistical Yearbook 2011, Statistics Bureau of Henan Province.

(1) Not available.

Heilongjiang Province

Heilongjiang Province, located in the northeastern part of China, comprises approximately 460,000 sq.km. in area. According to the Statistics Bureau of Heilongjiang Province, as of December 31, 2011, Heilongjiang Province had a population of approximately 38.3 million. In 2011, the per capita GDP growth rate of Heilongjiang Province increased by approximately 20.5% as compared to 2010. The table below sets forth selected economic statistics of Heilongjiang Province for the years indicated.

	2007	2008	2009	2010	2011
Nominal GDP (RMB inbillions)	707.7	831.0	828.9	1,023.5	1,250.3
As % of PRC GDP	2.7%	2.6%	2.4%	2.5%	2.7%
Per capita GDP (RMB)	18,580	21,740	22,447	27,076	32,637
Per capita GDP growth rate	14.3%	17.0%	3.3%	20.6%	20.5%
Consumer price index	105.4	100.2	100.2	103.9	105.8
Unemployment rate	4.26%	4.23%	4.27%	4.27%	4.38%

Source: China Statistical Yearbook, Statistics Bureau of Heilongjiang Province.

The Trade Center Market in the PRC

Overview

Trade centers are wholesale markets in which groups of merchants can display and sell their goods. The trade center market within China is highly fragmented, with a large number of trade centers that vary widely in GFA and on industry focus. Many trade centers in China tend to specialize in one industry sector, such as textile and clothing, leather and accessories, electronics, printing and metals products and hardware. There are a limited number of trade centers in China with a GFA in excess of 400,000 sq.m. that offer products in more than one industry sector and have a comprehensive range of supporting services and facilities. In the last five years, many wholesale trade centers have been built in China. Most of these trade centers are clustered in industrial centers such as the Pearl River Delta, the Yangtze River Delta and the Bohai-Ring surrounding the Beijing region, as well as in regional transportation hubs throughout the country, for easy access to transportation systems. As a developer and operator of large integrated logistics and trade centers, we sell and lease units in our trade centers, which is consistent with the industry practice of other trade center developers and operators.

According to Colliers International, there is growing demand in China for trade centers that are owned and operated by a single entity and are well-managed, integrated, large-scale and specialize in a certain industry or industries. Due to reduced efficiencies and competition that could arise in trade centers operated by several operators, trade centers with one operator tend to achieve relatively better operational results and higher occupancy rates, leading to higher rental rates in the market. Trade centers in China are also expected to increase in size and scope and may expand to include upstream and/or downstream facilities and supporting services. In addition, due to increased competition in the market with many trade centers planned for development in the near future, small, randomly scattered specialized markets in downtown areas are combining and moving to suburban areas with good transportation networks and opportunities for expansion. Specialized trade centers, or trade centers focused on a particular industry or limited industries, play an important role in driving economic growth as many city governments are increasingly developing urban planning schemes for the development of retail facilities, which include specialized trade centers. Moreover, the growth in large-scale specialized trade centers, in conjunction with China's increasing presence as a global manufacturing and export center, has increased the demand for trade centers with logistics services, as logistics services increase efficiency in, and decrease transportation and logistical costs for, business transactions.

The table below sets forth the total output and annual growth in output in 2010 compared to 2009 for selected industries in China.

Type of Industry	Total Output of Industry in 2010	Growth in Total Output of Industry from 2009 to 2010
	(RMB in billions)	(%)
Electronics(1)	5,497.0	23.4
Chemicals(2)	5,287.3	29.8
Textile and clothing(3)	4,083.9	22.2
Metal products	2,013.5	25.2
Printing and paper products(4)	1,399.7	24.6
Plastics	1,387.2	26.5
Leather and accessories	789.8	22.9
Transport equipment	5,545.2	32.9
Construction and decoration products (5)	1,180.8	25.7
Manufacture of food and agricultural products (6)	4,627.9	24.5
Total	31,812.3	26.4

Source: China Statistical Yearbook.

(1) Includes communication equipment, computers and other electronic equipment.

(2) Includes raw chemical materials, chemical products and chemical fibers.

(3) Includes textiles and apparel, footwear and headgear.

(4) Includes paper and paper products and printing, reproduction of recording media.

(5) Includes timber, manufacture of wood, bamboo, rattan, palm and straw products, and furniture.

(6) Includes manufacture of food and processing of food from agricultural products.

Trade centers are organized in a variety of configurations, generally according to industry sector. This often depends on local market demands and proximity to certain manufacturing industries. The table below sets forth some of the major trade centers in China that operate in the same industries covered by our existing trade centers in the regions where we operate.

Trade Center	**Province**	**Commencement Date**	**Industry**	**Approximate GFA**
				(in sq.m.)
Huaqiangbei	Guangdong	1988	Electronics	280,000
Keqiao Textile Cities	Zhejiang	1993	Textile	800,000
Shishi Clothing Base	Fujian	1995	Textile	550,000
Zhongda Textile Market	Guangdong	1982	Textile	500,000
Humen Clothing Market	Guangdong	1995	Textile	450,000
Qianqing Light Textile Raw Material Market	Zhejiang	1993	Textile	300,000
Zhanqian Road Clothing Wholesale Center	Guangdong	1985	Textile	260,000
Shenyang International Textile and Clothing City (ITCC)	Liaoning	2010	Textile	640,000
Guangdong Hardware City	Guangdong	2003	Metal	900,000
Yongkang Hardware City Zhejiang	Zhejiang	1992	Metal	600,000
Zhongshan Hardware and Electrical Center	Guangdong	2006	Metal	200,000
Guangdong International Packaging & Printing City	Guangdong	2005	Printing	200,000
China Printing City	Zhejiang	2002	Printing	200,000
Huadu Shiling	Guangdong	1983	Leather	500,000
Zhejiang Haining Leather Clothing Center	Zhejiang	1993	Leather	160,000
Wuxi Dongfang International Leather City	Jiangsu	2008	Leather	300,000
Tongerbao Haining Leather Center	Liaoning	2010	Leather	170,000
Optics Valley of Guangzhou	Guangdong	2011	Electronics & LED	266,000

Source: Colliers International.

The Trade Center Industry in Guangdong Province

Guangdong Province has become a major center of manufacturing in China. According to China Statistical Yearbook, in 2011, Guangdong Province had a GDP of approximately RMB5,267.4 billion and exports with a value of US$531.9 billion, which accounted for 11.1% and 28.0%, respectively, of China's total GDP and exports, respectively.

Many industries, including the textile and clothing, leather manufacturing, hardware and construction materials, home appliances, electronics and furniture industries are located in the Greater Pearl River Delta. Within Guangdong Province, Dongguan, Shenzhen and Huizhou are centers of electronics and telecommunications equipment manufacturing. Zhuhai, Zhongshan, Shunde and Jiangmen are centers for home appliances and other household consumer durables, non-durable products and hardware products. Guangzhou, Foshan, Nanhai and Zhaoqing are centers for electricity, machinery, steel, shipbuilding, textiles and construction materials. In addition, Guangzhou is an emerging area for automobile manufacturing, software development and chemical manufacturing.

The table below sets forth the total output in 2009 and annual growth in output in 2009 compared to 2008 for selected industries in Guangdong Province covered by our existing trade centers.

Type of Industry	Total Output of Industry in 2009	Growth in Total Output of Industry from 2008 to 2009
	(RMB in billions)	(%)
Electronics[1]	1,572.2	2.3
Textiles and clothing[2]	386.6	11.4
Chemicals[3]	334.6	2.1
Metal products	325.6	5.2
Plastics	264.0	9.0
Printing and paper products[4]	197.6	–0.1
Leather and accessories	122.7	4.5
Total	3,203.3	4.0

Source: China City Statistical Yearbook.

(1) Includes communication equipment, computers and other electronic equipment.

(2) Includes textiles and apparel, footwear and headgear.

(3) Includes raw chemical materials, chemical products and chemical fibers.

(4) Includes paper, paper products, printing and reproduction of recording media.

In Shenzhen, there are several trade centers, each of which cater to a specific industry, such as electronics, clothing, furniture, leather or hardware.

According to Colliers International, there are eight trade center projects in Shenzhen, each of which specialize in one industry sector, and with GFA ranging from 45,000 sq.m. to over 300,000 sq.m. The majority of these trade center projects had rental occupancy rates of over 90% as of December 31, 2011.

The Trade Center Industry in Jiangxi Province

In 2011, Jiangxi Province had a GDP of RMB1,158.4 billion, which accounted for approximately 2.4% of China's total GDP.

The table below sets forth the total output in 2009 and annual growth in output in 2009 compared to 2008 for selected industries in Jiangxi Province that we may focus on in our planned trade center project in Nanchang.

Type of Industry	Total Output of Industry in 2009	Growth in Total Output of Industry from 2008 to 2009
	(RMB in billions)	(%)
Processing of metals and minerals[1]	305.2	1.7
Chemicals[2]	73.9	43.8
Textile and clothing[3]	58.8	31.1
Manufacture of food and agricultural products [4]	65.5	35.7
Electrical machinery and equipment	66.8	33.0
Medical and pharmaceutical products	34.9	22.9
Leather	13.4	41.4
Plastics	12.8	40.8
Construction and decoration products[5]	20.3	37.1
Total	651.5	17.1

Source: China City Statistical Yearbook.

(1) Includes smelting and pressing of ferrous and non-ferrous metals and manufacture of non-metallic mineral products.

(2) Includes raw chemical materials, chemical products and chemical fibers.

(3) Includes textiles and apparel, footwear and headgear.

(4) Includes manufacture of food and processing of food from agricultural products.

(5) Includes timbers, manufacture of wood, bamboo, rattan, palm and straw products, and furniture.

There are a variety of small trade centers located in Nanchang, the capital city of Jiangxi Province. Currently, the majority of trade centers in Nanchang are specialized, rather than comprehensive, in their industry focus, and most of the trade centers focus on selling finished goods. According to the Nanchang Municipal Statistical Bureau, as of the end of 2011, there were 34 centers in Nanchang with a total annual transaction volume of RMB100 million.

The Nanchang trade center market is fragmented, with numerous small trade centers and, as of the end of 2011, seven larger trade centers with total GFA of over 100,000 sq.m. and a rental occupancy rate of approximately 90%. Several trade centers also provide logistics services. Many of the trade centers in Nanchang are often limited to one industry sector. There are currently no large-scale integrated trade centers in Nanchang.

The Trade Center Industry in Guangxi Zhuang Autonomous Region

Guangxi Zhuang Autonomous Region is developing into a regional trade center due to its proximity to ASEAN countries, such as Vietnam, Laos and Myanmar. In 2011, Guangxi Zhuang Autonomous Region had a GDP of RMB1,171.4 billion and exports with a value of US$12.5 billion, which accounted for 2.4% and 0.6%, respectively, of China's total GDP and exports.

According to Colliers International, the manufacturing industries in Guangxi are focused on light finished goods, such as clothing, footwear, furniture, and household appliances while the heavy manufacturing and raw materials industries are less developed in the region. The automobile parts and the decoration materials industries in Guangxi are also growing due to increased rates of real estate development and urbanization.

The table below sets forth the total output in 2009 and annual growth in output in 2009 compared to 2008 for selected industries in Guangxi that we may focus on in our planned trade center project in Nanning.

Type of Industry	Total Output of Industry in 2009	Growth in Total Output of Industry from 2008 to 2009
	(RMB in billions)	(%)
Automobile and transport equipment	197.3	52.9
Plastics and chemicals(1)	46.9	26.2
Electrical machinery and equipment	20.1	65.4
Medical and pharmaceutical products	13.2	34.8
Textile and clothing(2)	10.2	15.7
Electronics	11.7	61.3
Leather	4.8	15.9
Metal products	8.0	64.6
Construction and decoration products(3)	21.2	29.4
Total	333.4	56.4

Source: Guangxi Statistical Yearbook.

(1) Includes raw chemical materials, chemical products, chemical fibers, plastics and rubber.

(2) Includes textiles and garments, shoes and accessories.

(3) Includes timbers, manufacture of wood, bamboo, rattan, palm and straw products, and furniture.

Nanning, the capital of Guangxi Zhuang Autonomous Region, has traditionally not been a manufacturing center but has instead focused on the service industry as a result of the rapid economic development of the region. Although other industries are also present, they are limited in scope and are relatively small in scale.

The existing trade centers in Nanning mostly cover the souvenirs, construction materials and automobile markets. However, as the permanent host of the annual China-ASEAN Expo, the city is exposed to greater economic opportunities, and has started to develop and promote other industry sectors such as textiles and Chinese medicine, according to Colliers International.

The Nanning trade center market is currently fragmented with a range of trade centers varying in size and type of industries represented. The 34 largest trade centers with a total transaction volume of RMB100 million each have total GFA of over 10,000 sq.m. According to Colliers International, of the seven more established trade centers in Nanning, the average occupancy rate was approximately 90% as of the end of 2011 and total GFA of the trade centers range from 18,200 sq.m. to over 100,000 sq.m. Logistics services are also available on-site at many of the trade centers. Most of the trade centers in Nanning are focused on one industry, with a lack of integrated, multi-industry trade centers with supporting logistics and auxiliary services.

The Trade Center Industry in Shaanxi Province

In 2011, Shaanxi Province had a GDP of RMB1,239.1 billion, which accounted for approximately 2.6% of China's total GDP.

The table below sets forth the total output in 2009 and annual growth in output in 2009 compared to 2008 for selected industries in Shaanxi Province that we may focus on in our planned trade center project in Xi'an.

Type of Industry	Total Output of Industry in 2009	Growth in Total Output of Industry from 2008 to 2009
	(RMB in billions)	(%)
Metal products	7.3	42.1
Construction materials[1]	10.5	73.8
Textile and clothing[2]	10.9	16.6
Beverage	17.3	15.6
Processing of food from Agricultural Products	31.2	34.4
Automobile and transport equipment	94.9	32.9
Electrical machinery and equipment	34.7	27.3
Total	206.8	31.4

Source: China City Statistical Yearbook.

(1) Includes bricks, stone, other construction materials; glass and glass related products; pottery products; processing of timbers; manufacture of wood, bamboo, rattan, palm and straw products and furniture; and ink material; and related products.

(2) Includes textiles and apparel, footwear and headgear.

There are five major trade centers located in Xi'an, the capital city of Shaanxi Province. Currently, most of the trade centers focus on selling finished goods.

The Xi'an trade center market is fragmented, with numerous small trade centers and, as of October 2010, five larger trade centers with total GFA of over 100,000 sq.m. and a rental occupancy rate of approximately 90%. Several trade centers also provide logistics services. Many of the trade centers in Xi'an are often limited to one industry sector. There are currently no large-scale integrated trade centers in Xi'an.

The Trade Center Industry in Heilongjiang Province

In 2011, Heilongjiang Province had a GDP of RMB1,250.3 billion, which accounted for approximately 2.7% of China's total GDP.

The table below sets forth the total output in 2010 and annual growth in output in 2010 compared to 2009 for selected industries in Heilongjiang Province that we may focus on in our planned trade center project in Harbin.

Type of Industry	Total Output of Industry in 2010	Growth in Total Output of Industry from 2009 to 2010
	(RMB in billions)	(%)
Metal products	7.4	45.5
Construction materials(1)	26.0	56.4
Textile and clothing(2)	1.0	22.9
Manufacture of food	41.2	20.2
Processing of food from Agricultural Products	120.1	46.1
Transport equipment	38.5	2.7
Electrical machinery and equipment	17.2	-1.0
Total	251.4	29.7

Source: China City Statistical Yearbook.

(1) Includes processing of timbers; manufacture of wood, bamboo, rattan, palm and straw products and furniture.

(2) Includes textiles and apparel, footwear and headgear.

According to Harbin Municipal Statistical Bureau, as of the end of 2011, there were 53 centers in Harbin with a total annual transaction volume of RMB100 million.

The Logistics Industry in China

Overview

The logistics industry comprises the procurement, purchasing, inventory, warehousing, distribution and transportation of goods and services from point of origin to point of consumption by the ultimate consumer. Third-party logistics is a relatively new industry in China. Traditionally, independent trucking companies, warehouse operators, railway agencies, freight forwarders and carriers have provided logistics services to enterprises in China. Of the enterprises registered as logistics services providers in China in 2006, the majority were confined to a segment of the supply chain, such as warehousing or point-to-point transportation, without the capability of providing comprehensive logistics services encompassing all segments of their customers' supply chain.

As foreign trade is more concentrated in China's coastal regions, the main locations in China for transportation and logistics services, including warehousing and distribution of goods, have traditionally been the Greater Pearl River Delta and the Yangtze River Delta. These regions are in proximity to the primary ports in China of Hong Kong, Shenzhen and Shanghai. However, as domestic trade in China continues to grow and the number of trade centers increase at regional hubs of transportation to cater to local markets, the need for transportation and logistics services will also increase in areas away from China's coastal regions.

Since its accession to the WTO in 2001, the PRC has adopted new liberalization policies in the logistics industry, which is expected to have a significant positive impact on China's transportation and logistics industry. Foreign logistics providers are now permitted to operate transportation and logistics services in China without geographic restrictions. The activities in China permitted of foreign logistics providers include: (1) freight forwarding operations; (2) storage and warehousing operations; (3) road freight transportation; (4) maritime transportation (subject to a limitation of 49% foreign equity ownership for certain types of activities); (5) air transportation (subject to a maximum 35% foreign equity ownership); and (6) wholesale and retail distribution of general goods.

Drivers for Growth

The major factors contributing to the growth in the logistics industry in China have been China's growing importance as a manufacturing and export center, as well as the overall growth in global trade, which has been driven by growth in both domestic and foreign trade of the PRC.

China has taken advantage of its lower production costs and a plentiful supply of inexpensive labor compared with more developed countries, and an increasingly sophisticated transportation infrastructure, to become a manufacturing and export center. As exports from China grow as a result of increased outsourcing of manufacturing to China, the number of manufacturing facilities in China and the amount of foreign direct investment, particularly in the manufacturing industry, in China will continue to grow. In 2011, the PRC was one of the major foreign trading nations in terms of trade volume, with total foreign trade volume of approximately US$3,642.1 billion, representing a 22.5% increase compared to 2010. According to the National Bureau of Statistics of China, in 2011, China ranked second in the world in terms of the aggregate amount of exports and imports. Between 2007 and 2011, China's exports and imports volumes grew at compounded annual growth rates of 11.7% and 16.2%, respectively. China's exports and imports in 2011 increased to US$1,898.6 billion and US$1,743.5 billion, respectively, representing increases of 20.3% and 25.0%, respectively, compared to 2010. As exports and imports from and into China continue to grow, we expect logistics throughput in China to increase.

