CHINA METRO-RURAL HOLDINGS Ltd
Form 20-F
July 18, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2013

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report .

For the transition period from to

Commission file number 000-53776.

China Metro-Rural Holdings Limited

(Exact name of Registrant as specified in its charter)

China Metro-Rural Holdings Limited

(Translation of Registrant s name into English)

British Virgin Islands

(Jurisdiction of incorporation or organization)

Suite 2204, 22/F, Sun Life Tower

The Gateway, 15 Canton Road

Tsimshatsui, Kowloon, Hong Kong

(Address of principal executive office)

Mr. Sio Kam Seng

Chief Executive Officer and Chairman of the Board

China Metro-Rural Holdings Limited

Suite 2204, 22/F, Sun Life Tower, The Gateway

15 Canton Road, Tsimshatsui, Kowloon, Hong Kong

Telephone: (852) 2111 3815

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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Securities registered or to be registered pursuant to Section 12(b) of the Act.

(Title of each class)	**(Name of each exchange on which registered)**
Ordinary shares, par value US$0.001 per share	NYSE MKT

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the Period covered by the Annual Report.

As of March 31, 2013 there were 73,543,782 shares of the issuer s ordinary shares, $0.001 par value outstanding and 100,000 shares of the issuer s preferred shares, $0.001 par value outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.¨ Yes x No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.¨ Yes x No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨	International Financial Reporting Standards as issued by the International Accounting Standards Board x	Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.¨ Item 17 ¨ Item 18

If this is an Annual Report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).¨ Yes x No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS

DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. ¨ Yes ¨ No

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INTRODUCTION

This Annual Report on Form 20-F relates to our ordinary shares, par value US$0.001 per share, which are traded on the NYSE MKT under the ticker symbol CNR .

In this Annual Report, references to the Company or China Metro are to China Metro-Rural Holdings Limited, a British Virgin Islands company, and/or, as the context requires, its primary subsidiaries: China Metro-Rural Limited, a limited company incorporated in the Cayman Islands and continued into the British Virgin Islands and Man Sang International Limited, a Bermuda company listed on The Stock Exchange of Hong Kong Limited and/or, as the context requires, the subsidiaries of: China Metro-Rural Limited or Man Sang International Limited. References to the Merger are to the merger of Creative Gains Limited, a British Virgin Islands company and a wholly-owned subsidiary of China Metro-Rural Holdings Limited that was acquired by China Metro-Rural Holdings Limited on December 1, 2009 solely for the purpose of entering into the Merger Agreement and effecting the Merger (Merger Sub) with and into China Metro-Rural Limited whereby the separate corporate existence of Merger Sub ceased and China Metro-Rural Limited continues as the surviving company and a wholly-owned subsidiary of China Metro-Rural Holdings Limited. The Merger was completed on March 22, 2010. Prior to a name change on March 19, 2010, China Metro-Rural Holdings Limited was named Man Sang International (B.V.I.) Limited, or MSBVI. On July 28, 2010, the Company declared a dividend to its shareholders which was satisfied by way of distribution in specie of the entire equity interest in Man Sang International Limited, or MSIL, held by the Company, represented approximately 494 million ordinary shares of MSIL, or the Distribution, and was completed in August 2010. Subsequent to the Distribution, which is further discussed under Presentation of Financial Information , the Company no longer holds any interests in MSIL and its subsidiaries.

PRESENTATION OF FINANCIAL INFORMATION

This is our fourth filing as a foreign private issuer on Form 20-F, and the fourth filing to include consolidated financial statements of the Company on the basis of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) giving the effect to our redomiciling transaction and common control merger, as described further below. The acquisition of equity interest of China Metro-Rural Limited, occurred during the year ended March 31, 2010, has been accounted for as a combination of entities under common control in a manner similar to pooling of interests as both the Company and China Metro-Rural Limited were controlled by Mr. Cheng Chung Hing, Ricky immediately prior to and immediately after the Merger. On this basis, the consolidated financial statements of China Metro-Rural Holdings Limited for periods prior to the Merger have been restated to include, to the extent of the equity interest of China Metro-Rural Limited held by Mr. Cheng Chung Hing, Ricky, the assets and liabilities and results of operations of China Metro-Rural Limited for those periods as if China Metro-Rural Holdings Limited had owned China Metro-Rural Limited at the beginning of the financial period reported in the consolidated financial statements or when MSBVI and China Metro-Rural Limited came under common control by Mr. Cheng Chung Hing, Ricky, whichever is later, and all assets and liabilities of China Metro-Rural Limited have been stated at historical carrying amounts. The acquisition by the Company of interest owned by all the shareholders of China Metro, including Mr. Cheng, was treated as an equity transaction at the completion date of the Merger.