The table below presents information relating to China's foreign trade for the years indicated.

	2007	2008	2009	2010	2011
			(in billions of US$, except for percentages)		
Exports	1,217.8	1,430.7	1,201.6	1,577.9	1,898.6
Imports	956.0	1,132.6	1,005.9	1,394.8	1,743.5
Balance of trade	261.8	298.1	195.7	183.1	155.1
Exports as percentage of imports	127.4%	126.3%	119.5%	113.1%	108.9%
Exports as percentage of GDP	30.7%	30.5%	23.6%	26.2%	25.3%

Source: China Statistical Yearbook, National Bureau of Statistics of China.

The trend towards outsourcing logistics is another growth factor in the logistics industry in China. The major factor for increased outsourced logistics activity is a desire to reduce logistics costs. Although labor costs are low in China, processes are not streamlined, and information systems and automated processes are undeveloped. The PRC government is taking steps to improve the logistics infrastructure. Since 2007, the PRC spent a substantial amount on logistics assets and infrastructure. A substantial portion of the expenses was for transportation improvements, particularly for the rail and roadway infrastructure.

Furthermore, the recent WTO accession agreement has allowed the logistics industry in the PRC to be fully opened to foreign companies, which should increase demand for warehouses and logistics facilities throughout China. Also driving demand for warehouses and logistics facilities is the increase in trade and exports between China and Hong Kong resulting from the Closer Economic Partnership Arrangement, or CEPA, signed in 2003. Under CEPA, all goods made in Hong Kong (except certain prohibited articles) can be exported to China and enjoy zero tariffs, and all goods made in China can be exported to Hong Kong and enjoy zero tariffs. According to the China Statistical Yearbook, exports from Hong Kong to China decreased 32.6% in 2009 compared to 2008, and exports from China to Hong Kong decreased 13.8% in 2009 compared to 2008.

Real Estate Market in the PRC

Overview

In 1990, the State Council issued the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State Land in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "Urban Land Regulations"). These rules, together with other land regulations and general economic growth in the PRC, have contributed to the significant growth experienced by the PRC property market since 1995.

The PRC property market continues to grow as evidenced by the increase in prices for property in China from 2007 to 2011. The average price per sq.m. for the overall property market, including residential and commercial property, was approximately RMB5,377 in 2011, compared to approximately RMB5,032 in 2010. The increase in land prices in the PRC is due to a number of factors, including the limited supply of land in favorable locations and competition among developers for the land. The transaction price indices of land decreased slightly in 2008 from 2007 because of the macroeconomic measures introduced by the PRC government to control perceived overinvestment in the property market. In response to the global economic downturn since 2009, the PRC government has adopted increasingly flexible macroeconomic policies to ease the economic downturn pressure.

The table below sets forth selected data relating to the PRC real estate market for the years indicated.

Supply indicators:	**2007**	**2008**	**2009**	**2010**	**2011**
Investment in real estate (RMB in billions)	2,528.9	3,120.3	3,624.2	4,826.7	6,174.0
GFA of commercial properties sold (sq.m. in millions)	773.5	659.7	947.6	1,043.5	1,099.5
GFA of properties under construction (sq.m. in millions)	2,363.2	2,832.7	3,203.7	4,055.4	5,079.6
GFA of new developments (sq.m. in millions)	954.0	1,025.5	1,164.2	1,637.8	1,900.8
Demand indicators:					
Average sales price of residential commodity properties (RMB per sq.m.)	3,645	3,576	4,459	4,725	N/A(1)
Average sales price of all properties, including residential, commercial, office and other properties (RMB per sq.m.)	3,864	3,800	4,681	5,032	5,377
Transaction price indices of land	112.3	109.5	105.4	165.9	98.1

Source: China Statistical Yearbook, National Bureau of Statistics of China.

(1) Not available.

The PRC government has implemented a series of measures to tighten control of the property market since 2003. In March 2005, the PRC government instituted eight measures to rein in speculation in the residential property market, slow the growth of residential property prices and regulate the real estate industry. These measures included increasing the minimum required down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% for sales within two years of purchase, and prohibiting reselling unfinished properties before they are completed. In 2006, the PRC government implemented additional land supply, bank financing and other measures to curtail fast increases in property prices, to encourage the development of middle- to low-end housing and promote healthy development of the PRC real estate industry. In 2007, the PRC government continued to institute measures to manage the rapid growth of the property market and provide a further regulatory framework to the property market. These measures included limiting access to capital by foreign-invested enterprises in various aspects, such as, limitations on the ability of foreign-invested enterprises to raise funds offshore and restrictions on the conversion and sale of foreign exchange into the capital account. In addition, the PRC government also imposed new requirements which must be satisfied prior to commencing the development of real estate investment projects and created further restrictions on obtaining loans from commercial banks. For further information on these measures, see “Regulation — Regulations on Foreign-Invested Real Estate Enterprises.”

During 2007 to 2008, in response to the current global economic downturn and corresponding decline in the rate of growth of the PRC economy, the PRC government reversed certain policies with respect to the domestic property market, including the announcement and adoption of new measures specifically designed to encourage development of the domestic property market.

From 2009 to 2010, on the basis of global economic recovery and steady increase in the rate of growth of the PRC economy, the PRC government instituted several policies in attempt to curb overheating land and housing prices. Policies and measures instituted include adjustments to the rate of the savings deposit reserve fund, interest rate, taxes related to real estate, land supply and affordable housing construction. Furthermore, several first-tier cities in China have promulgated policies to further curb increasing housing prices and restrain speculation in the real estate market.

Real Estate Market in Guangdong Province and Shenzhen

Guangdong Province

According to the Statistics Bureau of Guangdong Province, a total GFA of approximately 58.0 million sq.m. of commercial properties was completed in Guangdong Province in 2011, representing an increase of approximately 10.8% compared to 2010, and a total GFA of approximately 77.6 million sq.m. of commercial properties was sold in Guangdong Province in 2011, an increase of approximately 6.0% from 73.2 million sq.m. sold in 2010. In 2011, the average price of commercial property in Guangdong Province was RMB7,987 per sq.m., compared to RMB7,486 in 2010, and total sales revenue from commercial properties was RMB617.6 billion in 2011, compared to RMB548.1 billion in 2010. The table below sets forth certain information relating to the property market in Guangdong Province for the years indicated.

	2007	2008	2009	2010	2011
GFA completed (sq.m. in millions)	42.6	43.6	50.6	52.3	58.0
GFA sold (sq.m. in millions) .	61.7	48.2	70.6	73.2	77.6
% of total GFA sold in the PRC	8.0	7.8	7.5	7.0	7.1

Source: Statistics Bureau of Guangdong Province.

Shenzhen

Shenzhen, which is the second largest city in Guangdong Province by developed land area, is located in the southern region of Guangdong Province. Highways, railways and waterways connect Shenzhen to nearby Hong Kong and Macau. According to the Statistics Bureau of Shenzhen, as of December 31, 2011, Shenzhen had a population of approximately 10.5 million. In 2011, Shenzhen's GDP reached approximately RMB1,150.2 billion, representing a per capita GDP of approximately RMB110,387. The table below sets forth selected economic statistics of Shenzhen for the years indicated.

	2007	**2008**	**2009**	**2010**	**2011**
Nominal GDP (RMB in billions)	680.2	778.7	820.1	951.1	1,150.2
Per capita GDP (in RMB) . . .	79,645	89,587	92,772	94,296	110,387
Consumer price index	104.1	105.9	98.7	103.5	105.4
Unemployment rate	2.3%	2.3%	2.6%	2.5%	2.2%

Source: Statistics Bureau of Shenzhen.

According to Colliers International, as of December 31, 2010, there was a GFA of approximately 129.9 million sq.m. of industrial factories and a GFA of approximately 2.3 million sq.m. of warehouses under management in Shenzhen. Demand for land from manufacturing enterprises, trade enterprises and other exporters have resulted in a shortage of available supply of land for industrial factories and warehouses. According to Colliers International, rental rates are expected to continue to remain at current levels in the short-term and to increase in the medium- to long-term for both factories and warehouses in the near future.

The table below sets forth certain information relating to the property market in Shenzhen for the years indicated.

	2007	**2008**	**2009**	**2010**	**2011**
Investment in real estate (RMB in billions)	46.1	44.0	43.7	45.8	59.0
GFA of new developments (sq.m. in millions)	8.8	7.5	4.9	4.7	6.3
Average sales price of commercial properties (RMB per sq.m.)	14,050	12,665	15,214	19,170	21,185

Source: China Statistics Yearbook, Statistics Bureau of Shenzhen, National Bureau of Statistics.

Real Estate Market in Other Provinces

Jiangxi Province

According to China Statistical Yearbook, a total GFA of approximately 17.8 million sq.m. of commercial properties was completed in Jiangxi Province in 2011, and a total GFA of approximately 23.4 million sq.m. of commercial properties was sold in Jiangxi Province in 2011, a decrease of approximately 5.4% from 24.7 million sq.m. sold in 2010. The table below sets forth certain information relating to the property market in Jiangxi Province for the years indicated.

	2007	2008	2009	2010	2011
GFA completed (sq.m. in millions)	16.3	15.8	16.5	18.2	17.8
GFA sold (sq.m. in millions)	21.8	17.3	22.8	24.7	23.4
% of total GFA sold in the PRC	2.8	2.6	2.4	2.4	2.1

Source: Statistics Bureau of Jiangxi Province.

Nanchang

Nanchang, the capital of Jiangxi Province, is located in the northern region of Jiangxi Province. Located on the Gan River and near the intersection of the Jingjiu and Zhegan Railways, Nanchang serves as an important transportation hub for Southern China. According to the Statistics Bureau of Nanchang, as of December 31, 2011, Nanchang had a population of approximately 5.0 million. In 2011, Nanchang's GDP reached approximately RMB268.9 billion, representing a per capita GDP of approximately RMB53,023. The table below sets forth selected economic statistics of Nanchang for the years indicated.

	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	139.0	166.1	183.8	220.7	268.9
Per capita (in RMB)	30,464	36,117	39,669	47,174	53,023
Consumer price index	104.4	106.1	99.7	103.2	105.0

Source: Statistics Bureau of Nanchang.

The table below sets forth certain information relating to the property market in Nanchang for the years indicated.

	2007	2008	2009	2010	2011
Investment in real estate (RMB in billions)	12.6	16.3	19.8	23.0	28.0
GFA of new developments (sq.m. in millions)	6.4	5.2	3.6	5.1	8.6
Average sales price of commercial properties (RMB per sq.m.)	3,558	3,461	3,775	4,566	5,903

Source: China Statistics Yearbook, Statistics Bureau of Nanchang, National Bureau of Statistics.

Guangxi Zhuang Autonomous Region

According to the Statistics of Guangxi Zhuang Autonomous Region, a total GFA of approximately 21.8 million sq.m. of commercial properties was completed in Guangxi Zhuang Autonomous Region in 2011, and a total GFA of approximately 29.3 million sq.m. of commercial properties was sold in Guangxi Zhuang Autonomous Region in 2010, an increase of approximately 5.0% from 27.9 million sq.m. sold in 2010. The table below sets forth certain information relating to the property market in Guangxi Zhuang Autonomous Region for the years indicated.

	2007	**2008**	**2009**	**2010**	**2011**
GFA completed (sq.m. in millions)	13.1	12.5	14.4	15.6	21.8
GFA sold (sq.m. in millions) .	20.2	17.7	23.8	27.9	29.3
% of total GFA sold in the PRC	2.6	2.7	2.5	2.7	2.7

Source: Statistics of Guangxi Zhuang Autonomous Region.

Nanning

Nanning, the capital of Guangxi Zhuang Autonomous Region, is located in the southern region of Guangxi Zhuang Autonomous Region. According to the Nanning Municipal Bureau of Statistics, as of December 31, 2011, Nanning had a population of approximately 7.1 million. In 2011, Nanning's GDP reached approximately RMB221.1 billion, representing a per capita GDP of RMB31,173. The table below sets forth selected economic statistics of Nanning for the years indicated.

	2007	**2008**	**2009**	**2010**	**2011**
Nominal GDP (RMB in billions)	106.9	131.6	152.5	180.0	221.1
Per capita (in RMB)	15,774	19,142	21,829	25,624	31,173
Consumer price index	104.4	108.4	98.2	102.5	105.7
Unemployment rate	3.7%	3.6%	3.9%	3.7%	3.5%

Source: Nanning Municipal Bureau of Statistics.

The table below sets forth certain information relating to the property market in Nanning for the years indicated.

	2007	**2008**	**2009**	**2010**	**2011**
Investment in real estate (RMB in billions)	18.7	20.2	22.7	31.8	37.7
GFA of new developments (sq.m. in millions)	6.7	5.6	7.0	9.9	8.6
Average sales price of commercial properties (RMB per sq.m.)	3,404	3,952	4,557	5,135	5,321

Source: China Statistics Yearbook, Nanning Municipal Bureau of Statistics, National Bureau of Statistics.

Shaanxi Province

According to the Statistics Bureau of Shaanxi Province, a total GFA of approximately 11.4 million sq.m. of commercial properties was completed in Shaanxi Province in 2011, and a total GFA of approximately 30.7 million sq.m. of commercial properties was sold in Shaanxi Province in 2011, an increase of approximately 18.5% from 25.9 million sq.m. sold in 2010. The table below sets forth certain information relating to the property market in Jiangxi Province for the periods indicated.

	2007	2008	2009	2010	2011
GFA completed (sq.m. in millions)	8.9	8.8	9.2	9.0	11.4
GFA sold (sq.m.in millions)	14.6	15.1	20.9	25.9	30.7
% of total GFA sold in the PRC	1.9	2.3	2.2	2.5	2.8

Source: Statistics Bureau of Shaanxi Province, National Bureau of Statistics.

Xi'an

Xi'an, the capital of Shaanxi Province, is located in the central region of Shaanxi Province. Located in the center of Northwest China, Xi'an is the key area of the West Development and the key stop for Eurasia Land Bridge with a long history. According to the Statistics Bureau of Xi'an, as of December 31, 2011, Xi'an had a population of approximately 85.1 million. In 2011, Xi'an 's GDP reached approximately RMB386.4 billion, compared to approximately RMB324.1 billion in 2010. The table below sets forth selected economic statistics of Xi'an for the periods indicated.

	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	185.7	231.8	272.4	324.1	386.4
Per capita (in RMB)	22,463	27,794	32,411	38,341	N/A(1)
Consumer price index	104.7	106.0	99.7	103.5	105.6
Unemployment rate	4.3%	4.2%	4.2%	4.2%	3.9%

Source: Statistics Bureau of Xi'an, National Bureau of Statistics

(1) Not available.

The table below sets forth certain information relating to the property market in Xi'an for the periods indicated.

	2007	2008	2009	2010	2011
Investment in real estate (RMB in billions)	38.7	54.6	69.6	84.2	100.2
GFA of new developments (sq.m. in millions)	7.3	10.8	16.7	19.8	22.8
Average sales price of commercial properties (RMB per sq.m.)	3,379	3,906	3,890	4,453	6,128

Source: China Statistics Yearbook, Statistics Bureau of Xi'an, National Bureau of Statistics.

Henan Province

According to the Statistics Bureau of Henan Province, a total GFA of approximately 53.1 million sq.m. of commercial properties was completed in Henan Province in 2011, and a total GFA of approximately 63.0 million sq.m. of commercial properties was sold in Henan Province in 2011, an increase of approximately 15.6% from 54.5 million sq.m. sold in 2010. The table below sets forth certain information relating to the property market in Henan Province for the periods indicated.

	2007	2008	2009	2010	2011
GFA completed (sq.m. in millions).	27.9	30.3	34.0	44.3	53.1
GFA sold (sq.m.in millions). .	39.3	31.9	43.4	54.5	63.0
% of total GFA sold in the PRC	5.2%	5.1%	4.6%	5.2%	5.7%

Source: Henan Statistical Yearbook 2011, Statistics Bureau of Henan Province.

Zhengzhou

Zhengzhou, the capital of Henan Province, is located in the central region of Henan Province. According to the Statistics Bureau of Zhengzhou, as of December 31, 2011, Zhengzhou had a population of approximately 8.9 million. In 2011, Zhengzhou's GDP reached approximately RMB491.3 billion, representing a per capita GDP of RMB56,086. The table below sets forth selected economic statistics of Zhengzhou for the years indicated.

	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions).	242.1	300.4	330.0	400.0	491.3
Per capita (in RMB).	33,169	40,617	44,000	49,000	56,086
Consumer price index	105.6	106.1	99.8	103.0	104.9
Unemployment rate.	3.0%	3.1%	2.1%	2.8%	2.0%

Source: Henan Statistical Yearbook 2011, Statistics Bureau of Zhengzhou.

The table below sets forth certain information relating to the property market in Zhengzhou for the years indicated.

	2007	2008	2009	2010	2011
Investment in real estate (RMB in billions).	30.0	43.0	51.4	77.5	92.4
GFA of new developments (sq.m. in millions)	14.0	13.7	14.4	18.1	17.9
Average sales price of commercial properties (RMB per sq.m.).	3,574	3,928	4,298	4,957	5,704

Source: Henan Statistical Yearbook 2011, National Bureau of Statistics.

Heilongjiang Province

According to China Statistical Yearbook, a total GFA of approximately 64.4 million sq.m. of commercial properties was completed in Heilongjiang Province in 2011, and a total GFA of approximately 34.0 million sq.m of commercial properties was sold in Heilongjiang Province in 2011, an increase of approximately 25.0% from 27.2 million sq.m. sold in 2010. The table below sets forth certain information relating to the property market in Heilongjiang Province for the periods indicated.

	2007	2008	2009	2010	2011
GFA completed (sq.m. in millions).	38.2	38.0	56.0	74.5	64.4
GFA sold (sq.m.in millions). .	17.1	14.9	20.2	27.2	34.0
% of total GFA sold in the PRC	2.2%	2.4%	2.2%	2.6%	3.1%

Source: Statistics Bureau of Heilongjiang Province.

Harbin

Harbin, the capital of Heilongjiang Province, is located in the southwest region of Heilongjiang Province. According to the Statistics Bureau of Harbin, as of December 31, 2011, Harbin had a population of approximately 10.0 million. In 2011, Harbin's GDP reached approximately RMB424.3 billion, representing a per capita GDP of RMB42,700. The table below sets forth selected economic statistics of Harbin for the years indicated.

	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions).	243.7	286.8	325.8	366.6	424.3
Per capita (in RMB).	24,768	29,012	32,886	36,961	42,700
Consumer price index	104.1	104,7	100.2	103.7	105.6
Unemployment rate.	3.2%	3.0%	N/A(1)	N/A(1)	3.0%

Source: Statistics Bureau of Harbin.

(1) Not available.

The table below sets forth certain information relating to the property market in Harbin for the years indicated.

	2007	2008	2009	2010	2011
Investment in real estate (RMB in billions).	18.7	21.6	27.9	36.1	56.2
GFA of new developments (sq.m. in millions)	6.8	8.3	11.5	16.0	24.7
Average sales price of commercial properties (RMB per sq.m.).	3,053	3,793	4,226	5,333	5,554

Source: China Statistics Yearbook, Harbin Statistical Yearbook, National Bureau of Statistics.

History

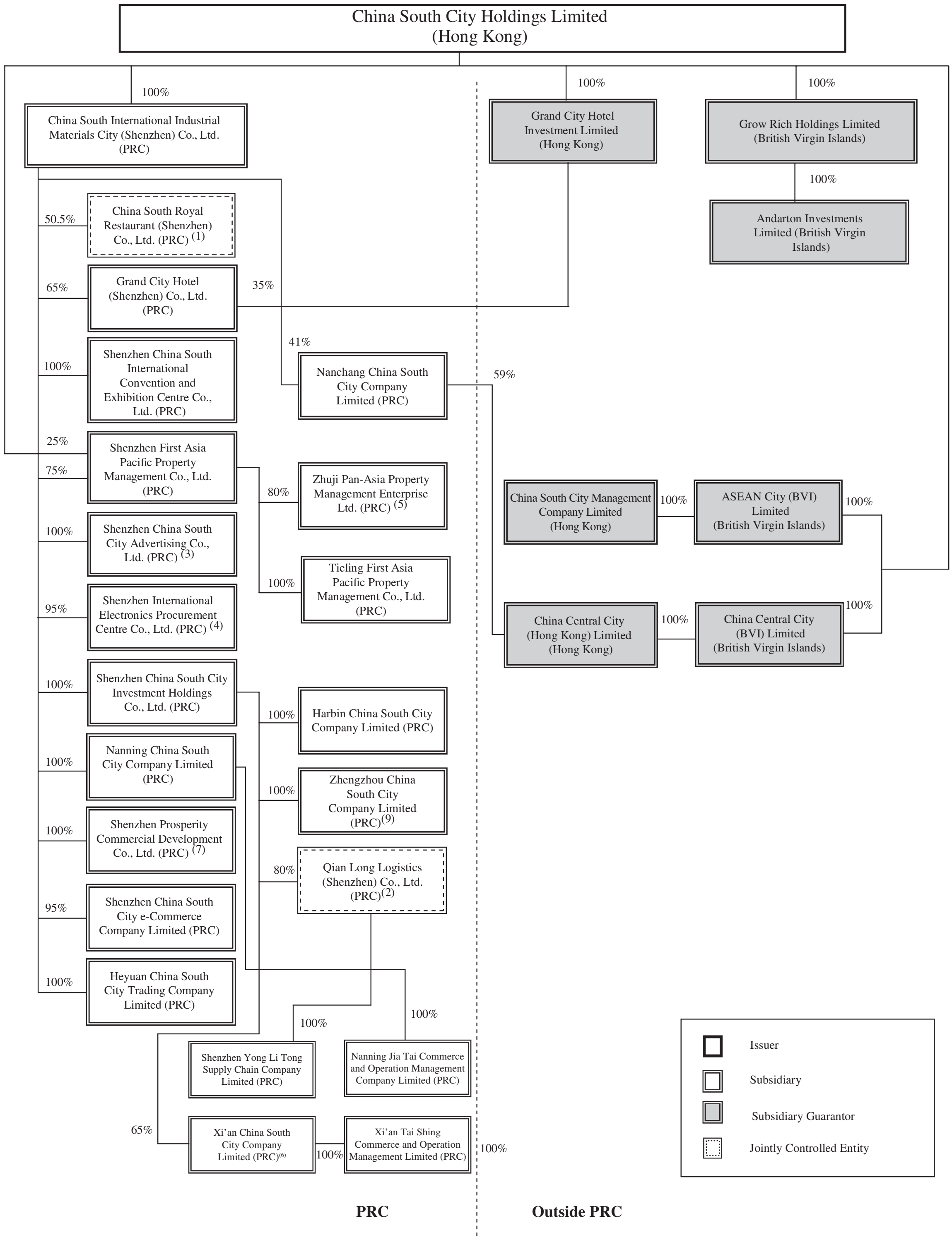
Our business model and concept was initially developed by Cheng Chung Hing and Leung Moon Lam. Following various discussions among Cheng Chung Hing, Ma Kai Cheung, Leung Moon Lam, Sun Kai Lit, Cliff and Ma Wai Mo (who we collectively refer to as our founding shareholders), our founding shareholders formalized and carried out our business plan. Our five founding shareholders are either chairmen or executive directors of leading manufacturing and industrial companies based in Hong Kong with operations in the Greater China Pearl River Delta region, and have extensive experience and a well-developed network of contacts in their respective industries.

Our Company was incorporated on May 8, 2002. We listed on the Hong Kong Stock Exchange and completed our initial public offering in September 2009.

We conduct our business primarily through China South International and its subsidiaries, jointly controlled entities and associated entities established in the PRC.

Corporate Structure

The following chart sets forth our corporate structure for each subsidiary and jointly controlled entity, with the jurisdiction of each entity in parenthesis, as of the date of this offering memorandum:



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(1) The remaining 49.5% interest is held by Globe Honest International Ltd., which is an independent third party. The primary business operations of China South Royal Restaurant (Shenzhen) include the operation of the China South Royal Restaurant in Shenzhen.

(2) The remaining 20% interest are held by an independent third party, Xu Yan. The primary business operations of Qian Long Logistics (Shenzhen) Co., Ltd. include the leasing of warehouses at China South City Shenzhen.

(3) The primary business operations of Shenzhen China South Advertising include the provision of advertising services, through an agent, Shenzhen Xiangbo Digital Technology Company Limited, to trade center tenants, pursuant to a cooperation agreement made between this agent and China South International dated March 24, 2008.

(4) The remaining 5% interest is held by Shenzhen Electronics Chamber of Commerce, which is an independent third party. Shenzhen International Electronics Procurement Centre Co., Ltd. is currently a dormant company.

(5) The remaining 20% interest is held by China Pearls and Jewellery PRC, which is wholly owned by China Pearls and Jewellery HK, which in turn is a 55% owned subsidiary of Man Sang International. The primary business operations of China Pearls and Jewellery PRC is to develop trade centers for trading of pearls and jewelry. The company is currently a dormant company.

(6) The remaining 35% interest is held by Xin Hao Da (Hong Kong) Holding Co., Ltd.

(7) The primary business operations of Shenzhen Prosperity Commercial Development Co., Ltd. include investing in enterprises, leasing and managing properties, and trading different products.

(8) The company is currently a dormant company.

(9) Zhengzhou China South City Company Limited also has the following wholly-owned subsidiaries in the PRC: (a) Zhengzhou Baolitong Market Development Management Co., Ltd., (b) Zhengzhou Pufeite Commercial Property Co., Ltd., (c) Zhengzhou Xingmao Industrial Development Co., Ltd., (d) Zhengzhou Yinhu Property Co., Ltd. and (e) Zhengzhou Real Estate Development Management Co., Ltd.

Overview

We are one of the leading developers and operators of large-scale, integrated logistics and trade centers in the PRC, based on GFA, industry coverage and range of supporting services and facilities offered, according to Colliers International. Leveraging our experience and brand reputation, we currently have six projects in different stages of development located in regional economic hubs in Shenzhen, Nanning, Nanchang, Xi'an, Harbin and Zhengzhou, China, with a total planned GFA of 47.3 million sq.m.

Our business model is built on a premise of "One Body with Two Wings," with the "One Body" represented by our large-scale integrated logistics and trade centers, designed to serve as key commercial hubs to satisfy the economic and industrial needs of the regions in which we operate, and the "Two Wings" represented by the supporting residential and commercial facilities, designed to facilitate the operations of our trade center tenants and their customers. We complement our trade center operations by providing comprehensive supporting facilities including hotel, office, warehouse, exhibition and conference facilities and third-party banking services. Our residential facilities further complement our trade center operations by providing convenient, high-quality accommodations for our trade center tenants, as well as providing cash flows to cover a portion of project-related capital expenditures. Our business model is further augmented by the on-site presence of PRC government agencies, which offer a diverse range of services to trade center tenants and other customers.

We have been further building upon our "One Body with Two Wings" business model to include five pillars of ancillary services that complement our core business of developing and operating trade centers. We provide one-stop logistics services including warehousing, on-site delivery and freight forwarding. We provide an e-commerce platform through which our clients can promote their businesses and products, and plan to update our online platform to allow our trade center shops to promote online wholesale and retail trade. Following the success of the various industrial fairs at China South City Shenzhen and Nanning, we aim to provide a non-stop exhibition platform to organize convention and exhibition services, which we believe will also facilitate the traffic flow through our trade centers. We plan to further boost overall traffic by building upon our successful opening of our first outlet center at China South City Shenzhen, expanding and replicating this further in Shenzhen and at our other projects. Our property management services maintain a safe and comfortable business environment at our projects. We believe that this expansion of the scope of services provided will enable us to build a self-sustaining business strategy that will strengthen our overall business model.

Our first project, China South City Shenzhen, with a planned GFA of approximately 2.6 million sq.m., is strategically located in the Pearl River Delta and centered within an extensive transportation network of airports, railways, port facilities and highways that facilitate trade in the region. As of March 31, 2012, it had 1.5 million sq.m. of GFA completed and 1.1 million sq.m. of GFA under development. As of March 31, 2012, approximately 1.5 million sq.m. of trade center units and ancillary facilities in Phase One and Phase Two of China South City Shenzhen were in operation. Upon completion of Phase Three, currently planned for 2015, we expect that China South City Shenzhen will have a total GFA of 1.6 million sq.m. of trade centers as well as 1.0 million sq.m. of supporting facilities.

Leveraging our success and experience from, and brand recognition built upon, our China South City Shenzhen project, we have added five additional projects:

- China South City Nanchang, with a planned GFA of approximately 4.3 million sq.m., is currently under Phase One development in Nanchang, the capital of Jiangxi Province. As of March 31, 2012, it had 0.4 million sq.m. of GFA completed and 0.7 million sq.m. of GFA under development. As it is strategically located to serve both the Pearl River Delta and Yangtze River Delta regions, we believe that China South City Nanchang is well situated to develop along with increasing trade within and among these regions.

- China South City Nanning, with a planned GFA of approximately 4.9 million sq.m., is currently under Phase One development in Nanning, the capital of Guangxi Zhuang Autonomous Region. As of March 31, 2012, it had 0.3 million sq.m. of GFA completed and 1.0 million sq.m. of GFA under development. Strategically located in close proximity to Southeast Asia, we believe China South City Nanning will serve as a key hub for large-scale finished and unfinished goods and commodity trade with Southeast Asia.

- China South City Xi'an, with a planned GFA of approximately 17.5 million sq.m., is under Phase One development in Xi'an, the capital city of Shaanxi Province, at the Xi'an International Trade and Logistics Park with access to a railway container terminal. As of March 31, 2012, it had 0.6 million sq.m. of GFA under development. We are positioning China South City Xi'an to capitalize on the opportunities arising from China's strategic development of its western regions, catering to the growing development needs in the region.

- China South City Harbin, with a planned GFA of approximately 6.0 million sq.m., acquired a parcel of land in Harbin, the capital city of Heilongjiang Province, in June 2012 and is currently in the planning stage. We believe that the site's location in Northeast China makes it a premier hub for cross-border trade, and intend to capitalize on opportunities arising from the area's emerging development potential due to its proximity to the China-Russia border.

- China South City Zhengzhou, with a planned GFA of approximately 12.0 million sq.m., acquired a parcel of land in Zhengzhou, the capital city of Henan Province, in August 2012 and is currently in the planning stage. Zhengzhou is highly accessible as a primary passenger and freight hub and we believe that China South City Zhengzhou will be able to cater to the strong demand for integrated logistics and trade centers in China's interior regions, providing a convenient trading platform to promote trade among cities in central China.

We expect the aggregate GFA of these six projects, totaling approximately 47.3 million sq.m., will be sufficient to support over ten years of development.

Our Competitive Strengths

We believe that we are well-positioned to take advantage of continuing strong growth in the trade of finished and unfinished goods as a result of China's growing position as a global manufacturing and export center and China's increasing domestic consumption. We believe that we have the following competitive strengths:

Our unique "One Body with Two Wings" business model provides an integrated platform for our trade center tenants and their customers to receive a comprehensive range of trade, logistics and supporting services

Our business model is built on a premise of "One Body with Two Wings," with the "One Body" represented by our large-scale integrated logistics and trade centers, designed to serve as key commercial hubs to satisfy the economic and industrial needs of the regions in which we operate, and the "Two Wings" represented by the supporting residential and commercial facilities, designed to facilitate the operations and accommodation of our trade center tenants and their customers. The scale and scope of our projects attracts buyers and sellers seeking to take advantage of the synergies present within our integrated logistics and trade centers. Buyers are able to meet their purchasing needs for a wide range of finished and unfinished goods as well as effectively diversify and tailor their sourcing needs. Sellers are able to streamline their business operations by taking advantage of the full range of on-site logistics and trade solutions available at our integrated logistics and trade centers.

We believe the comprehensive range of trade, logistics and supporting residential and commercial services offered at our trade center projects provides us with diverse revenue streams and differentiates our business model from that of traditional property developers. Furthermore, we expect sales of our residential properties to provide us with an effective means to generate cash flows to cover a portion of the capital expenditures of our projects. We believe that we can replicate the success of our business model as we expand into other markets in China, including in Nanchang, Nanning, Xi'an, Harbin and Zhengzhou.

The provision of ancillary services to complement our trade centers further strengthens our business model

We have been implementing our strategy to extend our "One Body with Two Wings" business model to include five pillars of ancillary services that complement our core business of developing and operating trade centers. We provide one-stop logistics services including warehousing, on-site delivery and freight forwarding. We provide an e-commerce platform through which our clients can promote their businesses and products, and plan to update our online platform to allow our trade center shops to promote online wholesale and retail trade. Following the success of the various industrial fairs at China South City Nanning, we aim to provide a non-stop exhibition platform to organize convention and exhibition services, which we believe will also facilitate the traffic flow through our trade centers. We plan to further boost overall traffic by building upon our successful opening of our first outlet center at China South City Shenzhen, expanding and replicating this further in Shenzhen and at our other projects. Our property management services maintain a safe and comfortable business environment at our projects. With this expansion of the scope of services provided, we will build a self-sustaining business strategy that will strengthen our overall business model.

We enjoy strong municipal and regional government support in the locations in which we currently operate and plan to operate

In selecting new sites for our projects, we strategically seek out locations in which local and regional governments have actively expressed a desire to develop integrated logistics and trade centers in their long-term plans. In so doing, we are able to better align our business operations with the long-term economic development plans of the regions in which we develop and operate our projects. With respect to China South City Shenzhen and our trade center projects in Nanchang, Nanning, Xi'an, Harbin and Zhengzhou, with local administrative support, we have been able to secure large plots of land efficiently and in accordance with relevant master agreements and the corresponding supplementary agreements. Pursuant to the terms of our master agreements and corresponding supplementary agreements, representatives of the local governments undertake responsibility for relocating all prior occupants of the land as well as improving roads and infrastructure within the project area. In Shenzhen, as part of a broader effort to improve local transportation infrastructure, government authorities have also undertaken construction of new roads and other supporting infrastructure surrounding China South City Shenzhen. Several PRC government agencies also maintain an on-site presence at China South City Shenzhen to assist trade center tenants and other visitors to China South City Shenzhen.

With respect to our projects in Nanchang, Nanning, Xi'an, Harbin and Zhengzhou, we believe that the local government officials will relocate the original residents on the land designated for these projects. In addition, local government officials have agreed to actively assist us in completing government administrative application and approval procedures necessary to commence operations.

We continue to cooperate with the China Council for Promotion of International Trade, China Chamber of International Commerce and Shenzhen Municipal People's Government to hold the China (Shenzhen) International Industrial Fair, most recently in April 2012. In addition, since 2011, we have cooperated with the Nanning Municipal Bureau of Commerce and Nanning Jiangnan District People's Government to hold the China-ASEAN Light Industrial Products Fair in October every year.

Our land costs are significantly lower than other property developers, allowing us to minimize downside risk and providing us with high potential for appreciation in our targeted markets

Our trade center projects are strategically located in fast growing manufacturing and economic regions. Due to the nature of our business, whereby we build our trade center projects to become primary hubs for trade of raw materials and finished goods, we are able to acquire large parcels of land for relatively low cost. The low cost of land provides us with significant potential for profitability, allows us to minimize downside risk, helps increase the appreciation potential of our land reserves and allows us to offer more attractive sales and leasing terms than those offered by our competitors. We were able to maintain a high gross profit margin of 62.6%, 59.7% and 60.9%, and net profit margin (excluding fair value gains on investment properties, related tax and extraordinary income) of 26.2%, 24.3% and 25.1%, respectively, in the fiscal years ended March 31, 2010, 2011 and 2012, respectively. We believe we were able to accomplish this partly due to our stringent control of costs and, more importantly, the low cost of land for our projects. The following table sets forth the cost of our land acquired by project as at the date of this offering memorandum.