On July 28, 2010, the Company announced its decision to distribute its entire equity interest in Man Sang International Limited, or MSIL, to the Company s shareholders, or Distribution. On November 30, 2012, the Company disposed of its entire equity interest in China Focus City (H.K.) Holdings Limited (HK CFC) and, in effect, disposed of its entire equity interest in Qiqihar China Focus City Holdings (Group) Co., Ltd. (Qiqihar CFC). In line with the accounting policies of the Company and its subsidiaries, or the Group, the results attributable to MSIL, HK CFC and Qiqihar CFC are shown as discontinued operations in the Group s consolidated financial statements.

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The results of the continuing operations are presented in the consolidated income statement for the three years ended March 31, 2013. However, discontinued operations are presented in the consolidated income statement for the same periods as a separate amount, comprising the total of the post-tax profit or loss of the discontinued operations for the period together with any post-tax gain or loss recognized on the measurement to fair value less costs to sell, of the assets/disposal groups constituting discontinued operations. While contained in the consolidated financial statements in this Annual Report, the statement of financial position as at March 31, 2013, 2012 and 2011 has not been revised for the discontinued operations.

Percentages and some amounts in this Annual Report have been rounded for ease of presentation. Any discrepancies between totals and the sums of the amounts listed are due to rounding.

CURRENCY TRANSLATION

In this Annual Report, unless otherwise specified or the context otherwise requires, all references to U.S. dollars, dollars or US$ are to the legal currency of the United States and all references to H.K. dollars or HK$ are to the legal currency of Hong Kong. Unless otherwise noted, all translations from H.K. dollars to U.S. dollars were made at the rate of HK$7.8 to US$1.0, representing the rate for U.S. dollars in New York for cable transfers in Hong Kong dollars as certified for custom purposes by Federal Reserve Bank of New York. On July 12, 2013, the noon buying rate in New York City for cable transfers in H.K. dollars per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York was HK$7.7581 to US$1.00. We make no representation that the H.K. dollar or U.S. dollar amounts referred to in this Annual Report could have been or could be converted into U.S. dollars or H.K. dollars, as the case may be, at any particular rate or at all. See Key Information Exchange Rate Information for more detailed information regarding the translation of H.K. Dollars into U.S. dollars.

In addition, this Annual Report contains translations of Renminbi (RMB) amounts into U.S. dollars at specified rates solely for the convenience the readers of this Annual Report. Unless otherwise noted, all translations from RMB to U.S. dollars were made at the rate of RMB6.35 to US$1.00. On July 12, 2013, the noon buying rate in New York City for cable transfers in RMB per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York was RMB6.1373 to US$1.00. We make no representation that the RMB or U.S. dollar amounts referred to in this Annual Report could have been or could be converted into U.S. dollars or RMB, as the case may be, at any particular rate or at all. See Key Information Exchange Rate Information for more detailed information regarding the translation of RMB into U.S. dollars.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report which are not historical facts may constitute forward-looking statements that involve risks and uncertainties. Forward-looking statements are based on certain assumptions and expectations of future events that are subject to risks and uncertainties. Such statements are made in reliance upon the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. Actual results and trends may differ materially from historical results or those projected in any such forward-looking statements depending on a variety of factors, including those described under Risk Factors beginning on page 7 of this Annual Report.

Our statements regarding market risks, including interest rate risk, foreign exchange rate risk, commodity risk, asset price risk, equity market risk, inflation and deflation, are subject to uncertainty. For example, certain market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

All forward-looking statements in this Annual Report are qualified in their entirety by this cautionary statement, and no person undertakes any obligation to update publicly any forward-looking statement for any reason, except as required by law, even as new information becomes available or other events occur in the future. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected Financial Data

The acquisition of equity interest of China Metro-Rural Limited, occurred during the year ended March 31, 2010, has been accounted for as a combination of entities under common control in a manner similar to pooling of interests as both the Company and China Metro-Rural Limited were controlled by Mr. Cheng Chung Hing, Ricky immediately prior to and immediately after the Merger. On this basis, the consolidated financial statements of China Metro-Rural Holdings Limited for periods prior to the Merger have been restated to include, to the extent of the equity interest of China Metro-Rural Limited held by Mr. Cheng Chung Hing, Ricky, the assets and liabilities and results of operations of China Metro-Rural Limited for those periods as if China Metro-Rural Holdings Limited had been the holding company of China Metro-Rural Limited at the beginning of the financial period reported in the consolidated financial statements or when the Company and China Metro-Rural Limited came under common control by Mr. Cheng Chung Hing, Ricky, whichever is later, and all assets and liabilities of China Metro-Rural Limited have been stated at historical carrying amounts. The acquisition by the Company of interest owned by all the shareholders of China Metro, including Mr. Cheng, was treated as an equity transaction at the completion date of the Merger.

On July 28, 2010, the Company declared a dividend to its shareholders which was satisfied by way of distribution in specie of the entire equity interest in Man Sang International Limited, or MSIL, held by the Company, represented approximately 494 million ordinary shares of MSIL, or the Distribution, and was completed in August 2010. Upon the completion of the Distribution, the Group no longer held any interests in MSIL and has discontinued its pearls and real estate businesses, or Man Sang Discontinued Operations, which was previously operated through MSIL. The summary of consolidated income statement re-presents the results of continuing operations, where the results of MSIL are accounted for as discontinued operations net of taxation for all years presented.