Project	Land Cost (per GFA)
	(RMB/sq.m.)
China South City Shenzhen	120
China South City Nanning	147
China South City Nancheng	346
China South City Xi'an	369
China South City Harbin	286
China South City Zhengzhou	90
Weighted average	250

Our current and planned integrated logistics and trade centers are strategically located in fast growing manufacturing and economic centers near well-developed transportation networks

Our current and planned integrated logistics and trade centers are situated at prime locations in fast-growing manufacturing and economic centers near well-developed transportation networks. The Pearl River Delta, where China South City Shenzhen is located, represents one of the largest manufacturing and export regions in China. Within the Pearl River Delta, China South City Shenzhen is situated within 35 to 180 kilometers of four international airports as well as five container ports, including Kwai Chung Container Terminal in Hong Kong and Yantian Port in Shenzhen. In addition, China South City Shenzhen is connected to each of the major railway arteries in Southern China as well as at least 10 major highways linking each of the major cities in the Greater Pearl River Delta region. China South City Nanchang, which is currently under development, is located in Nanchang, which is one of China's important transportation hubs, and is situated at the intersection of two of China's major railway arteries, the Jingjiu and Zhegan Railways, with ready access to major highways, airports and the largest port on the Gan River. There is a complete freight network including a cargo marshall yard, a container terminus and an international airport, together with a principal high speed rail station currently under construction near our project site. China South City Nanning, which is also under development, will be located in Nanning. Nanning is located in close proximately to the Fangchenggang heavy port facility as well as other Southern Chinese sea ports and is emerging as a core regional trade center between Southeast and Southwest China and neighboring countries in Southeast Asia. China South City Xi'an is located in the Xi'an International Trade and Logistics Park in Shaanxi Province, which is well-equipped with a railway container terminal and the largest bonded area in the northwestern regions of China. Two subway lines are planned to pass through this area with one of the subway stations next to our planned Phase One buildings. China South City Harbin is strategically located in Harbin, the capital city of Heilongjiang Province, a premier hub for cross-border trade with countries in Northeast Asia, and China South City Zhengzhou is located in Zhengzhou, the capital city of Henan Province, which is highly accessible with extensive land and air networks as it is a main passenger and freight hub via the extensive highway and railway networks in China and its international airport.

Our track record demonstrates our development and operational abilities and has helped us to achieve brand name recognition

From October 2003 to December 2004, we developed China South City Shenzhen from an undeveloped land site to a large-scale integrated logistics and trade center. As of March 31, 2012, the trade centers and shops in Phase One achieved a total occupancy rate of approximately 95%, while those in Phase Two achieved approximately 48%. Our rental income increased from HK$133.5 million in fiscal year 2011 to HK$166.4 million in the fiscal year ended March 31, 2012. Meanwhile, the average sales price per sq.m. at our trade centers reached HK$16,500 per sq.m. in the fiscal year ended March 31, 2012. We generated Contracted Sales of approximately HK$7.1 billion in the fiscal year ended March 31, 2012, more than triple the Contracted Sales of approximately HK$2.2 billion in the fiscal year ended March 31, 2011, mainly due to the launch of China South City Nanchang, China South City Nanning and China South City Xi'an, which reflects the capability of our management. We emphasize the design and quality of construction of our trade centers by adopting international practices and applying stringent quality procedures for our integrated logistics and trade center projects. We believe our track record for high-quality design and construction has allowed us to secure a strong position in the development of integrated logistics and trade centers. As a result, we believe we have achieved a high degree of brand name recognition that has helped us to obtain the support of local governments as well as leverage in negotiating the key contractual terms applicable to our projects. We believe that our participation in the China (Shenzhen) International Industrial Fair, as well as the China-ASEAN Light Industrial Products Fair, has helped us in our efforts to solidify our brand as the leading developer and operator of large-scale, integrated logistics and trade centers in the PRC. We have been invited by local governments in other PRC markets to develop and operate additional trade center properties.

We have a strong, experienced management team with a demonstrated record of success

We consider the strength of our senior management team to be fundamental to the success of our integrated logistics and trade center development projects. We rely on our senior management's experience and insight on important factors that contribute to the success of our projects, such as careful site selection, detailed project management, stringent cost control and effective quality control. Our senior management team also has extensive experience in operational and financial management, which we believe provides us with a key competitive advantage. Our team of executive directors has extensive experience in the wholesale and manufacturing management business as well as having a strong representative presence in various Hong Kong and PRC industrial and commercial associations and PRC consultative bodies, including both national and local Committees of the Chinese People's Political Consultative Conference. The members of our financial team are all qualified accountants with experience in financial management, mergers and acquisitions, capital markets financing and corporate restructuring. Furthermore, we have developed a strong construction and sales team with specialized experience in each of the different trade and logistics services industries represented at China South City Shenzhen. We believe our management team's comprehensive industry background has helped us to achieve our past success and will enable us to successfully implement our growth strategies in the future.

Our founding shareholders possess in-depth experience and extensive networks of contacts within their respective industries

Our five founding shareholders, each of whom are either chairmen or executive directors of leading manufacturing and industrial companies based in Hong Kong with operations in the Greater Pearl River Delta region, have extensive experience and a well-developed network of contacts in their respective industries and have provided a firm foundation for our operations and future development. Industries represented by our founding shareholders include the textile and clothing, metals and plastics and paper and printing industries, corresponding to three of the five industrial trade centers found at Phase One of China South City Shenzhen. Two of our founding shareholders are our executive directors and three of our founding shareholders are our non-executive directors. Furthermore, our founding shareholders have worked together successfully for over eight years and each has between 20 and 40 years of experience in their respective industries.

Our Strategies

Our objective is to strengthen our position as one of the leading developers and operators of large-scale, integrated logistics and trade centers in the PRC. We intend to implement the following strategies:

Replicate the success of our existing business model in other cities in China

We intend to leverage our experience with China South City Shenzhen to develop similar integrated logistics and trade centers in other regions. We have and will continue to focus our expansion on cities meeting our strategic criteria, including: (1) demonstrated public demand for large-scale trade centers; (2) prime locations close to well-developed transportation networks; (3) promising local and regional economic growth potential, particularly with respect to those industries represented at our trade centers; and (4) strong government support for the development of integrated logistics and trade centers.

We intend to replicate the business model we have developed at China South City Shenzhen as we expand into other markets in China, including in Nanchang, Nanning and Xi'an, where we have commenced construction, and Harbin and Zhengzhou, where we have acquired parcels of land for development. We will continue to focus on maintaining diverse revenue streams by offering a comprehensive range of trade, logistics and supporting residential and commercial services at our new trade center projects. We intend to generate cash flows to cover a portion of the capital expenditures of our projects from sales of residential properties. In addition, we will continue to implement our strategy of acquiring large parcels of land for relatively low cost, offering protection against downside risk, providing us with significant potential for profitability and appreciation of our land reserves and allowing us to offer more attractive sales and leasing terms than these offered by our competitors.

Develop each of our projects in phases and optimize property mix to enable timely cost recovery

We intend to achieve an optimal mix of properties generating long-term recurring income and capital appreciation with properties generating profit from sales. In view of the large scale of our projects, we intend to continue to develop our projects in phases, and to vary our property mix, so as to cater to local market conditions and demand as well as to enable sufficient cash flows for project development. We expect to sell no more than half of our trade center units, and all of our residential facilities, will contribute to enhancing working capital and providing stable cash flows to support future development, while the remaining trade center units will be held to generate a recurring rental income stream. Our operation and management of our commercial facilities will also provide a source of recurring rental income and diversify our income sources to include property management. In addition, our strategy is to sell portions of each development phase such that we are able to recover the capital expenditures with respect to such phase within four years. For example, we recovered the capital expenditures incurred for our Phase One development in China South City Shenzhen through revenue generated from selling a portion of these properties in the fiscal years ended March 31, 2005, 2006 and 2007.

Maximize occupancy rates, rental rates and traffic flow in our existing and planned trade centers

We plan on maximizing occupancy rates, rental rates and traffic flow in our existing and planned integrated logistics and trade centers by implementing the following initiatives:

- *Provide preferential rental terms to maximize occupancy rates and increase rental rates as occupancy rates increase.* Our operating strategy at our integrated logistics and trade centers is to achieve high occupancy rates and attract a high-quality tenant base first and then increase rental rates steadily as occupancy rates increase. We attract quality tenants to our trade centers by offering preferential rental rates and other more attractive leasing terms than those offered by our competitors, such as rent-free periods based on advance rental payments made by tenants. We generally increase rental rates after the expiration of the initial lease agreement, by which time we believe our tenants who have established their business in our trade centers and are benefiting from the full range of integrated logistics, trade and supporting facilities will have strong incentives to renew their leases. We anticipate favorable upward trends in rental rates and sales prices for our trade center units, driven by (1) continuing growth in the manufacturing and export industries in China, which we expect to generate additional demand for space in integrated logistics and trade centers and (2) higher quality features in our trade centers.

- *Continue to offer integrated logistics services to increase customers' access to the global supply chain.* We intend to optimize our offerings of integrated logistics services, including warehouse, liaison and on-site logistics services and transportation providers, in order to facilitate the individual needs and order requirements of trade center tenants and their customers. By integrating logistics and trade functions and providing ready access to necessary services for trade center tenants and their customers, we believe we are able to outperform our competitors in advancing and expediting the business interests of trade center tenants.

- *Attract and secure high quality long-term tenants.* We plan to continue to use our strong relationships with industry trade associations and manufacturers, as well as our own in-depth knowledge of the industries represented at our trade centers, to secure high-quality, domestic and international suppliers of finished and unfinished goods as part of our tenant base. We believe that securing such high-quality tenants will increase the stability of our tenant base and help raise the profile and reputation of our trade centers, as well as increase the flow of trade within these centers, thereby enhancing our projects' status as centers of trade and ultimately allowing us to augment rental rates and sales prices for our trade center units.

- *Leverage and improve supporting infrastructure and services.* We will seek to enhance the market demand for our trade center units by leveraging and improving the auxiliary services available to our trade center tenants and their customers. In developing supporting infrastructure and services at China South City Shenzhen, we have entered into strategic alliances and arrangements with a variety of third-party service providers, including leading banks, providers of integrated logistics services and telecommunications companies. In addition, we offer conference and exhibition facilities, which are frequently utilized by industry participants for industry exhibitions and seminars. We offer residential, hotel and office facilities for the convenience of trade center tenants and their customers. Under the terms of our master agreement and the corresponding supplementary agreements for the development of China South City Shenzhen, the Shenzhen Longgang Pinghu Logistics Base Development Services Center has committed to assist in the development of the transportation infrastructure surrounding China South City Shenzhen. We will continue to request that the local government improve the transportation infrastructure surrounding China South City Shenzhen. Local governments have agreed to arrange for the improvement of similar supporting infrastructure and services at our properties planned for development in Nanchang and Nanning.

Continue to expand our operations by broadening our scope of industries that we serve

We have expanded our operations in China South City Shenzhen by broadening our scope of industries that we serve, which range from raw materials such as textiles to finished goods such as leather goods and clothing and themed products. In addition, we also operate factory outlets and are developing regionally themed and other themed trade centers to further enhance the scope and diversity of trade represented at our trade centers. By expanding our operations in this way, we believe that we have further expanded the scope of industries and variety of products beyond those offered by our competitors. We intend to replicate this strategy in our new trade center projects in Nanchang, Nanning, Xi'an, Harbin and Zhengzhou. We will continue to offer a wide range of industrial and commercial products to meet regional demand.

Build our market position and enhance our brand recognition

We intend to augment our sales and marketing program to further strengthen our market position and enhance brand recognition by using a variety of promotional, advertising, public relations and customer service campaigns, both in China and Hong Kong. In our marketing efforts, we will emphasize the competitive strengths of our trade centers, including strategic location, integration into the global logistics supply chain, strong supporting infrastructure and services and high-quality management. Our marketing promotions and advertising campaigns target domestic and multinational companies active in the industries represented at our trade centers. We believe that our marketing activities will better enable us to promote our trade centers, attract quality trade center tenants and enhance our brand recognition among domestic and international buyers and suppliers of finished and unfinished goods, allowing us to realize higher demand for our trade center units.

Our Projects

We currently have six large-scale integrated logistics and trade center projects in various stages of development located in Shenzhen, Nanchang, Nanning, Xi'an, Harbin and Zhengzhou. China South City Shenzhen has commenced its Phase Three construction whereas China South City Nanchang, China South City Nanning and China South City Xi'an are at their Phase One development, China South City Harbin and China South City Zhengzhou each acquired its first plot of land in June 2012 and August 2012, respectively, and will begin Phase One construction.

The following table summarizes GFA information for our projects as a whole, including trade center, residential and other supporting facilities as of the date of this offering memorandum.

	Completed Properties[1]		Properties Under Development[2]	Properties Planned for Future Development[3]	Total planned GFA	Total Land Bank[4]
	Sold	Unsold	Total	Estimated		
	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)		(in sq.m.)
China South City Shenzhen	548,600	967,400	327,000	801,000	2,644,000	2,095,400
China South City Nanchang	174,300	202,700	713,000	3,190,000	4,280,000	4,105,700
China South City Nanning	24,800	304,200	1,031,000	3,520,000	4,880,000	4,855,200
China South City Xi'an	—	—	607,000	16,893,000	17,500,000	17,500,000
China South City Harbin	—	—	—	6,000,000[5]	6,000,000	6,000,000
China South City Zhengzhou[6] . .	—	—	—	12,000,000[5]	12,000,000	12,000,000
Total	747,700	1,474,300	2,678,000	42,404,000	47,304,000	46,556,300

(1) Represents properties for which construction of all constituent buildings has been completed and which have been sold, leased, or are available for lease or sale.

(2) Represents properties for which we have obtained land use rights certificates and have planned or commenced construction.

(3) Represents properties with respect to which we have entered into a master agreement or similar agreement with, or have been awarded a competitive bid by, relevant regulatory authorities and which have been approved in accordance with our internal procedures.

(4) Constitutes the sum of unsold properties, properties under development and properties planned for future development. The total land bank in the fiscal years ended March 31, 2010 and 2011 are 11.8 million sq.m and 29.3 million sq.m, respectively.

(5) Based on management estimates and is subject to the terms of land grant certificates upon acquisition of the land.

(6) The project agreement for China South City Zhengzhou was signed in April 2012. The properties planned for future development are based on management estimates, and are subject to the terms of its land grant certificates.

With more projects launched to the market, we recorded remarkable growth in revenue during fiscal year ended March 31, 2012. Sales and leasing of China South City Shenzhen continued to deliver sound performance. Meanwhile, the launch of properties in other projects for sale or pre-sale, namely China South City Nanchang, China South City Nanning and China South City Xi'an, have been met with fervent responses among buyers. In fiscal year ended March 31, 2012 the Group achieved total contracted

Sales of HK$7.1 billion, exceeding our target of HK$7.0 billion. The table below sets forth our Contracted Sales for fiscal year ended March 31, 2012:

	Contracted area	ASP (before deduction of business tax)	Contracted Sales (before deduction of business tax)
	sq.m.	HK$/sq.m.	HK$ million
China South City Shenzhen	96,800	13,800	1,335
Trade center	51,300	17,300	889
Office	41,000	10,000	411
Residential property	4,500	7,700	35
China South City Nanchang	344,900	8,900	3,063
Trade center	174,300	11,900	2,076
Residential property	170,600	5,800	987
China South City Xi'an	98,200	11,500	1,133
China South City Nanning	35,300	14,400	507
China South City Heyuan[1]	16,700	10,500	169
China South City Heyuan[2]	N/A	N/A	894
Total			7,101

(1) Contracted Sales up to September 28, 2011 (date of disposing residential segment of China South City Heyuan).

(2) Balance represented the consideration for disposal of the residential segment of China South City Heyuan (RMB730 million).

China South City Shenzhen

China South City Shenzhen is a large-scale, integrated logistics and trade center for domestic and international suppliers, manufacturers and distributors in a comprehensive range of manufacturing industries. China South City Shenzhen is located in the Longgang District, approximately 20 kilometers outside of the city center of Shenzhen in Guangdong Province. When fully completed, China South City Shenzhen is expected to occupy approximately 1.06 million sq.m. of land, comprising a GFA of approximately 2.6 million sq.m.

The following table sets forth the mix of the properties of Phase One and Phase Two properties of China South City Shenzhen as of March 31, 2012, the expected mix of the properties of Phase Three of China South City Shenzhen upon its completion, and the expected mix of the properties of China South City Shenzhen as a whole when fully completed.

	Phase One Approximate Completed GFA		Phase Two Approximate Completed GFA		Phase Three Planned GFA to be Completed		Total Planned GFA of Project	
	(sq.m.)	(%)	(sq.m.)	(%)	(sq.m.)	(%)	(sq.m.)	(%)
Trade centers	359,500	77.5	560,400	55.8	710,900	60.4	1,630,800	61.7
Other commercial facilities[1]	44,900[2]	9.7	258,000[4]	25.7	102,600	8.7	405,500	15.3
Residential facilities	—	—	141,200[5]	14.1	62,700	5.3	203,900	7.7
Warehouse facilities	26,500[3]	5.7	43,900[6]	4.4	300,700	25.6	371,100	14.1
Hotel facilities	32,700	7.1	—	—	—	—	32,700	1.2
Total	463,600	100.0	1,003,500	100.0	1,176,900	100.0	2,644,000	100.0

(1) Other commercial facilities include (a) offices, shops and other commercial facilities for third-party service providers; (b) restaurant facilities; (c) sales and leasing and administrative facilities; (d) exhibition and conference facilities; and (e) underground car parking.

(2) A portion of the Phase One exhibition facilities, representing a GFA of approximately 9,300 square meters, will be demolished during Phase Three construction.

(3) Phase One warehouse facilities have been demolished for construction of Phase Three warehouse facilities since March 31, 2012.

(4) Comprises leasable GFA of approximately 68,000 sq.m. and underground car parking and ancillary GFA of approximately 190,000 sq.m.

(5) Comprises leaseable GFA of approximately 114,700 sq.m. and underground car parking and ancillary GFA of approximately 26,500 sq.m.

(6) Comprises leaseable GFA of approximately 43,200 sq.m. and underground GFA of approximately 700 sq.m.

In the fiscal year ended March 31, 2012, China South City Shenzhen generated revenue totalling HK$1,211.1 million, of which HK$971.7 million was from sales and finance lease income and HK$239.4 million from recurring income.

Completed Property Developments at China South City Shenzhen

The following projects represent completed property developments at China South City Shenzhen for which construction of all constituent buildings has been completed and which are available for lease or sale.

China South City Shenzhen Phase One Trade Center

Phase One of China South City Shenzhen commenced operations in December 2004. Phase One of China South City Shenzhen primarily serves five complementary light manufacturing industries: (1) textile and clothing; (2) leather and accessories; (3) electronic accessories; (4) printing, paper and packaging; and (5) metals, chemicals and plastics. As of March 31, 2012, Phase One of China South City Shenzhen had five trade centers covering a total GFA of approximately 359,500 sq.m.

Our Phase One leaseable area consists of trade center units retained by us for rental income and capital appreciation and Phase One trade center units that have been sold subject to separate lease agreements with the purchasers of these units.

Phase One trade centers are focused on unfinished goods. However, in an effort to further expand our scope of services and enhance the comprehensiveness of our trade centers, we intend to extend the scope of products represented in Phase One to include finished goods and small commodities, themed and regional goods, as well as entertainment facilities. This strategy is designed to meet the demands of our customers and increase public awareness of the China South City brand.

Occupant Mix

Phase One occupants include an array of domestic and international manufacturers, suppliers and dealers seeking to display, trade and promote their raw material products in our Phase One trade centers. Phase One trade center occupants include both domestic companies with long-term experience in China's industrial trade market and new market entrants, including international companies seeking to gain a share of the domestic industrial trade market.

Occupancy Rates

Total occupancy rates in the Phase One trade centers increased to 95% as of March 31, 2012 compared to 86% as of March 31, 2011. We believe the increase was due to the continued enhancement of our brand recognition as a result of the successful implementation of our promotional and marketing strategies and an increase in market demand for the comprehensive range of trade, logistics and supporting services offered at China South City Shenzhen.

Rental Rates

The monthly average effective rent per sq.m. for our Phase One trade centers increased to HK$35 as of March 31, 2012, as compared to HK$32 as of March 31, 2011.

Property Sales

Pursuant to land grant contracts entered into between the Shenzhen Municipal Bureau of Land Resources and Housing Management and China South International, the combined saleable GFA of our Phase One, Phase Two and Phase Three trade center units is limited to 528,000 sq.m. We had allocated approximately 192,000 sq.m. of this saleable area to our Phase One trade centers, of which we had sold Phase One trade center units representing a GFA of approximately 185,000 sq.m. as of March 31, 2012.

China South City Shenzhen Phase Two Trade Center

Phase Two of China South City Shenzhen commenced operations in 2009. Phase Two of China South City Shenzhen primarily houses manufacturers and distributors of finished goods and small commodities, themed products, regional goods including branded undergarments and goods originating in Hong Kong and Taiwan.

As of March 31, 2012, Phase Two of China South City Shenzhen had two trade centers that covered a total GFA of approximately 560,400 sq.m. Our Phase Two leaseable area consists of Phase Two trade center units retained by us for rental income and capital appreciation and Phase Two trade center units that have been sold but which we are still able to lease pursuant to sales agreements.

Occupant Mix

Phase Two of China South City Shenzhen occupants include an array of domestic and international manufacturers, suppliers and dealers seeking to display, trade and promote their raw material and finished good products in our Phase Two trade centers. The outlet center in Phase Two opened in April 2011. It includes major international brands such as Nike, Adidas, Puma, Li Ning, Kappa, Fila and Lotto. It has also expanded to include fashion and leather goods and accessories for brands such as Daniel Hechter, Le Saunda, Sanrio, Lids, Walker Shop and Baleno.

Occupancy Rates

Total occupancy rates in the Phase Two trade centers was approximately 48% of the GFA launched for lease and sale as of March 31, 2012 compared to 36% as of March 31, 2011. We continue to promote our unleased Phase Two trade center units and target high-quality tenants to maximize our occupancy rates.

Rental Rates

The monthly average effective rent per sq.m. for our Phase Two trade centers was approximately HK$35 per sq.m. as of March 31, 2012, as compared to HK$34 per sq.m. as of March 31, 2011.

Property Sales

Pursuant to land grant contracts entered into between the Shenzhen Municipal Bureau of Land Resources and Housing Management and China South International, the combined saleable GFA of our Phase One, Phase Two and Phase Three trade center units is limited to 528,000 sq.m. We have allocated approximately 208,000 sq.m. of this saleable area to our Phase Two trade centers, of which we had sold Phase Two trade center units representing a GFA of approximately 207,000 sq.m. as of March 31, 2012.

Property Under Development at China South City Shenzhen

Phase Three of China South City Shenzhen, which commenced construction in December 2010, will consist of three new trade centers, which are expected to focus on furniture, motor vehicle and electronics industries as well as housing entertainment facilities. The office tower in Phase Three, which has a GFA of approximately 52,000 sq.m., was completed in March 2012. Phase Three of China South City Shenzhen as a whole, including all trade centers, offices, warehouse and other supporting facilities, is expected to cover a GFA of approximately 1.2 million sq.m. upon expected completion by 2015.

The office tower, China South Development Tower, which has a GFA of 52,000 sq.m. was completed in March 2012. Currently, a trade center with a planned GFA of 327,000 sq.m. is under construction.

Supporting Facilities and Services

Overview

China South City Shenzhen has a comprehensive range of supporting infrastructure and services, including on-site warehouse and logistics services as well as liaison services with third-party logistics providers, in order to facilitate access and integration into the global supply chain. Although much of this supporting infrastructure is already in place for the benefit of tenants of Phase One and Phase Two of China South City Shenzhen, we plan to expand the supporting infrastructure to further support the needs of our tenants.

Logistics Services and Facilities

China South City Shenzhen logistics services and facilities consist of a network of warehouses and one-stop integrated inbound and outbound logistics facilities. There are three types of warehouses, including bonded, unbonded and export supervised warehouses. These warehouses are utilized by trade center tenants and other customers prior to delivering their goods to international or domestic customers. China South NEL, our jointly controlled entity, manages and operates the unbonded warehouses, while China South International manages and operates the export supervised warehouses and bonded warehouses. Customs officials are located on-site at the bonded warehouse to complete the required customs procedures. China South NEL also provides logistics liaison services to our trade center tenants and customers of the five industries represented at China South City Shenzhen, assisting them to liaise with third-party logistics services providers located on-site.

As of March 31, 2012, we had a warehouse facility with a GFA of approximately 43,900 sq.m.

Exhibition and Conference Facilities

China South City Shenzhen has two temporary exhibition centers, comprising a GFA of approximately 9,300 sq.m., along with exhibition facilities in our Phase Two trade centers which we, along with third-party event organizers and planners, utilize for industry exhibitions, conferences, conventions, meetings and banquets. Third-party event organizers and planners include trade associations for those industries represented within our trade centers. These exhibition centers are used to showcase the products offered for sale by trade center tenants to potential customers and to attract potential tenants and customers of tenants to visit China South City Shenzhen. We organize exhibitions through our subsidiary, Shenzhen China South City Convention and Exhibition.

Hotel Services

We own and operate a four-star hotel in China South City Shenzhen offering accommodation, food and beverage and general recreational services. The hotel, named the "Grand City Hotel," consists of two buildings, each 10 stories, and has a total of 367 guest rooms covering a GFA of approximately 32,700 sq.m. The Grand City Hotel has two western restaurants and one Chinese restaurant, and also has entertainment facilities.

Other Facilities

In addition, we leverage our strong brand recognition to bring various chain stores such as China Mobile and China Telecom, food and beverage outlets such as McDonald's and KFC and various PRC banks, including Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China, Ping An Bank and Postal Savings Bank of China, to our trade centers to better serve our tenants and their customers.

Commercial Facilities for Third-Party Services

China South City Shenzhen also features: (1) other logistics services, which are provided by third-party logistics companies and other transportation providers located primarily in our warehouse facilities; (2) office and other commercial facilities for third-party service providers, consisting of government agencies, restaurants, banks, telecommunications companies, a quality control services center for the textile industry, industry associations and other providers of professional services, such as tax consultants and insurance companies and (3) advertising services provided by third-party advertising companies.

Construction of the Global Logistic Center, our Phase Two office tower at China South City Shenzhen, was completed in April 2010. The Global Logistic Center is a modern, integrated office tower comprising office, retail and underground car park facilities. As of March 31, 2012, the total occupancy rate with respect to the office area of approximately 37,700 sq.m. was 99%. We completed construction of the China South Development Tower in Phase Three with a GFA of 52,000 sq.m. in March 2012, of which 31,500 sq.m. is subject to a finance lease arrangement at an ASP of HK$10,200 per sq.m.

Residential Services

The West Garden residential facility is located near the Pinghu Ecotypic Garden, an area of natural greenery and natural reservoir, on a site area of approximately 40,000 sq.m. The West Garden is a 1,628-unit residential apartment complex consisting of three residential towers and covering a leaseable GFA of approximately 114,000 sq.m. and underground car parking and ancillary area of approximately 26,500 sq.m. As of March 31, 2012, we had entered into lease agreements with tenants for units in West Garden having a GFA of approximately 91,000 sq.m., or 79.8% of the total leaseable GFA.

Pursuant to land grant contracts entered into between the Shenzhen Municipal Bureau of Land Resources and Housing Management and China South International, the building ownership certificate granted to us for West Garden is a green-cover building ownership certificate which: (1) restricts the transfer of West Garden units; and (2) requires approval by the relevant authority of mortgages of the underlying property. Due to restrictions on the transfer of units in the building ownership certificates of West Garden, we are unable to sell the residential units and instead have entered into lease agreements with tenants of West Garden. All West Garden lease agreements consist of two 20-year terms, which are automatically renewed unless both parties agree otherwise. Upon the expiration of the second 20-year term, the agreement is automatically extended again to May 15, 2055, which is when our land use rights certificate for West Garden expires.

Our agreements with some tenants require them to pay approximately 50% of the total consideration for the West Garden units upon execution of the agreement, with the balance generally payable within one to two months thereafter. Our agreements with other tenants require them to pay the total consideration to us upon execution of the agreement. To facilitate the bank loan application process for certain tenants, we provide guarantees to bank lenders on behalf of the tenants. We also extend entrusted loans with interest through intermediary banks to certain tenants who are unable to obtain mortgage loans on their own. For further information with respect to guarantees and entrusted loans extended to our tenants, see "— Purchaser and Tenant Financing."

Transportation Network

China South City Shenzhen is located within the Greater Pearl River Delta's integrated and extensive transportation network of airports, railways, port facilities for ocean shipping and highways.

Airports. There are four airports in the Greater Pearl River Delta, including the Hong Kong International Airport, the Guangzhou Baiyun International Airport, which serves as the center for domestic freight in the PRC, the Shenzhen Baoan International Airport and the Zhuhai International Airport. China South City Shenzhen is located within 35 kilometers of the nearest of these airports and no more than 180 kilometers from the farthest of these airports.

Railways. There are several railway lines in the Greater Pearl River Delta that connect to key railway arteries in China, including the Beijing-Guangzhou Railway and the Beijing-Kowloon Railway. There are also railways that connect cities within the Greater Pearl River Delta, including the Ping Nan Railway, which connects Pinghu and Nanshan, and the Ping Yan Railway, which connects Pinghu and Yantian. China South City Shenzhen is located within 20 kilometers of the Pinghu Railway Station, which connects to each of these railway lines.

Ocean Shipping Facilities. Some of the world's largest, busiest and most efficient container ports are located in the Greater Pearl River Delta, including the Kwai Chung Container Terminal in Hong Kong, which is the second busiest port in the world in terms of volume, the Yantian Port in Shenzhen, the Shekou Port in Shenzhen, the Huangpu Port in Guangzhou and the Nansha Port in Guangzhou. China South City Shenzhen is located within 30 kilometers of these ports.

Highways. All major cities in the Greater Pearl River Delta are linked by major highways, and the highway network is rapidly expanding. Projects in progress, such as the Shenzhen Bay Bridge, a 5.5 kilometer bridge between Shekou and Hong Kong, the Hong Kong-Zhuhai-Macau Link, a 35 kilometer bridge connecting Hong Kong, Zhuhai and Macau, and the Pearl River Bridge project, a 29 kilometer bridge between Hong Kong and Macau, should further connect Hong Kong, Macau, Zhuhai and Shenzhen. In addition, construction of a new exit of the Jihe expressway within 800 meters of China South City Shenzhen was completed in 2009 with the support of the Shenzhen municipal government.

Future Developments. We have made requests to the Shenzhen Metro Company and local government authorities in Shenzhen to further improve surrounding transportation infrastructure, including extending the local subway network to reach China South City Shenzhen. In addition, the Shenzhen Longgang Pinghu Government has approved a five-year plan, beginning in 2008, to either construct or expand 12 roads, or sections of roads and/or highways, to improve traffic to and from Pinghu, where China South City Shenzhen is located.

China South City Nanchang

We entered into a master agreement with the municipality of Nanchang in Jiangxi Province in February 2007 and several supplementary agreements thereto to develop integrated logistics and trade centers in that region. China South City Nanchang will be located in the Honggutan New District, Nanchang, Jiangxi. Located at the intersection of the Jingjiu and Zhegan Railways, Nanchang is easily accessible via highway and airport and maintains the largest port on the Gan River. As a result of its location, Nanchang today represents one of China's important transportation hubs. In addition, we expect the office relocation plan of the Jiangxi provincial government to the vicinity of China South City Nanchang will shift the provincial administration accordingly and increase the business potential of our trade centers and supporting facilities in Nanchang.

The following table sets forth the intended mix of the properties of China South City Nanchang upon its completion.

	Total Estimated GFA[1]	
	(sq.m.)	(%)
Trade centers	1,430,000	33.4
Other commercial facilities	531,000	12.4
Residential facilities	1,419,000	33.2
Warehouse facilities	900,000	21.0
Total	4,280,000	100.0

(1) Represents current management estimates, subject to change.

With a site area of approximately 1.54 million sq.m., We expect China South City Nanchang to provide a total GFA of approximately 4.28 million sq.m. upon completion. We have acquired the land use rights for the entire site area. We expect China South City Nanchang to be completed in phases, with Phase One currently under development. In the fiscal year ended March 31, 2012, we completed the construction of trade center units with a GFA of approximately 377,000 sq.m. in Phase One. These trade center units were launched for sale, and certain Phase One residential facilities with approximately 385,000 sq.m. of GFA were launched for pre-sale. We generated Contracted Sales of HK$3,063 million from pre-sales, of which HK$2,076 million was from trade centers with a GFA of 174,300 sq.m. and HK$987 million was from residential facilities with a GFA of 174,300 sq.m. China South City Nanchang contributed sales revenue of HK$1,959 million in the fiscal year ended March 31, 2012.

The following table sets forth the intended mix of the properties of China South City Nanchang through the fiscal year ended March 31, 2013.

	Total Estimated GFA	
	(sq.m.)	(%)
Trade centers	328,000	46.0
Residential facilities	385,000	54.0
Total	713,000	100.0

Pursuant to land grant contracts governing the use of land at China South City Nanchang, our sales of trade centers and warehouse facilities is limited to 60% of the GFA of the properties located on the parcels of land on which these trade centers and warehouse facilities are located. This restriction does not apply to the properties acquired in 2009 for residential, commercial and other uses, and does not apply to the land we acquired in 2011. We intend to retain not less than 50% of the aggregate GFA of our trade centers for investment purposes. We intend to sell substantially all of the residential units and retain, sell or partner with strategic partners with respect to the supporting commercial facilities of these projects.

Transportation Network

China South City Nanchang is expected to be located within Nanchang's Honggutan New District, with access to a network of airports, railways, port facilities for ocean shipping and highways.

Airports. The Changbei Airport, which provides access to over 25 destinations including Beijing, Hong Kong, and Guangzhou, is located approximately 30 minutes from the expected site of China South City Nanchang.

Railways. Nanchang is located at the vital intersection of the Jingjiu and Zhegan Railways. Currently, Nanchang is the only capital city situated on the Jingjiu Railway line. The Nanchang West Railway Station, a principal high speed railway station currently under construction, is located near our project.

Ocean shipping facilities. Nanchang is the largest port on the Gan River. With access to the Gan River, Fu River, Xiang Lake, Qingshan Lake and Aixi Lake, Nanchang is also connected to areas such as Poyang, Duchang, Ruihong, Zhouxi, and Lianhu.

Highways. China South City Nanchang is expected to be easily accessible via highway and to be located next to the Waihuan Way, Changzhang Express Way and 320 National Road.

China South City Nanning

We entered into a master agreement and several supplementary agreements thereto with the Nanning City Jiangnan District People's Government in Guangxi Zhuang Autonomous Region in December 2007 to develop integrated logistics and trade centers in that region. Located in Nanning, Guangxi Zhuang Autonomous Region, we expect China South City Nanning to offer a comprehensive logistics trade center project for various industries of daily life of the region, an exhibition center, offices and a hotel upon completion. The project site will have easy access to railway, highway, marine transportation, and air transportation. Nanning is situated in the south of Guangxi Zhuang Autonomous Region, adjacent to Guangdong Province and Macau, facing Southwest China and Southeast Asia. Nanning's position as a coastal city located between Southeast and Southwest China has fueled its development as a core logistics trade center in the region and its proximity to the Vietnam border has allowed Nanning to develop strong business networks with the Southeast Asian markets.

The following table sets forth the intended mix of the properties of China South City Nanning upon its completion.

	Total Estimated GFA[(1)]	
	(sq.m.)	**(%)**
Logistics trade centers	3,030,000	62.1
Other commercial facilities	940,000	19.3
Residential facilities	910,000	18.6
Total	4,880,000	100.0

(1) Represents current management estimates, subject to change.

China South City Nanning has a planned total site area of approximately 1.83 million sq.m. and a planned total GFA of approximately 4.88 million sq.m. upon completion. We have acquired land use rights for a site area of approximately 890,000 sq.m., or approximately 48.6% of the total planned GFA. As currently planned, China South City Nanning will serve as a hub for large-scale finished and unfinished goods and commodity trade with Southeast Asia.

We expect China South City Nanning to be completed in phases, with Phase One currently under development. In the fiscal year ended March 31, 2012, we completed the construction of logistics trade centers for Phase One with 329,000 sq.m. of GFA and launched the logistics trade center in March 2012. We made total Contracted Sales of HK$507 million from GFA of 35,300 sq.m.. Total revenue of HK$341 million was recorded at our launch for sales for GFA of 24,800 sq.m. at an average selling price of approximately HK$14,600 per sq.m.

The following table sets forth the intended mix of the properties of China South City Nanning through the fiscal year ended March 31, 2013.