On November 30, 2012, the Company disposed of the entire equity interest in HK CFC and, in effect, disposed of the entire equity interest in Qiqihar CFC, which currently represented the Company s entire rural-urban migration and city re-development business. Upon the disposal of HK CFC and Qiqihar CFC, the Group has discontinued its rural-urban migration and city re-development business in Qiqihar, or Qiqihar Discontinued Operations. The summary of consolidated income statement re-presents the results of continuing operations, where the results of HK CFC and Qiqihar CFC are accounted for as discontinued operations net of taxation for all years presented.

The selected consolidated statements of operation data of the Group presents the results for the five years ended March 31, 2013, 2012, 2011, 2010 and 2009 on the basis of International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company s historical results do not necessarily indicate results expected for any future periods. The selected consolidated financial data below should be read in conjunction with our consolidated financial statements and notes thereto, Item 5. Operating and Financial Review and Prospects below, and the other information contained in this Form 20-F.

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The selected consolidated income statements of the Group for the years ended March 31, 2013, 2012 and 2011 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected consolidated income statements of the Group for the years ended March 31, 2010 and 2009 have been derived from our audited consolidated financial statements included in Exhibit 99.6 to the Company s Form 6-K furnished to the Securities and Exchange Commission, or SEC, on January 18, 2011.

	For the years ended March 31,				
	2013	2012	2011	2010	2009
	(HK$ in thousands, except for number of shares)				
Income Statements Data:					
Continuing Operations:					
Revenue	284,759	765,872	581,573	337,659	1,044
Cost of sales	(217,955)	(467,195)	(352,265)	(209,415)	(664)
Gross profit	66,804	298,677	229,308	128,244	380
Other income, net	67,535	61,363	68,234	36,154	1,276
Other (losses)/gains, net	(69,617)	6,828	120,456	155,485	139,093
Selling expenses	(32,254)	(24,212)	(22,436)	(8,276)	(10,890)
Administrative expenses	(112,504)	(117,922)	(64,748)	(59,676)	(31,496)
Operating (loss)/profit	(80,036)	224,734	330,814	251,931	98,363
Finance income/(costs) net	4,384	389	(3,124)	365	1,879
Share of loss of an associate	(1,606)	(2,456)	(386)		
(Loss)/profit before income tax	(77,258)	222,667	327,304	252,296	100,242
Income tax expenses	(35,746)	(90,202)	(124,630)	(86,558)	(26,724)
(Loss)/profit for the year from continuing operation	(113,004)	132,465	202,674	165,738	73,518
Discontinued operations:					
Profit/(loss) for the year from discontinued operations, net of tax	17,532	98,594	29,878	(24,189)	(140,336)
(Loss)/profit for the year	(95,742)	231,059	232,552	141,549	(66,818)
Attributable to:					
Equity holders of the Company	(101,104)	208,986	227,346	171,408	42,540
Non-controlling interests	5,632	22,073	5,206	(29,859)	(109,358)
	(95,742)	231,059	232,552	141,549	(66,818)
(Loss)/earnings per share from continuing and discontinued operations attributable to equity holders of the Company during the year:					
Basic (loss)/earnings per share					
From continuing operation	HK$ (1.61)	HK$ 1.56	HK$ 3.17	HK$ 2.60	HK$ 1.16
From discontinued operations	HK$ 0.24	HK$ 1.40	HK$ 0.37	HK$ 0.08	HK$ (0.49)
	HK$ (1.37)	HK$ 2.96	HK$ 3.54	HK$ 2.68	HK$ 0.67
Diluted (loss)/earnings per share					
From continuing operation	HK$ (1.61)	HK$ 1.56	HK$ 3.17	HK$ 2.60	HK$ 1.16
From discontinued operations	HK$ 0.24	HK$ 1.40	HK$ 0.37	HK$ 0.08	HK$ (0.49)
	HK$ (1.37)	HK$ 2.96	HK$ 3.54	HK$ 2.68	HK$ 0.67
Shares used in computation of:					
Basic (loss)/earnings per share					
From continuing operation	73,544,000	70,536,000	64,126,000	63,834,000	63,826,000

From discontinued operations	73,544,000	70,536,000	64,126,000	63,834,000	63,826,000
Diluted (loss)/earnings per share					
From continuing operation	73,544,000	70,536,000	64,126,000	63,834,000	63,826,000
From discontinued operations	73,544,000	70,536,000	64,126,000	63,834,000	63,826,000
Dividend Non-cash (HK$ 000)			466,474		

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The following table sets forth selected statements of financial position data of the Group as of the dates indicated. The selected consolidated statements of financial position data of the Group as of March 31, 2013 and 2012 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected consolidated statements of financial position data of the Group as of March 31, 2011 have been derived from our audited consolidated financial statements included in the Company s Form 20-F filed to SEC on July 11, 2011. The selected consolidated statements of financial position data of the Group as of March 31, 2010 and 2009 have been derived from our audited consolidated financial statements included in Exhibit 99.6 to the Company s Form 6-K furnished to SEC on January 18, 2011.

	As of March 31,				
	2013	2012	2011	2010	2009
	(HK$ in thousands, except for number of shares)				
Statements of Financial Position Data:					
Total non-current assets	934,448	903,966	855,083	1,481,913	1,213,858
Total current assets	2,268,430	2,271,913	1,010,026	1,996,151	1,609,514
Total assets	3,202,878	3,175,879	1,865,109	3,478,064	2,823,372
Total current liabilities	1,267,633	1,506,647	664,505	1,159,000	1,008,163
Total non-current liabilities	745,830	393,622	362,937	461,503	415,986
Total liabilities	2,013,463	1,900,269	1,027,442	1,620,503	1,424,149
Total equity	1,189,415	1,275,610	837,667	1,857,561	1,399,223
Share capital issued and outstanding (Preferred share 200,000; ordinary share 1,000,000,000, US$0.001 each)					
Preferred share	100,000	100,000	100,000	100,000	
Ordinary share	73,543,782	73,543,782	64,125,804	64,125,804	10,000

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The following table sets forth selected income statements data of Qiqihar Discontinued Operations for the five years ended March 31, 2013, 2012, 2011, 2010 and 2009 on the basis of International Financial Reporting Standards as issued by the International Accounting Standards Board. The selected income statements data of Qiqihar Discontinued Operations for the years ended March 31, 2013, 2012 and 2011 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected income statements data of Qiqihar Discontinued Operations for the year ended March 31, 2010 and 2009 have been derived from our audited consolidated financial statements included in the Company s Form 20-F filed to SEC on July 11, 2011.

	For the years ended March 31,				
	2013	2012	2011	2010	2009
	(HK$ in thousands)				
Income Statements Data: Qiqihar Discontinued Operations:					
Revenue		147,896			
Cost of sales		(9,358)			
Gross profit		138,538			
Other income and gains, net	619				
Expenses	(28,929)	(5,665)			
Operating (loss)/profit	(28,310)	132,873			
Finance income net	8,009	238			
(Loss)/profit before income tax	(20,301)	133,111			
Income tax credits/(expenses)	5,355	(34,517)			
(Loss)/profit for the year	(14,946)	98,594			
Gain on disposal of discontinued operations	32,478				
Profit from discontinued operations	17,532	98,594			
Attributable to:					
Equity holders of the Company	17,532	98,594			
Non-controlling interests					
	17,532	98,594			
Earnings per share for profit from Qiqihar Discontinued Operations attributable to equity holders of the Company during the year					
Basic	HK$ 0.24	HK$ 1.40			
Diluted	HK$ 0.24	HK$ 1.40			

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The following table sets forth selected statements of financial position data of Qiqihar Discontinued Operations as of the dates indicated. The selected statements of financial position data of Qiqihar Discontinued Operations as of November 30, 2012 (the date of the disposal) and March 31, 2012 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected statements of financial position data of Qiqihar Discontinued Operations as of March 31, 2011 have been derived from our audited consolidated financial statements included in the Company s Form 20-F filed to SEC on July 11, 2011. The selected statements of financial position data of Qiqihar Discontinued Operations as of March 31, 2010 and 2009 have been derived from our audited consolidated financial statements included in Exhibit 99.6 to the Company s Form 6-K furnished to SEC on January 18, 2011.

	As of November 30, 2012	As of March 31, 2012	2011	2010	2009
	(HK$ in thousands)				
Statements of Financial Position Data of Qiqihar Discontinued Operations:					
Total non-current assets	195,049	149,365			
Total current assets	941,107	298,035			
Total assets	1,136,156	447,400			
Total current liabilities	804,116	132,792			
Total non-current liabilities					
Total liabilities	804,116	132,792			
Total equity	332,040	314,608			

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The following table sets forth selected income statements data of Man Sang Discontinued Operations for the five years ended March 31, 2013, 2012, 2011, 2010 and 2009 on the basis of International Financial Reporting Standards as issued by the International Accounting Standards Board. The selected income statements data of Man Sang Discontinued Operations for the years ended March 31, 2013, 2012 and 2011 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected income statements data of Man Sang Discontinued Operations for the years ended March 31, 2010 and 2009 have been derived from our audited consolidated financial statements included in Exhibit 99.6 to the Company s Form 6-K furnished to the SEC on January 18, 2011.