	Total Estimated GFA	
	(sq.m.)	(%)
Logistics trade centers	566,000	54.9
Residential facilities	465,000	45.1
Total	1,031,000	100.0

Pursuant to land grant contracts governing the use of land at China South City Nanning, our sales of logistics trade centers and warehouse facilities is limited to 60% of the GFA of the properties located on the parcels of land on which these logistics trade centers and warehouse facilities are located. This restriction does not apply to the properties that are built for residential, commercial and other uses. We intend to retain not less than 50% of the aggregate GFA of our trade centers for investment purposes. We intend to sell substantially all of the residential units and retain, sell or partner with strategic partners with respect to the supporting commercial facilities of these projects.

Transportation Network

China South City Nanning is expected to be located within the Beibu Gulf Economic Cooperation Zone, with access to a network of airports, railways, port facilities for ocean shipping and highways.

Airports. The Nanning Wu Xu International Airport, with flights from more than 30 local and international airlines, is located approximately 20 kilometers away from the expected site of China South City Nanning.

Railways. Nanning is connected by several railways, including the Nakun Line, the Xianggui Line and the Qiangui Line and serves as an important hub for access to international railways connecting Vietnam, Cambodia, Malaysia and Singapore. In addition, the Nanning Railway Station is among the largest railway distribution stations in Southwest China and is approximately two kilometers south of the expected site of China South City Nanning.

Ocean shipping facilities. Nanning is located next to the ports of Xijiang, Tingzi and Jinji from which goods are shipped regularly to and from Guangzhou, Zhuhai, Macau and Hong Kong.

Highways. The network of highways and other thorough fares within Nanning are linked to the major highways of Southeast China, and also connect to Guangzhou and Hong Kong. In addition, Jiangnan County is the starting point of a number of national roads, including National Roads 320, 105 and 316, as well as major highways, including the Changjiu, Changgan and Xiwaihuan Highways.

China South City Xi'an

In June 2009, we entered into a non-binding memorandum of understanding with the Xi'an International Trade and Logistics Park Management Committee for the development of a large-scale integrated logistics center in the Xi'an International Trade and Logistics Park. Pursuant to the memorandum of understanding, the Xi'an International Trade and Logistics Park Management Committee has agreed to promote this project as one of Xi'an's major projects. We intend to develop and position China South City Xi'an as a major integrated logistics and trade center in northwest China.

In November 2009, the Xi'an International Trade and Logistics Park Management Committee, China South International, Xin Hao Da and Xi'an Government entered into a project agreement for the Xi'an project. Pursuant to the project agreement, China South International and Xin Hao Da have formed a joint venture company, owned 65% and 35% by them, respectively. According to the signed project agreement, China South City Xi'an will cover a planned total site area of approximately 10 million sq.m. We plan to undertake the construction of the total planned GFA of approximately 17.5 million sq.m. in phases, half of which will be used for trade centers and half of which will be used for ancillary facilities.

In the fiscal year ended March 31, 2012, we began construction on the total planned GFA of approximately 607,000 sq.m. of the Phase One trade centers for China South City Xi'an, These trade centers are intended to serve the machinery and hardware and fashion, clothing and textile industries. Pre-sales were launched in fiscal year ended March 31, 2012 which generated a total Contracted Sales of HK$1,133 million for trade centers with GFA of 98,200 sq.m.

The following table sets forth the intended mix of the properties of China South City Xi'an upon its completion.

	Total Estimated GFA[1]	
	(sq.m.)	(%)
Trade centers	8,750,000	50.0
Ancillary facilities	8,750,000	50.0
Total	17,500,000	100.0

(1) Represents current management estimates, subject to change.

Other Projects

China South City Harbin

In October 2011, China South International entered into an agreement with Harbin Daowai District People's Government for the development of an integrated project comprising logistics and trade centers and commercial and residential facilities. In June 2012, Harbin China South City Company Limited bid for and successfully acquired the land use rights to approximately 263,000 sq.m. of land in Harbin for approximately RMB239 million from Harbin Land and Property Exchange Center, acting on behalf of the Harbin Bureau of Land Resources, Extensive preparation work has commenced on site and the overall construction plan for our China South City Harbin is under planning. We intend to retain a portion of the acquired land for rental purposes and to offer another portion for sale.

China South City Zhengzhou

In April 2012, the Xin Zheng City Government and Shenzhen China South City Investment Holdings Co., Ltd. entered into a cooperative agreement for the Zhengzhou project for a total net land area of 7,000,000 sq.m. Pursuant to the agreement, Shenzhen China South City Investment Holdings Co., Ltd. will undertake the construction and development of a large-scale integrated logistics and trade center. In August 2012, we acquired the land use rights to a total site area of approximately 103,000 sq.m. in Zhengzhou for approximately RMB23.3 million. Whereas the overall construction plan is still under planning, extensive preparation work has begun on site.

Master Agreements

We have signed master agreements and corresponding supplementary agreements with local government agencies in Shenzhen, Nanchang, Nanning, Xi'an, Harbin and Zhengzhou that set out each party's commitments and expectations and a proposed framework for the development of our projects. Under these master agreements and corresponding supplementary agreements, our primary obligations generally include purchasing land and developing certain infrastructure in the amount and manner set forth in the master agreements and commencing and completing project-related construction according to the timeframe set forth in the master agreements and corresponding supplementary agreements. The primary obligations of the local government agencies with whom we enter into master agreements and corresponding supplementary agreements generally include improving the infrastructure surrounding the project development site, obtaining land to be granted under the master agreements and corresponding supplementary agreements as well as relocating the existing residents on the land, compensating us for certain infrastructure costs assumed by us in construction of our projects, bearing certain costs for basic facilities associated with our projects, including facilities for the discharge of pollutants, water and electricity supply, communications lines and piping, and assisting us to obtain favorable treatment and necessary approvals from government authorities.

Master Agreement for the Development of China South City Shenzhen

On December 24, 2002, the Shenzhen Longgang Pinghu Logistics Base Development Services Center, an administrative entity representing the Shenzhen Longgang District Government to attract investment and carry out planning, management and development of the Shenzhen Longgang Pinghu Logistics Base, entered into a master agreement with China South International, a subsidiary of our Company, outlining the understanding of both parties in relation to the development of China South City Shenzhen, a specialized wholesale market for industrial raw materials.

The agreement was supplemented by an agreement dated the same date as the master agreement and another agreement dated September 25, 2003 and several supplementary agreements thereto among the same parties as in the master agreement.

Under the master agreement, as supplemented, the Shenzhen Longgang Pinghu Logistics Base Development Services Center agreed in principle to provide parcels of land having an aggregate area of 1.5 million sq.m. (including roads having an area of 107,000 sq.m.) within the Pinghu logistics base for a logistics development project, subject to final determination under land use contracts entered into with the local land bureau.

The master agreement provides that China South City Shenzhen will be divided into the following four functional zones, of which an area of not less than 1.06 million sq.m. should be used for the trade center, warehouse and commercial zones, and an area of approximately 300,000 sq.m. should be used for the supporting living and residential zone:

- trade center zone, including trade centers dedicated to (1) textile and clothing, (2) leather and accessories, (3) electronic accessories, (4) printing, paper and packaging and (5) metals, chemicals and plastics;

- warehouse zone, for the provision of warehouse services in support of trade center operations;

- commercial zone, for the provision of supporting commercial service, including, but not limited to, office facilities, shops, exhibition and meeting facilities, hotel facilities and restaurant facilities; and

- supporting living and residential zone, including dormitories, apartments, a canteen, and other supporting facilities.

Under the master agreement and corresponding supplementary agreements, the land granted to us is for integrated logistics use and the land grant fee to be paid by us was RMB300 per sq.m. of the actual usable land area (excluding roads). Under the supplemental agreement, in consideration of us bearing the expenses of leveling the land, constructing supporting facilities and building two main roads in China South City Shenzhen, the land grant fee payable to the Shenzhen Municipal Bureau of Land Resources and Housing Management was reduced by RMB120 per sq.m. As a result, the land grant fee paid by us to the Shenzhen Municipal Bureau of Land Resources and Housing Management was RMB180 per sq.m. of the actual usable land area (excluding roads).

Master Agreement for the Development of China South City Nanchang

On February 11, 2007, the Nanchang City Honggutan New District Administrative Committee, an administrative agency engaged by the People's Government of Honggutan New District, Nanchang to plan and manage the development of the Honggutan New District, entered into a master agreement with China Metro-Rural Exchange Limited (formerly known as China South City Group Limited) in relation to the development of China South City Nanchang. Cheng Chung Hing (a director and one of our controlling shareholders) and Leung Moon Lam (a director but not our controlling shareholder) together control 65% of the equity interests of China Metro-Rural Exchange Limited. The remaining equity interests of China

Metro-Rural Exchange Limited are controlled by independent third parties. The agreement was supplemented by an initial supplemental agreement dated the same date as the master agreement among the same parties as in the master agreement, and a second supplement on March 21, 2008. The initial supplemental agreement clarified the terms of the original master agreement and the second supplemental agreement transferred all rights and obligations of China Metro-Rural Exchange Limited to us without consideration. When the master agreement was signed on February 11, 2007, we had not decided whether or not to pursue the opportunity to develop this project, which was identified by our directors, Cheng Chung Hing and Leung Moon Lam. Accordingly, the master agreement with the Nanchang City Honggutan New District Administrative Committee was first entered into with China Metro-Rural Exchange Limited. When the development of China South City Nanchang project was approved by our board of directors in October 2007, China Metro-Rural Exchange Limited transferred all of its rights and obligations under the master agreement to us.

Under the master agreement, as supplemented, the Jiangxi Nanchang Honggutan New District Administrative Committee agreed in principle to provide parcels of land having an aggregate area of 2.0 million sq.m. in the Honggutan New District for the construction of an integrated logistics and trade center, subject to final determination under land use contracts entered into with the local land bureau. The master agreement provides for an area of approximately 750,000 sq.m. to be used for the development of an integrated trade center project; an area of approximately 500,000 sq.m. to be used for logistics and warehouse purposes; and an area of approximately 750,000 sq.m. to be used for ancillary commercial purposes. Under the master agreement, as supplemented, the proposed site area is to be transferred by public tender, auction or listing for sale in three phases in equally sized parcels, by December 2007, December 2008 and June 2009, respectively. Due to a delay in relocating existing residents, the transfer of the initial parcel of land was postponed until December 2009. The final price of each parcel of land, to be paid within 60 days of entering into land use contracts with the local land bureau for such land, must be determined by way of public tender, auction or listing for sale and includes all costs associated with completion of the land transfer, including land acquisition costs, relocation costs and other compensation owed to previous holders of the land.

Under the master agreement, as supplemented, the Jiangxi Nanchang Honggutan New District Administrative Committee is responsible to relocate, at its own expense, the original residents on the land. In addition, the Jiangxi Nanchang Honggutan New District Administrative Committee has agreed to assist us in completing government administrative application and approval procedures as necessary. In return, we have agreed to commence construction and begin China South City Nanchang's Phase One and Phase Two operations within six months and two years, respectively, after signing the land use rights transfer contract.

Master Agreement for the Development of China South City Nanning

On December 29, 2007, the Nanning City Jiangnan District People's Government, on the authority and with the approval of the Nanning City People's Government, entered into a master agreement with us in relation to the development of China South City Nanning. Under the master agreement, the Nanning City Jiangnan District People's Government agreed in principle to provide parcels of land with an aggregate area of approximately 1.7 million sq.m. in the Jiangnan District for the construction of an integrated logistics and trade center, subject to final determination under land use contracts entered into with the local land bureau. The master agreement provides that an area of approximately 997,000 sq.m. shall be used for the development of trade centers and exhibition facilities; approximately 400,000 sq.m. shall be used for the development of integrated logistics, commercial and warehouse facilities; and an area of approximately 333,000 sq.m. shall be used for ancillary living and commercial purposes.

Under the master agreement, the proposed site area is to be transferred by public tender, auction or listing for sale in two phases. The first transfer, representing a site area of approximately 840,000 sq.m., took place in the fourth quarter of 2009. The second transfer, representing a site area of approximately 890,000 sq.m. took place in the second half of 2011. Pursuant to the terms of the master agreement, the price of each parcel of land is determined in accordance with the value ascribed in the land use rights grant contract entered into with the Nanning Land Bureau, inclusive of all costs, other than relevant taxes, associated with completion of the land transfer, including but not limited to land acquisition costs, demolition costs, land development funds, as well as compensation, relocation and welfare costs owed to previous holders of the land.

Master Agreement for the Development of the Heyuan Project

On December 25, 2005, Guangdong Province Heyuan City Zijin County People's Government entered into an agreement with our subsidiary, China Metro-Rural Exchange Limited, outlining an understanding among the parties in relation to develop the Heyuan Project, a farm-style travel and resort community located in Zijin County, catering to domestic and international executives, primarily including those with operations at China South City Shenzhen.

A supplemental agreement was signed on June 4, 2006, transferring all rights and obligations of China Metro-Rural Exchange Limited to China South City Enterprise, our project company in Heyuan. A second supplemental agreement, which was signed on April 21, 2009, provides that a portion of the land is to be used for integrated logistics and trade purposes.

On December 13, 2010, Guangdong Province Heyuan City Zijin County People's Government entered into an agreement with China South International in connection with the proposed development of the integrated logistics and trade centers in Heyuan. The agreement outlines the proposed framework for the development of the integrated logistics and trade centers, the scope and area of the project land and each party's commitments and expectations for the proposed project. The Guangdong Province Heyuan City Zijin County People's Government agreed in principle to provide parcels of land area of approximately 1.2 million sq.m. for the proposed integrated logistics and trade centers, subject to final determination under land use contracts to be entered into with the local land bureau.

Agreement for the Development of China South City Xi'an

On November 3, 2009, the Xi'an International Port Zone Committee, an administrative entity representing the Xi'an Municipal People's Government to attract investment and carry out planning, management and development of the Xi'an International Port Zone, entered into an agreement with our subsidiary, China South International Industrial Materials City (Shenzhen), and Xinhaode (Hongkong) Holdings Ltd., outlining an understanding among the parties in relation to the development of China South City Xi'an, a large, modern, and integrated commercial logistics base.

Under the agreement, the Xi'an International Port Zone Committee agreed in principle to provide parcels of land having an aggregate area of 10 million sq.m. within the Xi'an International Port Zone for a logistics development project, subject to final determination under land use contracts entered into with the local land bureau.

The master agreement provides that China South City Shenzhen will be divided into two functional zones, including an area of approximately five million sq.m. to be used as an integrated commercial logistics zone, and an area of approximately five million sq.m. to be used for supporting commercial and residential facilities.

Agreement for the Development of China South City Harbin

On June 16, 2011, the Harbin People's Government and the Harbin Daowai District People's Government entered into an agreement with China South International and Hong Kong Howard Group Investment Company, outlining the development of an integrated project comprising logistics and trade centers and commercial and residential facilities in Harbin. Under the master agreement, the Harbin People's Government agreed in principle to provide a parcel of land with an aggregate area of approximately 10 million sq.m. in Daowai District for the construction of an integrated trade, logistics and exhibition center.

On October 18, 2011, the Harbin Daowai District People's Government further entered into a cooperative agreement with China South International and Hong Kong Howard Group Investment Company. The cooperative agreement provides that an area of approximately 5.0 million sq.m. shall be used for the development of trade and logistics center, an area of 2.0 million sq.m. shall be used for ancillary commercial purpose and an area of approximately 3.0 million sq.m. shall be used for ancillary residential purposes. The proposed site area is to be transferred by public listing for sale in phases. Pursuant to the cooperative agreement, the price of each parcel of land is determined in accordance with the value ascribed in the land use right grant contract we enter into with the local land administrative authority, inclusive of all costs, including but not limited to land use right fees, acquisition costs, land development funds, as well as compensation, welfare costs and other expenses owed to previous holders of the land. China South International and Hong Kong Howard Group Investment Company will each undertake the development of 50% of the land of the project.

Agreement for the Development of China South City Zhengzhou

On April 9, 2012, the Xin Zheng City Government and Shenzhen China South City Investment Holdings Co., Ltd. entered into a cooperative agreement for the construction and development of a large-scale integrated logistics and trade center in Zhengzhou. Under the master agreement, the Xin Zheng City Government agreed in principle to provide a parcel of land with an aggregate area of approximately 10.0 million sq.m. located at North Xinzheng City for the construction of an integrated trade and logistics center with respect to which the net land area for construction is approximately 7.0 million sq.m. The master agreement provides that an area of approximately 6.5 million sq.m. shall be used for the development of trade and logistics center, an area of 2.0 million sq.m. shall be used for ancillary commercial purposes and an area of approximately 1.5 million sq.m. shall be used for ancillary residential purposes. Pursuant to the master agreement, the price of each parcel of land is determined in accordance with the value ascribed in the land use right grant contract we enter into with the local land administrative authority, inclusive of all costs, including but not limited to land use right fees, acquisition costs, land development funds, as well as compensation, welfare costs and other expenses owed to previous holders of the land.

Property Management Services

We provide property management services to tenants of China South City Shenzhen through our subsidiary, Shenzhen First Asia Pacific. Our property management services include security, cleaning, repair and maintenance of equipment and facilities, management of parking lots and transportation within China South City Shenzhen. We engage a professional cleaning company and other service providers to perform the cleaning and major repair and maintenance services. Our own employees provide the security, repair and maintenance, management of parking lots and transportation services.

We charge tenants of China South City Shenzhen a monthly management fee for our property management services. As of March 31, 2012, the monthly management fee for our trade center units ranged from RMB3.8 per sq.m. for Phase One in trade center units to RMB15 per sq.m. for Phase Two trade center units. As of March 31, 2012, the monthly management fee for our West Garden residential facilities was RMB2.5 per sq.m. The monthly management fee for our Global Logistic Center office facility was RMB8 per sq.m. for office facilities and RMB10 per sq.m. for retail facilities. In the fiscal years ended March 31, 2010, 2011 and 2012, our revenues from management fees were approximately HK$24.5 million, HK$30.7 million and HK$41.5 million, respectively.

We intend to provide similar property management services and to adopt a similar model for the payment of property management fees upon commencing operations at our other projects.

Land Use Rights And Building Ownership Rights

There are two types of title registrations in the PRC: land registration and building registration. Land registration is evidenced by the issue of a land use rights certificate by the relevant authority. A land use rights certificate is the evidentiary legal document demonstrating that the registered land user has the lawful right to use the land during the term stated therein, including the right to assign, mortgage or lease the land. Building registration is evidenced by the issue of a building ownership certificate. The holder of a land use rights certificate who is issued a building ownership certificate holds land use rights and owns the building erected on the land. All holders of land use rights, and other rights in respect of the land, such as the right to buildings erected on the land, must register their lawful state-owned land use rights, as well as ownership rights to the buildings. Under PRC law, land use rights and building ownership rights which are duly registered are protected by law.