	For the years ended March 31,				
	2013	2012	2011	2010	2009
	(HK$ in thousands)				
Income Statements Data: Man Sang Discontinued Operations:					
Revenue			157,452	339,379	359,734
Cost of sales			(117,241)	(276,602)	(226,422)
Gross profit			40,211	62,777	133,312
Other income and gains/(losses), net			7,722	16,776	(9,783)
Recycling of exchange difference to profit or loss upon the Distribution			20,284		
Expenses			(33,983)	(114,073)	(141,100)
Increase/(decrease) in fair values of investment properties and investment properties under construction			1,592	(3,991)	(184,572)
Operating profit/(loss)			35,826	(38,511)	(202,143)
Finance income net			87	238	9,729
Share of results of an associate			17	48	(53)
Profit/(loss) before income tax			35,930	(38,225)	(192,467)
Income tax (expenses)/credits			(6,052)	14,036	52,131
Profit/(loss) for the year			29,878	(24,189)	(140,336)
Attributable to:					
Equity holders of the Company			23,950	5,504	(30,978)
Non-controlling interests			5,928	(29,693)	(109,358)
			29,878	(24,189)	(140,336)
Earnings/(loss) per share for profit/(loss) from Man Sang Discontinued Operations attributable to equity holders of the Company during the year					
Basic			HK$ 0.37	HK$ 0.08	HK$ (0.49)
Diluted			HK$ 0.37	HK$ 0.08	HK$ (0.49)

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The following table sets forth selected statements of financial position data of Man Sang Discontinued Operations as of the dates indicated. The selected statements of financial position data of Man Sang Discontinued Operations as of July 28, 2010 (the date of the Distribution) has been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected statements of financial position data of Man Sang Discontinued Operations as of March 31, 2010 and 2009 have been derived from our audited consolidated financial statements included in Exhibit 99.6 to the Company s Form 6-K furnished to the SEC on January 18, 2011.

	As of July 28,	As of March 31,	
	2010	2010	2009
	(HK$ in thousands)		
Statements of Financial Position Data of Man Sang Discontinued Operations:			
Total non-current assets	1,046,725	1,015,399	1,132,000
Total current assets	1,069,473	1,059,250	946,309
Total assets	2,116,198	2,074,649	2,078,309
Total current liabilities	690,328	722,506	598,364
Total non-current liabilities	153,541	107,907	206,634
Total liabilities	843,869	830,413	804,998
Total equity	1,272,329	1,244,236	1,273,311

Exchange Rate Information

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since 1983, the Hong Kong dollar has been generally linked to the U.S. dollar at the rate of HK$7.80 to US$1.00. Under existing Hong Kong law:

- there are no foreign exchange controls or other laws, decrees or regulations that affect the remittance of dividend payments to U.S. residents; and

- there are no limitations on the rights of non-residents or foreign owners to hold the Company s ordinary or preferred shares.

The Basic Law of Hong Kong, or the Basic Law, which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to US$1.00. The Hong Kong government has indicated its intention to maintain the link at that rate. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar.

On May 18, 2005, the Hong Kong Monetary Authority announced the introduction of certain refinements to the operation of the linked exchange rate system. These refinements effectively set the market exchange rate of the Hong Kong dollar against the U.S. dollar within a fixed trading range from HK$7.75 to HK$7.85 against US$1.00. However, the Company cannot assure you that the Hong Kong government will maintain the linked exchange rate system within the range of HK$7.75 to HK$7.85, or at all.

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The following table sets forth the noon buying exchange rate for U.S. dollars in New York City for cable transfers in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Exchange Rate			
	Period End	High	Average (1)	Low
	(HK$ per US$)			
Last Five Fiscal Years				
Fiscal Year Ended March 31, 2009	7.7500	7.8159	7.7731	7.7497
Fiscal Year Ended March 31, 2010	7.7647	7.7752	7.7541	7.7495
Fiscal Year Ended March 31, 2011	7.7750	7.8040	7.7745	7.7501
Fiscal Year Ended March 31, 2012	7.7656	7.8087	7.7772	7.7532
Fiscal Year Ended March 31, 2013	7.7629	7.7699	7.7554	7.7493
Last Six Months				
January 2013	7.7560	7.7585	7.7530	7.7503
February 2013	7.7546	7.7580	7.7552	7.7531
March 2013	7.7629	7.7640	7.7592	7.7551
April 2013	7.7606	7.7652	7.7631	7.7606
May 2013	7.7625	7.7639	7.7614	7.7587
June 2013	7.7560	7.7654	7.7602	7.7534

(1) For the years indicated, the average exchange rates are determined by averaging the exchange rates on the last business day of each month during the relevant period. For the months indicated, the average exchange rates are determined by averaging the exchange rates on each day of the month.

On July 12, 2013, the exchange rate was HK$7.7581 per US $1.00.

The following table sets forth the noon buying exchange rate for U.S. dollars in New York City for cable transfers in Renminbi (RMB) as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Exchange Rate			
	Period End	High	Average (1)	Low
	(RMB per US$)			
Last Five Fiscal Years				
Fiscal Year Ended March 31, 2009	6.8329	7.0185	6.8532	6.7800
Fiscal Year Ended March 31, 2010	6.8258	6.8371	6.8268	6.8176
Fiscal Year Ended March 31, 2011	6.5483	6.8323	6.6972	6.5483
Fiscal Year Ended March 31, 2012	6.2975	6.5477	6.3970	6.2935
Fiscal Year Ended March 31, 2013	6.2108	6.3879	6.2787	6.2105
Last Six Months				
January 2013	6.2204	6.2303	6.2215	6.2134
February 2013	6.2213	6.2438	6.2322	6.2213
March 2013	6.1208	6.2246	6.2154	6.2105
April 2013	6.1647	6.2078	6.1861	6.1647
May 2013	6.1340	6.1647	6.1416	6.1213
June 2013	6.1374	6.1488	6.1342	6.1248

(1) For the years indicated, the average exchange rates are determined by averaging the exchange rates on the last business day of each month during the relevant period. For the months indicated, the average exchange rates are determined by averaging the exchange rates on each day of the month.

On July 12, 2013, the exchange rate was RMB6.1373 per US$1.00.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Business

Our ability to execute our business strategy and grow on our agricultural logistics businesses and rural-urban migration and city re-development business will depend in part on the success of the PRC s agricultural industry and the economic growth and implementation of government policies, and if the PRC agricultural industry and economy do not continue to grow at a strong rate or the local government fails to implement its policies, our business may suffer.

We have established logistics platforms in Tieling, Liaoning Province called China Northeast Logistics City Tieling and in Dezhou, Shandong Province called China Northeast Logistics City Dezhou , which are available to Tieling and Dezhou as well as regional and international traders based upon an open and free market system for the mutual benefit of sellers and buyers. The logistics platforms are designed to facilitate the marketing of products provided or desired by willing buyers and sellers. Agriculture products have risk exposure, including weather, climate and seasonal price fluctuations. Farmers are exposed to risks associated with output and input prices, production volume and risks associated with income from non-farm sources.

We have established a rural-urban migration and city re-development business in the prior year in Qiqihar, Heilongjiang Province called China Focus City Qiqihar , which was available to Qiqihar as well as regional traders and residents which will be comprised of commercial, business, residential and governmental districts. China Focus City Qiqihar was designed to accommodate the local government s plan to relocate the administration center of Qiqihar. Following the disposal of China Focus City Qiqihar in the fiscal year ended March 31, 2013, we will continue to carry out this business through other locations. The rural-urban migration and city re-development business has risk exposure including change of local and national economic climates and government policies.

Our results of operation may be significantly adversely affected by these risks.

The PRC Government may introduce new green laws with environmental challenges that may have an adverse effect on our actual and prospective tenants and customers, and therefore could adversely affect our operations.

There are few quantitative estimates of projected environmental degradation associated with intensive agricultural production. Yet environmental cleanup will pose a competing challenge for investment in agriculture. Abundant use of coal to meet the increasing demands for energy and rapid growth of cities with associated growth of automobiles and municipal waste have been large sources of incredibly high levels of air pollution in China.

Acid rain and water use and pollution associated with industrialization and urbanization are other major sources of water constraint. Disposal of industrial waste and organic fertilizer runoffs has been the major source of water pollution. Yet the health impact has been generally contained due to the widespread availability of safe drinking water. Still, water pollution is increasing water shortages and increasing the cost of provision of drinking water since this often requires that people move to safer areas.

China s per capita energy demand and increased use of automobiles associated with urbanization will critically shape the environmental prospects in China. Reduction in environmental pollution will require the PRC Government to encourage the replacement of outdated and environmentally polluting technologies, increasing energy efficiency and emission standards comparable to those used in Europe and the U.S., and price polluting industrial inputs to reflect the cost of pollution cleanup. The PRC Government would also need to consider imposing taxes on such items as coal, based on sulfur and ash content, investing in alternative technologies in public transport and domestic energy use, such as the greater use of gas for cooking, planning and regulating industrial, and public and household uses more effectively. Each of these events could have a material adverse effect on our operations.

The results of our operations substantially depend on our ability to execute our business strategy and on economic growth in the regions of our trade center projects.

The results of our 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 economic activities region, as well as regions surrounding properties 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, some 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, results of operations and financial condition will be materially and adversely affected.

We may not be able to increase our revenues from or sustain our rapid growth rate on revenues from servicing and assignments of development rights, sales or leases of properties or achieve satisfactory rental rates from period to period.

Our revenues from the sales of trade center units in fiscal year 2011 and fiscal year 2012 were HK$575.6 million and HK$758.4 million, respectively. Our revenue from the leases of properties increased from HK$4.5 million in the fiscal year 2011 to HK$3.9 million in the fiscal year 2012 and our revenue from property management services increased from HK$1.5 million in the fiscal year 2011 to HK$3.6 million in the fiscal year 2012. Our revenue from servicing and assignments of development rights in the fiscal year 2012 attributable to Qiqihar Discontinued Operation was HK$147.9 million. Our revenue in the fiscal year 2013 was HK$284.8 million, which includes revenue from leases of properties and property management services of HK$5.0 million and HK$6.4 million, respectively.