PRC law prescribes different maximum periods for the grant of a land use right by the PRC government to the land user, subject to the payment of the land grant fee by the land user. The maximum period depends upon the use of the land, and varies from 40 years for commercial, tourism and entertainment uses to 70 years for residential uses. The most common term is 50 years, such as for industrial, warehouse, office and other uses. For further information, see "Regulation."

China South City Shenzhen

We have received land use rights with respect to approximately 1.1 million sq.m. planned for development for China South City Shenzhen. We have obtained all necessary land title and building ownership certificates to conduct our operations at China South City Shenzhen. The land use rights for Phase One, Phase Two and Phase Three facilities for China South City Shenzhen are for a period of 50 years commencing from the respective dates as specified in the land use rights certificates.

The following table sets forth the commencement dates of the land use rights certificates and the effective dates of land grant contracts relating to the underlying land:

	Commencement Date of Land Use Rights Certificates (1)	**Effective Date of Land Grant Contracts (2)**
Trade centers	July 2003 to May 2007	July 2003 to March 2008
Residential facilities	May 2005	May 2005
Warehouse facilities	August 1992	September 2004
Supporting commercial facilities . . .	July 2003	November 2005 to March 2008

(1) The commencement date of a land use rights certificate granted by the land bureau to the initial holder of the land use rights for the underlying parcel of land marks the commencement of the term of land use rights for the initial holder of the rights certificate granted by the land bureau.

(2) The effective date of the land grant contract marks the date on which we entered into a land grant contract for the underlying parcel of land. Where we are not the initial holder of the initial land use rights certificate, the effective date of the land grant contract will be subsequent to the commencement date of the land use rights certificate.

China South City Nanchang

We have received land use rights with respect to approximately 1.2 million sq.m. of a total area of approximately 1.54 million sq.m. planned for development for China South City Nanchang. The land use rights for China South City Nanchang are for a periods of 40 years for trade center use, 50 years for warehouse use and 70 years for residential use, commencing from the respective dates as specified in the land use rights certificates.

The following table sets forth the commencement dates of the land use rights certificates and the effective dates of land grant contracts relating to the underlying land:

	Commencement Date of Land Use Rights Certificates (1)	Effective Date of Land Grant Contracts (2)
Trade centers	June 2010, August 2012	January 2010, November 2011
Residential facilities	June 2010 to March 2012	January 2011, November 2011
Warehouse facilities	June 2010	January 2010
Supporting commercial facilities	June 2010, August 2012	January 2010, November 2011

(1) The commencement date of a land use rights certificate granted by the land bureau to the initial holder of the land use rights for the underlying parcel of land marks the commencement of the term of land use rights for the initial holder of the rights certificate granted by the land bureau.

(2) The effective date of the land grant contract marks the date on which we entered into a land grant contract for the underlying parcel of land. Where we are not the initial holder of the initial land use rights certificate, the effective date of the land grant contract will be subsequent to the commencement date of the land use rights certificate.

China South City Nanning

We have received land use rights with respect to approximately 890,000 sq.m. of a total area of approximately 1.8 million sq.m. planned for development for China South City Nanning. The land use rights for China South City Nanning are for a period of 50 years commencing from the respective dates as specified in the land use rights certificates.

The following table sets forth the commencement dates of the land use rights certificates and the effective dates of land grant contracts relating to the underlying land:

	Commencement Date of Land Use Rights Certificates (1)	Effective Date of Land Grant Contracts (2)
Warehouse facilities (3)	June 2010	April 2010

(1) The commencement date of a land use rights certificate granted by the land bureau to the initial holder of the land use rights for the underlying parcel of land marks the commencement of the term of land use rights for the initial holder of the rights certificate granted by the land bureau.

(2) The effective date of the land grant contract marks the date on which we entered into a land grant contract for the underlying parcel of land. Where we are not the initial holder of the initial land use rights certificate, the effective date of the land grant contract will be subsequent to the commencement date of the land use rights certificate.

(3) We are in the process of changing the status of a portion of this land to residential use.

China South City Xi'an

We have received land use rights with respect to an area of approximately 596,000 sq.m. for our Xi'an project. The land use rights for our Xi'an project are for periods of 40 years for commercial use, commencing from the respective dates as specified in the land use rights certificates.

The following table sets forth the commencement dates of the land use rights certificates and the effective dates of land grant contracts relating to the underlying land:

	Commencement Date of Land Use Rights Certificates (1)	Effective Date of Land Grant Contracts (2)
Commercial use facilities	September 2011, April 2012	May 2011, August 2011

(1) The commencement date of a land use rights certificate granted by the land bureau to the initial holder of the land use rights for the underlying parcel of land marks the commencement of the term of land use rights for the initial holder of the rights certificate granted by the land bureau.

(2) The effective date of the land grant contract marks the date on which we entered into a land grant contract for the underlying parcel of land. Where we are not the initial holder of the initial land use rights certificate, the effective date of the land grant contract will be subsequent to the commencement date of the land use rights certificate.

China South City Harbin

We have land use rights with respect to an area of approximately 263,000 sq.m. for China South City Harbin. The land use rights for China South City Harbin are for periods of 40 years for commercial use commencing from the respective dates as specified in the land use rights certificates.

The following table sets forth the commencement dates of the land use rights certificates and the effective dates of land grant contracts relating to the underlying land:

	Commencement Date of Land Use Rights Certificates (1)	**Effective Date of Land Grant Contracts (2)**
Trade Centers	August 2012	July 2012
Residential Facilities	August 2012	July 2012
Supporting Commercial Facilities . . .	August 2012	July 2012

(1) The commencement date of a land use rights certificate granted by the land bureau to the initial holder of the land use rights for the underlying parcel of land marks the commencement of the term of land use rights for the initial holder of the rights certificate granted by the land bureau.

(2) The effective date of the land grant contract marks the date on which we entered into a land grant contract for the underlying parcel of land. Where we are not the initial holder of the initial land use rights certificate, the effective date of the land grant contract will be subsequent to the commencement date of the land use rights certificate.

China South City Zhengzhou

We have land use rights with respect to an area of approximately 103,000 sq.m. for China South City Zhengzhou. The land use rights for China South City Zhengzhou are for periods of 40 years for commercial use commencing from the respective dates as specified in the land use rights certificates.

The following table sets forth the commencement dates of the land use rights certificates and the effective dates of land grant contracts relating to the underlying land:

	Commencement Date of Land Use Rights Certificates (1)	**Effective Date of Land Grant Contracts (2)**
Warehouse Facilities	August 2012	August 2012

(1) The commencement date of a land use rights certificate granted by the land bureau to the initial holder of the land use rights for the underlying parcel of land marks the commencement of the term of land use rights for the initial holder of the rights certificate granted by the land bureau.

(2) The effective date of the land grant contract marks the date on which we entered into a land grant contract for the underlying parcel of land. Where we are not the initial holder of the initial land use rights certificate, the effective date of the land grant contract will be subsequent to the commencement date of the land use rights certificate.

Sales and Marketing

We have a team of sales and marketing and customer services personnel located in each project who are responsible for the overall sales, leasing and marketing strategy for the group as a whole and for specified trade centers and the other properties for each relevant project. Upon commencement of construction of a project, our sales and marketing staff commence marketing activities to target clients and develop advertising and rental plans for the properties held for rental. Upon completion of construction of a project, they develop sales plans for the store units sold to purchasers of the properties. We also engage other independent professionals in the PRC to prepare marketing studies to assist us in developing our advertising and sales and rental plans for our projects. This process also includes a determination of target customers, as well as strategies to maximize usage and revenues from the property.

We conduct marketing through a variety of channels, including the network of our founding shareholders, advertising media, events and exhibitions and activities of trade associations.

Network of Our Founding Shareholders

Our founding shareholders, each of whom are specialists in their respective industries, have a large network of manufacturers, distributors, trade associations, customers and suppliers within their area of industry expertise. We use this network for contacting potential tenants of our trade centers. We keep in contact with these potential tenants through a variety of methods, including telephone calls, periodic visits, e-mails and distribution of trade magazines. We believe this network provides us a competitive advantage in attracting tenants to our trade centers.

Advertising Media

We use various advertising media, including newspapers, airline magazine, television, direct mail, advertising in buses and trains, and outdoor billboards to market our trade center and residential properties. We also have our own website which provides a platform for promoting our projects.

Events and Exhibitions

As part of our general marketing efforts, we periodically sponsor and participate in events throughout China, such as trade seminars and exhibitions, in order to enhance our brand name and promote our business. Typically, the events and exhibitions we sponsor have been located in the same area as our projects. In a joint effort with the Shenzhen and Nanning governments, respectively, we organized the China (Shenzhen) International Industrial Fair and the China-ASEAN Light Industrial Products Fair, which have been held each year beginning in October 2009 and October 2010, respectively. As these events are typically held in the latter half of the fiscal year, we record a significant amount of our sales during that period.

In April 2012, we co-organized the Fifth Industrial Fair with the China Council for the Promotion of International Trade, the China Chamber of International Commerce and the Shenzhen Municipal People's Government. As one of the major annual events in Shenzhen, the goal of this industrial fair is to boost the economy of the region. It brings traffic and business to China South City Shenzhen, and attracts international and local exhibitors.

The Eighth Light Industrial Fair, co-organized by the Ministry of Commerce of China (the "MOFCOM"), and 10 ASEAN Counterparts, and the China-ASEAN Expo Secretariat, hosted by The People's Government of Guangxi Zhuang Autonomous Region, was successfully held at China South City Nanning in October 2011. This is one of the major annual events of the China-ASEAN Expos. Due to the success of this event and the growing importance of China South City Nanning to this region, the China South City Nanning Exhibition Center was designated the official venue for the event by the China-ASEAN Expo Secretariat.

By raising our profile among domestic and international trade and industry associations, chambers of commerce, academic institutions, manufacturers and trading companies, we believe that we enhance our brand recognition, display the strengths and advantages of our projects, assist our existing tenants in attracting customers and expand our network with domestic and international businesses and communities.

Lease Agreements

We generally offer rent-free periods of one to three months to new tenants of our Phase One trade center units. We do not offer rent-free periods to existing tenants who renew their leases.

We currently offer preferential rental rates to all of our Phase One trade center tenants. The discounts offered to tenants depend on a variety of factors, including the duration of the lease, the type and location of the trade center for the unit to be leased, and the credit of the tenant. As of March 31, 2012, taking into account the above preferential terms, the average effective monthly rental rate for our Phase One and Phase Two trade center units was HK$35 per sq.m.

Tenants are generally required to pay their monthly rent in advance either on a monthly, quarterly, or yearly basis, or in advance of their lease term. In some cases, we offer to decrease the overall lease payment amount if a tenant prepays the amount due for the remainder of the lease term. Rental rates are subject to review and renegotiation upon renewal of leases.

In addition to making rental payments, tenants of trade center units are also required to provide a security deposit upon entering into a tenancy. We have the right to terminate tenancies upon the occurrence of certain events, such as non-payment of rent, carrying on of business other than the allowed purpose or breach of covenants by the tenants.

Purchaser and Tenant Financing

In order to facilitate the finance lease of units in West Garden, we provide entrusted loans through intermediary banks in the PRC to the tenants and guarantees of loans made to the purchasers of trade centers and residential properties and tenants of residential units and commercial properties by PRC banks. These entrusted loans, which are generally approximately 50% of the value of the property, are settled through monthly payments according to the terms of the entrusted loan agreements. As of March 31, 2012, the amount of finance lease receivables was HK$38.4 million. We also provide guarantees for mortgage loans to purchasers of trade center and residential units in China South City Shenzhen as well as for bank loans extended to tenants of residential units and commercial properties. For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness and Contingent Liabilities — Guarantees." The amount of guarantees as of March 31, 2012 was HK$352.6 million.

Suppliers and Customers

Our principal customers are tenants and purchasers of our trade center units. Our five largest tenants together accounted for less than 3% of our total revenue in the fiscal year ended March 31, 2012.

Our principal suppliers are contractors. As of March 31, 2012, our five largest suppliers, in terms of contract value, accounted for approximately 46% of our total purchases, excluding land costs primarily attributable to the principal contractors for our properties under development in Nanchang, Nanning.

Lease Arrangements with Certain Purchasers of Trade Center Units

A purchaser of a trade center unit may enter into one of two types of purchase agreement, one that provides for self-use or one that provides for a leasing arrangement with us. Under the purchase agreements that provide for self-use, the purchasers agree to open their units for business at least 300 days per year and are required to pay a deposit to secure their compliance with this provision. Under the purchase agreements that provide for leasing arrangements, purchasers grant us the right to lease their trade center units to third parties for a period of one to three years and to receive all rental income from these leases. In return, we agree to offer these purchasers a discount on the purchase price of the trade center units.

Project Development, Design and Financing Policies and Procedures

Project Identification

The first stage of our development process involves identifying new opportunities or accepting invitations from government officials to review development prospects in their respective cities. We conduct in-depth research and analysis to determine the development potential of a site and seek factors such as: (1) public demand for large trade centers in the area; (2) well-developed transportation infrastructure; (3) promising economic growth potential in the region; and (4) strong government support for the development of the trade center project. Our analysis will typically include an assessment of the economic environment, market investigation, feasibility studies, cost and profit forecasts and a positioning analysis for the site.

Project Development and Management Procedures

Once a site is proposed for development, our construction department recommends the appointment of architects and other necessary design consultants, formulates the design brief and controls the design program in consultation with the appointed architects and other consultants. The completed development and construction plan will be submitted to the relevant government authorities for approval. This approval process generally takes approximately three weeks.

During the construction phase, a construction team, headed by a project manager, is typically appointed for each development site. These teams, under the direction of our construction department, manage the project development process, seek to ensure the quality and timely completion of each project and control the costs according to the approved budget. Government officials from the relevant construction bureau will generally monitor the quality and safety of the project. We also have our own internal quality surveyors, site engineers and procurement staff to work on the project.

Project Design

All detailed project and interior design work for our projects are contracted out to PRC and international architectural and interior design firms, which plan the architectural, landscape and interior designs in accordance with our specifications.

The construction department is also responsible for overseeing the various aspects of design and interior design and for selecting the architects and interior design firms responsible for the project. At times we use a tender process in selecting these architects and interior design firms, while at other times we select architects and interior design firms without using a tender process based on our knowledge of the quality of their services and our previous experience working with them. The construction department and our senior management continually monitors the progress and quality of the appointed design firms to ensure that they are meeting our specifications.

Construction Work

We contract with independent third-party construction contractors to perform the construction work for our projects. Our relationship with each contractor lasts until the completion of their contracted stage of work. However, certain of our contractors have worked with us on several stages of our construction projects. As of March 31, 2012, we did not engage any related parties for the construction of development projects or supply materials to our development projects. We use a tender process in selecting contractors, material suppliers and consultants, while at other times we select contractors, material suppliers and consultants without using a tender process based on our knowledge of the quality of their services and our previous experiences working with them. Our contracts with construction companies typically contain warranties for quality and requirement for timely completion of the construction process. Although the agreements with our contractors vary due to the scope of contracted work, the majority of our agreements are generally for a six-month to 24-month period, depending on the scope of construction work involved.

Our construction agreements typically provide for payments based on construction progress until a specified maximum percentage of the total contract price is paid. We typically do not make any prepayments, but instead make payments according to the progress on a monthly basis. We assign project teams consisting of our own internal quality surveyors, site engineers and procurement staff to closely monitor the work of the independent construction companies, including quality and construction progress. In the event a contractor fails to perform its contractual obligations or is otherwise deficient in the performance of its contractual obligations, we may require the contractor to remedy the non-compliance or non-conformity of the performance, or otherwise pay damages or a penalty. Since the beginning of our projects, we have not had any material disputes with any of our contractors and suppliers. In addition, neither we nor any of our contractors have terminated a major contractor agreement.

Monitoring and Supervision

To monitor the progress of construction, our construction department has a project management team, consisting of qualified engineers led by project managers, that monitors the construction progress of contractors in accordance with our construction agreements and the construction plan progress. To ensure the quality of construction, our project management team monitors the quality of work of construction contractors in accordance with our construction agreements and the construction plan. As required by PRC laws and regulations, we also engage qualified independent quality supervisory companies to conduct quality and safety control checks on building materials and workmanship.

Financing Policies

To date, we have financed our projects through loans from our shareholders, bank borrowings, the proceeds of the Convertible Notes, the proceeds of our initial public offering and our working capital. We intend to finance our properties under development and planned for future development with bank borrowings, internally generated funds and a portion of the net proceeds of the Notes.

Quality Control

We place a strong emphasis on quality control to ensure that our properties comply with relevant laws and regulations and meets market standards. In addition, quality control is crucial to the successful development of our integrated trade center developments and to meet the requirements of our target tenants and customers. We establish and maintain approved registers of design consultants, other consultants, contractors and material suppliers to ensure that only those that are competent are permitted to participate in the tender process. The quality control of our projects is headed by the general manager of the construction department and performed in accordance with our internal procedures and systems as well as the specifications of our projects. We monitor and assess the performance of the design consultants, contractors and material suppliers to ensure that they meet the specified requirements. Appropriate follow-up action and penalties are taken against those that do not meet the required standards. In addition, we also have a project management team consisting of qualified engineers that performs regular quality audits of the project site and reports irregularities or poor workmanship to the general manager of the construction department and to the project managers responsible for the projects. The responsible project construction teams are required to rectify the problem immediately.

Legal and Compliance

The daily responsibilities for the implementation of internal control procedures have been placed on the senior management of our business departments and subsidiaries, and our legal, administration and company secretarial departments, who have responsibility to oversee our compliance with applicable laws, rules and regulations. Our legal department is responsible for upholding our compliance function. Our administration department is responsible for obtaining the licenses, authorizations and other certificates required for our business. Our company secretarial department is responsible for overseeing our compliance with the Listing Rules and Companies Ordinance. Our internal audit department reviews and monitors the implementation of internal control procedures by our various departments and subsidiaries and identifies areas of non-compliance and potential risks to us.

We have also prepared a compliance manual which codifies our corporate governance policies and procedures and expectations with respect to legal and regulatory compliance. As we continue to develop our business, we will continue to review our internal control mechanisms and the adequacy of relevant human resources to ensure compliance with statutory requirements and regulations relevant to our business.