Each servicing and assignment of development rights was negotiated with independent third parties on a case by case basis and the premium may be significantly affected by economic climates and other factors at the time of negotiation. We therefore cannot assure you that, in the future, we will be able to negotiate a premium that is higher than a rate we have already achieved in previous periods, nor we will be able to increase the number of successful negotiations with independent third parties.

Our commission lease arrangements provide us the right to lease to, and receive rental income from, third parties for the trade center units that we have sold to the purchasers of these units, for a period of approximately three years. However, if we are unable to lease the trade center units for which we have entered into such commission lease arrangements, we will not receive any rental income from these units. Under these commission lease arrangements, we are not obligated to pay any rent during the three-year period. Such transactions are accounted for as a sale and operating leaseback given that as part of the sale transaction, the Company disposes of substantially all risks and rewards of owning the property. In concluding that substantially all risks and rewards of owning the property have been transferred, the Company considers the short period of the lease and the expected future rentals it could earn by letting out these properties, which are insignificant relative to the value of the property. We cannot assure you that, in the future, we will be able to charge sufficiently high rental rates. As a result, failure to lease the trade center units or to lease the units at satisfactory rental rates would adversely affect our profits for the applicable period.

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Some of our buyers may not be able to obtain mortgages from banks and the inability to secure financing may adversely impact the Company s stock price.

Currently the majority of our sales are settled by one-off purchases from buyers. The remaining buyers purchase spaces in our trade centers through mortgages with banks with typically at least a 50% down payment. Due to the volume involved and the mortgage approval process, some of the buyers that intend to purchase spaces in our trade centers through mortgage financing may not be successful in their mortgage applications for a variety of reasons. In the event that the applicants do not successfully receive mortgage financing, the Company may not be able to recover its accounts receivable from these buyers on time, the Company s financials may be impaired, and the Company s stock price may go down.

We currently rely on China Northeast Logistics City Dezhou and China Northeast Logistics City Tieling for all of our agricultural logistics business revenues as well as our revenue from servicing and assignments of development rights. We may be unsuccessful in expanding our projects in these cities, and if we are unsuccessful, our stock price may fall.

Although our agricultural logistics business has properties under development and planned for future development, we currently rely on China Northeast Logistics City Dezhou and China Northeast Logistics City Tieling for our agricultural logistics business revenues and our revenue from servicing and assignments of development rights. These revenue sources may entail a higher level of risk as compared to other operators of trade centers that have revenue-generating properties spread over several different locations or have a more diverse range of property investments. In the event of a circumstance which adversely affects the operations or business of China Northeast Logistics City Dezhou and China Northeast Logistics City Tieling, or their attractiveness to tenants and developers, we will not have income from other properties in our agricultural logistics business and rural-urban migration and city re-development business to mitigate any ensuing loss. A concentration of investments in only few locations will cause China Northeast Logistics City Dezhou and China Northeast Logistics City Tieling to be highly susceptible to a downturn in Northeast China s agricultural, property or logistics industry. In addition, any property damage at any one of China Northeast Logistics City Dezhou and China Northeast Logistics City Tieling, resulting from fire or other causes, or a downturn in the industrial materials, agricultural or manufacturing industries in Northeast China, may have a material adverse effect on our business, financial condition and results of operations. Further, we cannot assure that China Northeast Logistics City Dezhou and China Northeast Logistics City Tieling will continue to attract tenants or developers to generate revenue, or that we will be successful in the future. Although we have projects planned for future development in 2013, 2014 and 2015, we cannot assure that we will be able to successfully obtain state-owned land use rights for all or any portion of land necessary for the development of these projects, complete the development of these projects or generate revenue and net income from these projects at all or in amounts that we expect.

If we are unable to obtain the state-owned land use rights for our properties planned for future development, we will not be able to develop these planned projects.

Our Hong Kong subsidiary, China Metro-Rural Exchange Limited, signed a framework agreement with Tieling Municipal Government in 2006. Pursuant to this master agreement, the Tieling Municipal Government has identified land which is suitable for our development strategy in Tieling City.

Our Hong Kong subsidiary, China Metro-Rural Development Limited, signed a framework agreement with Dezhou Municipal Government in 2010. Pursuant to this framework agreement, the Dezhou Municipal Government has identified land which is suitable for our development strategy to develop logistics platforms called China Northeast Logistics City Dezhou .

Our Hong Kong subsidiary, China Glorious City Development Limited, signed a framework agreement with Hengyang Municipal Government in the fiscal year ended March 31, 2013. Pursuant to this framework agreement, the Hengyang Municipal Government has identified land which is suitable for our development strategy to develop logistics platforms which will be called China Glorious City Hengyang .