Environmental Matters

As an operator and developer of trade center projects in the PRC, we are subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on project design and construction, air and noise pollution and discharge of waste and water into the environment.

As required by PRC law, we must, depending on the impact of the project on the environment, submit an environmental impact assessment report, an environmental impact analysis table or environmental impact registration form before the relevant authorities will grant approval for the commencement of construction of the project. All of our projects currently under development have received such approval.

See "Risk Factors — Risks Relating to Our Business and Our Industry — Potential liability for environmental problems could result in substantial costs" for a discussion of the risks that environmental laws and regulations may pose to our operations.

Health and Safety Matters

Under PRC laws and regulations, most of the potential liabilities to the workers on and visitors to our construction sites rest with our contractors. To our knowledge, there have been no material incidents of non-compliance with the relevant health and safety laws and regulations by our main contractors or their subcontractors during the course of their business dealings with us.

Competition

We face competition from other trade centers in China, particularly in Guangdong Province with regard to China South City Shenzhen. The trade center industry in China is fragmented, and consists of a large number of trade centers of varying sizes. The greatest concentrations of similar trade centers in China are in the Greater Pearl River Delta, the Yangtze River Delta and the Bohai-Ring region near Beijing. Many trade centers in China tend to specialize in one industry sector. There are a limited number of trade centers in China with a GFA in excess of 400,000 sq.m. that offer products in more than one industry sector and have a comprehensive range of supporting services and facilities. Our existing and potential competitors include trade centers managed by private domestic operators, trade centers that may have some affiliation with local government entities in China, and to a lesser extent, trade centers jointly developed or managed with international operators. In addition, there may be an increase in supply of trade centers in the Greater Pearl River Delta and elsewhere in China, such as Nanchang, Nanning and Xi'an, in the future. Each of Guangxi Zhuang Autonomous Region, Jiangxi Province and Shaanxi

Province also has numerous trade centers varying in size and type of industries represented. A number of our competitors have broader name recognition, a longer track record and more established relationships in certain markets.

In addition, we expect to increase the proportion of residential properties in our properties under development and planned for future development in Nanchang, Nanning and Xi'an. As a result, we will face increasing competition in the future from residential and other property developers. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers.

Intellectual Property Rights

We have registered the trademark 華南城, "**华南城**" (China South City) and its logo with the Trade Marks Registry in Hong Kong and the PRC Trademark Office under various categories relating to metals, textiles, machines, electronics and many other categories. We also have registration pending in the Trade Marks Registry in Hong Kong with respect to the trademarks of "China South City" and "華南城" under some additional categories. We are also the owner of the domain name of "**www.chinasouthcity.com.**"

Insurance

We maintain insurance policies with insurance companies in the PRC, which cover property damage due to natural hazards, including lightening, typhoons and other natural phenomena, and accidents, including fire and explosion, and general liability under property all risk insurance, construction all risk insurance and public liability insurance. There are, however, certain types of risks that are not covered by our insurance policies, including losses resulting from war, nuclear contamination, tsunami, pollution and acts of terrorism. As of March 31, 2012, we had not experienced any significant loss or damage to our properties. In addition, we maintain employer's liability insurance covering bodily injury, medical treatment and litigation expenses for our employees. We also carry automobile insurance covering collision damage and various types of liability for our vehicles. According to PRC laws, under certain circumstances, the owner or manager of properties under construction may bear civil liability for personal injuries arising out of construction work unless the owner or manager can prove that it is not at fault. We take steps to prevent construction accidents and personal injuries, and as a result, we believe that we will generally be able to demonstrate that we were not at fault as the property owner if a personal injury claim is brought against us.

We believe that we have sufficient insurance coverage in place and that the terms of our insurance policies are in line with industry practice in the PRC. Nonetheless, there are risks that we do not have sufficient insurance coverage for some damage and liabilities that may arise from our business operations. See "Risk Factors — Risks Relating to our Business — We may suffer losses caused by natural disasters, and these losses may not be fully covered by insurance."

Facilities

Our registered office is located at Room 2205, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong. Our registered office, which comprises approximately 3,873 sq.m. pursuant to a lease that expires on March 16, 2014, is staffed by management and office personnel. Our Shenzhen office is located at No. 1 Hua Nan Main Road, Pinghu, Longgang District, Shenzhen, PRC. Our Shenzhen office, which comprises approximately 7,400 sq.m. in supporting commercial facilities located within China South City Shenzhen, is also staffed by management and office personnel. In addition, we have a sales and leasing center of approximately 1,470 sq.m., and a security monitoring center of approximately 500 sq.m. that we use for our operations. We have land use rights and building ownership rights for the buildings in which our Shenzhen office, security monitoring center and sales and leasing centers are located.

Employees

As of March 31, 2012, we had approximately 2,100 employees, including approximately 200 employees employed in joint venture entities.

We aim to recruit, retain and develop competent individuals committed to our long-term success and growth. Remunerations and other benefits of employees are reviewed annually both in response to market conditions and trends, and based on qualifications, experience, responsibilities and performance. In addition to basic salaries and other staff benefits, discretionary bonus and share options may be awarded to employees who demonstrate outstanding performance and contributions to our operations.

Legal Proceedings

From time to time, we have been involved in legal proceedings or other disputes in the ordinary course of our business which are primarily disputes with our customers, contractors and employees, and we have not incurred significant legal costs and expenses in connection with these legal proceedings. We are not aware of any material legal proceedings, claims or disputes currently existing or pending against us that may have a material adverse impact on our business or our results of operations.

RELATED PARTY TRANSACTIONS

The following discussion describes certain of our material related party transactions for the fiscal years ended March 31, 2010, 2011 and 2012.

The following table sets forth certain material transactions between us and our related parties for the periods indicated.

	Fiscal Year Ended March 31,		
	2010	2011	2012
	HK$	HK$ (in thousands)	HK$
Companies in which a director of the Company is a controlling shareholder:			
Consultancy fees paid(1)	300	—	—
Rental expense and related service fees for office building(2)	1,898	1,884	1,822
Rental expense for trade centers(3)	874	838	819

(1) The consultancy fees were related to the consultancy and management services provided to us by a related company and were based on terms mutually agreed between both parties.

(2) The rental expense and related service fees for office building were related to the leasing of office space provided to us by a related company. The fees were based on terms mutually agreed between both parties.

(3) The rental expense was related to leasing of trade centers provided to us by related parties. The rental was based on terms mutually agreed between the parties.

The following is a brief description of our material related party transactions.

Consultancy Fees Paid to Related Companies

We obtain consultancy and management services with regard to our business operations from Luk Ka Overseas Investment Limited, in which Ma Wai Mo is a controlling shareholder. The consultancy fees were based on terms mutually agreed between us and the related companies. We paid fees to these companies of HK$300,000, zero and zero in the fiscal years ended March 31, 2010, 2011 and 2012, respectively.

Rental Expenses and Related Service Fees for Office Building and Trade Centers

We pay the rental expenses and related service fees for the leasing of office space provided to us by Man Sang Jewellery Company Limited, in which Cheng Chung Hing is a controlling shareholder. The rental expenses and related service fees were based on terms mutually agreed between us and the related companies. The rental expenses and related service fees for our office space were HK$1.9 million, HK$1.9 million and HK$1.8 million for the fiscal years ended March 31, 2010, 2011 and 2012, respectively, and the rental expenses for the trade centers were HK$874,000, HK$838,000 and HK$819,000 for the fiscal years ended March 31, 2010, 2011 and 2012, respectively.

Commitments with Related Parties

On February 23, 2011, we entered into a lease agreement with an expiration date of March 16, 2014 with Man Sang Jewellery Company Limited, a company of which a director of ours is a controlling shareholder. The amount of lease expenses for the year is HK$1,822,000. We expect total lease expense in 2013 and 2014 to be approximately HK$1,900,000 and HK$1,800,000, respectively.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into financing arrangements with various financial institutions. As of March 31, 2012, the outstanding balance of our 2011 Notes and consolidated interest-bearing bank and other borrowings amounted to HK$6,618.4 million, including total consolidated bank and other borrowings of HK$4,773.4 million. We set forth below a summary of the material terms and conditions of these loans and other material indebtedness.

Project Construction Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including Shanghai Pudong Development Bank, Industrial and Commercial Bank of China, Bank of China, Shenzhen Ping An Bank Limited, HSBC Bank (China) Company Limited. These loans typically are secured project loans to finance the construction of our projects and have terms ranging from three years to ten years, which generally correspond to the construction periods of the particular projects. Our PRC bank loans are typically secured by mortgages over a portion of our land use rights and a portion of our properties and/or guaranteed by China South International, our wholly owned subsidiary. The Notes will be structurally subordinated to these loans and any other indebtedness incurred by our PRC subsidiaries.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to review by the lenders annually. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these project loans, our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on their properties or assets;
- altering the nature or scope of their business operations in any material respect;
- making major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions or reorganizations;
- reducing their registered capital;
- making other changes to the company's status, such as by liquidation or dissolution;
- transferring part or all of the liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing assets;
- transferring a substantial equity interest in the borrower; and
- incurring other indebtedness or granting guarantees to third parties that would adversely affect their ability to repay their loans.

Dividend Restriction

Pursuant to the project loans with certain of our lenders, some of our PRC subsidiaries have also agreed not to distribute any dividends:

- before the due portion of the principal amount of and accrued interest on the relevant project loan have been fully paid;
- if the borrower's after-tax profit is nil or negative, or not sufficient to compensate for accumulated losses of previous years; or
- representing over 30% of profit after tax, or over 20% of undistributed profit, without providing the lender prior written notice and subject to the lender's prior written consent, if the lender believes the dividend may affect substantially the performance of the loan agreement.

Events of Default

The loan agreements contain certain customary events of default, such as failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires its approval, material breach of the terms of the loan agreement and acceleration of repayment obligations under other loan or financing documents. Upon the occurrence of an event of default, the lenders may terminate the loan agreement and demand immediate repayment.

Guarantee and Security

China South International has entered into guarantee agreements with the PRC banks identified above in connection with some of the project loans pursuant to which China South International has guaranteed all liabilities of the subsidiary borrowers under these loans. Our obligations under the loan agreements are typically secured by mortgages over properties and the land use rights relating to the relevant projects.

Working Capital and Term Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including, but not limited to, the Agricultural Bank of China, Bank of Communication, Xi'an International Trust Co. Ltd., Dongguan Trust Co., Ltd., Bank of Guangzhou, China Citic Bank, Bank of China, Industrial and Commercial Bank of China, Bank of Xi'an, Huaxia Bank and China Construction Bank. These loans have terms ranging from one year to three years, and typically are either credit loans or loans secured by mortgages over a portion of our land use rights and a portion of our properties. The Notes will be structurally subordinated to these loans and any other indebtedness incurred by our PRC subsidiaries.

Interest

The principal amounts outstanding under these loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to monthly, quarterly, or annual review by the lenders. Interest payments are typically payable monthly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these loans, our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on their properties or assets;
- altering the nature or scope of their business operations in any material respect;
- making major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions or reorganizations;
- reducing their registered capital;
- making other changes to the company's status, such as by liquidation or dissolution;
- transferring part or all of the liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing assets;
- transferring substantial equity interest in the borrower; and
- incurring other indebtedness or granting guarantees to third parties that would adversely affect their ability to repay their loans.

Dividend Restriction

Pursuant to the working capital and term loans with certain of our lenders, some of our PRC subsidiaries have also agreed not to distribute any dividends if the borrower's after-tax profit is nil or negative, or not sufficient to compensate for accumulated losses of previous years.

Events of Default

The working capital and term loan agreements contain certain customary events of default, such as failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires its approval, material breach of the terms of the loan agreement and acceleration of repayment obligations under other loan or financing documents. Upon the occurrence of an event of default, the lenders may terminate the loan agreement and demand immediate repayment.

Guarantee and Security

Some of our working capital and term loans are credit loans. In addition, China South International has entered into guarantee agreements with the PRC banks identified above in connection with some of our working capital and term loans pursuant to which China South International has guaranteed all liabilities of the subsidiary borrowers under these loans. Our obligations under the loan agreements are typically secured by mortgages over a portion of properties and a portion of the land use rights owned by China South International.

Syndicated Revolving Credit Facility

China South International has entered into facility agreements in connection with separate revolving loan facilities with the Industrial and Commercial Bank of China Shenzhen. The proceeds of these credit facilities have been used for the purpose of funding our projects and meeting our working capital needs. We have entered and will continue to enter into separate loan agreements when utilizing the credit facilities.

Interest and Maturity

Under the facility agreements, the interest rate applicable for each loan will be prescribed in the separate loan agreements. The credit facilities under these facility agreements by their terms expire within 12 months of the date of the agreements.

Covenants

Pursuant to these facility agreements, China South International has agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating mortgages or other repayment guarantees on the finished or ongoing construction projects at the China South International Industrial Materials City and relevant cash-flow;
- obtaining financing from other banks for its new projects;
- making major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions or reorganizations;
- reducing its registered capital;
- transferring or disposing, or threatening to transfer or dispose, important parts of its assets; and
- granting guarantees to third parties or mortgaging or pledging its major assets where doing so would adversely affect its ability to repay its loan(s) under the facility agreement.

Events of Default

The facility agreements contain certain customary events of default, including providing fraudulent balance sheet, income statement or other financial information, providing balance sheet, income statement or other financial information with material information missing, unauthorized use of loan proceeds, and failure to obtain the lender's approval for an act that requires its approval. The lenders are entitled to demand repayment of part or all of the loans and/or cancel the unutilized facility upon occurrence of an event of default.

As of March 31, 2012, the interest rates with respect to the project loan agreements, the working capital and term loan agreements and the syndicated revolving credit facility ranged from 5.98% to 7.87% per annum. As of March 31, 2012, HKD2,958.7 million of our project loans, the working capital and term loans were secured by certain land use rights and properties owned by the Group.

HIBOR Loan

Grand City Hotel Investment Ltd has entered into a facility letter dated August 8, 2012 with The Hongkong and Shanghai Banking Corporation Limited in connection with a HK$400 million loan. The loan is secured by a guarantee limited to HK$400 million as well as a letter of undertaking provided by the Company. The loan was drawn down on September 6, 2012, has a one-year term, and bears interest at a rate of HIBOR plus 2.75% per annum. The loan will be repayable by a lump sum payment of HK$400 million at the end of the loan term. As of September 20, 2012, the entire amount of the facility had been drawn down.

2011 Notes

On January 7, 2011, we entered into an Indenture (as supplemented by the Supplemental Indenture dated as of September 22, 2011 and as amended and supplemented from time to time, the "2011 Notes Indenture") pursuant to which we issued US$250,000,000 (equivalent to approximately HK$1,950 million) principal amount of 13.5% Senior Notes due 2016. As of March 31, 2012, we had a total of US$241,000,000 principal amount of the 2011 Notes outstanding.

Guarantee

The obligations pursuant to the 2011 Notes are guaranteed by our existing subsidiaries (the "2011 Subsidiary Guarantors") other than those organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a guarantee by a 2011 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2011 Notes Indenture. Each of the 2011 Subsidiary Guarantors and the JV Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2011 Notes, provided that the JV Subsidiary Guarantee will be limited to a JV entitlement amount.

Collateral

In order to secure the obligations under the 2011 Notes, the Company and the subsidiary guarantor pledgors under the 2011 Notes Indenture pledged the capital stock of all such 2011 Subsidiary Guarantors for the benefit of the holders of the 2011 Notes (the "2011 Collateral"). Subject to the provisions of the Intercreditor Agreement (as defined below), the 2011 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2011 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the 2011 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the 2011 Notes Indenture.

Interest

The 2011 Notes bear an interest rate of 13.50% per annum. Interest is payable semi-annually in arrear.

Covenants

Subject to certain conditions and exceptions, the 2011 Notes Indenture contains certain covenants, which restrict our ability and the ability of each of the related restricted subsidiaries to, among other things:

- incur or guarantee additional indebtedness or issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;

- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- enter into transactions with shareholders or affiliates; and

- effect a consolidation or merger.

Events of Default

The 2011 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2011 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2011 Notes Indenture. If an event of default occurs and is continuing, the 2011 Notes Trustee or the holders of at least 25% of the outstanding 2011 Notes may declare the principal of the 2011 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable. However, if an event of default occurs because of insolvency, the principal of, premium if any, and accrued and unpaid interest on the 2011 Notes then outstanding shall automatically be due and payable without any declaration or other act on the part of the 2011 Notes Trustee or a holder of the 2011 Notes.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2011 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2011 Notes is January 14, 2016. At any time on or after January 14, 2016, we may redeem the 2011 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below if redeemed during each period indicated below, plus any accrued and unpaid interest to (but not including) the redemption date:

Period	Redemption Price
2014	106.750%
2015 and thereafter	103.375%

At any time prior to January 14, 2016, we may redeem the 2011 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2011 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to January 14, 2016, we may redeem up to 35% of the aggregate principal amount of the 2011 Notes at a redemption price equal to 113.50% of the principal amount of the 2011 Notes, plus any accrued and unpaid interest with the proceeds form sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2011 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2011 Notes at a redemption price equal to 100% of the principal amount of the 2011 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

Prior to the first incurrence of any Permitted Pari Passu Secured Indebtedness (other than additional notes), the 2011 Notes Trustee will enter into an intercreditor agreement (the "Intercreditor Agreement"), which shall be in a form satisfactory to the 2011 Notes Trustee, without requiring any instruction or consent from the 2011 Note holders, with the subsidiary guarantor pledgors, the holders of such Permitted Pari Passu Secured Indebtedness (or their representative) and us. The Intercreditor Agreement will provide, among other things, that (1) the parties thereto shall share equal priority and pro rata entitlement in and to the collateral; (2) the conditions that are applicable to the release of or granting of any lien on such collateral; and (3) the conditions under which the parties thereto will enforce their rights with respect to such collateral and the Indebtedness secured thereby.

In connection with the offering of the Notes, the Company, the subsidiary guarantor pledgors, the Shared Security Agent, the Trustee and the 2011 Notes Trustee will enter into an Intercreditor Agreement to be dated   , 2012.

Customer Guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank and the completion of the relevant mortgage registration process. As of March 31, 2012, the aggregate outstanding amount guaranteed was HK$352.6 million.