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Our Hong Kong subsidiary, China Glorious City Investments Limited, signed a framework agreement with Zhoukou Municipal Government in the fiscal year ended March 31, 2013. Pursuant to this framework agreement, the Zhoukou Municipal Government has identified land which is suitable for our development strategy to develop logistics platforms which will be called China Glorious City Zhoukou .

However, the signing of these master framework agreements do not guarantee that we will obtain the land identified therein, which will be transferred by public tender, auction or listing for sale. We cannot assure that the relevant land administration authorities will grant us the appropriate land use rights or issue the relevant land use rights certificates in a timely manner, or at all. Moreover, we cannot assure that we will be successful in our bidding for the plots of land or that we will be able to obtain the land at our desired price. If we are not successful in our bidding for the plots of land in the future or fail to obtain land use rights for all or any portion of such land, we may not be able to develop any future projects.

We may experience conflicts of interest with China South City Holdings Limited as a result of contracts to which certain of our directors are a party.

In addition to their investments in the Company, Mr. Cheng Chung Hing, Ricky, and his brother, Mr. Cheng Tai Po, own all of the outstanding shares of Accurate Gain Developments Limited and Proficient Success Limited. As of March 31, 2013, Accurate Gain Developments Limited, Proficient Success Limited, Mr. Cheng Chung Hing, Ricky, and Mr. Cheng Tai Po owned an aggregate of 2,448,116,976 of the 6,053,564,000 outstanding shares of China South City Holdings Limited, or China South City. China South City is one of the leading developers and operators of large-scale integrated logistics and trade centers in China, providing a comprehensive trading platform for domestic and international wholesale suppliers, buyers, manufacturers and distributors of raw materials and finished products. It sells and leases trade center units for businesses to display and sell their products. China South City also provides their clients with one-stop convenient supply chain solutions that include a full range of facilities and services such as offices, residential, conference and exhibition facilities, hotels and restaurants, warehousing and on-site logistics services, property management, e-commerce, banking, on-site government services in a bid to offer. Mr. Cheng Chung Hing, Ricky, is also the Co-Founder, Co-Chairman and Executive Director of China South City. In addition, Mr. Leung Moon Lam, a director of China Metro, is a Co-Founder, Executive Director and the Chief Executive Officer of China South City.

Mr. Cheng Chung Hing, Ricky, and Mr. Leung Moon Lam are each parties to a deed of option and undertaking with China South City. Pursuant to the deed of option and undertaking of which we are not a party, each of Mr. Cheng Chung Hing, Ricky, and Mr. Leung Moon Lam has granted to China South City an option to acquire all their respective effective interests in China Northeast Logistics City Tieling at any time until September 30, 2014 or two years after the completion of the development of China Northeast Logistics City Tieling (whichever is later) so long as: (i) for Mr. Cheng Chung Hing, Ricky, he remains a controlling shareholder of China South City or a director of China South City; or (ii) for Mr. Leung Moon Lam, he remains a director of China South City. China South City also has the right to buy all the respective interests held by Mr. Cheng Chung Hing, Ricky, and/or Mr. Leung Moon Lam in China Northeast Logistics City Tieling before they are offered to any other third party. The price payable by China South City for such interests shall be determined with reference to the fair market value of such interests as determined by an internationally recognized valuer.

If China South City decides, after due consideration, not to exercise the option but wishes to develop China South City s business operations in Liaoning Province, which may result in competition between China South City and China Northeast Logistics City Tieling, China South City shall be entitled to, at any time within the above option period, require Mr. Cheng Chung Hing, Ricky (so long as he remains a controlling shareholder of China South City or a director of China South City), and/or Mr. Leung Moon Lam (so long as he remains a director of China South City) to dispose of all their respective interests in China Northeast Logistics City Tieling to independent third parties as soon as practicable and in any event prior to the occurrence of any competition between China South City and China Northeast Logistics City Tieling. As a result, there may be conflicts of interest presented by Mr. Cheng Chung Hing, Ricky s, and Mr. Leung Moon Lam s relationships with both us and China South City, which may adversely affect our opportunities, prospects and results of operations.

In connection with our Merger in 2010, Mr. Cheng Chung Hing, Ricky and Mr. Leung Moon Lam sought confirmation from China South City as to whether China South City would opt to exercise its rights of first offer granted to it by both Mr. Cheng and Mr. Leung to purchase all their respective effective interests in China Northeast Logistics City Tieling. Following that request, China South City held an extraordinary general meeting in which its independent shareholders approved, confirmed and ratified its non-exercise of the rights of first offer granted to it by each of Mr. Cheng and Mr. Leung in relation to the Merger. While the rights of first offer no longer exist with respect to the completed Merger, the option to exercise the rights of first offer remains in effect with respect to subsequent transfers until September 30, 2014 or two years after the completion of the development of China Northeast Logistics City Tieling (whichever is later).

We may not be able to acquire the land for the completion of additional projects with Urbanization Policy and reduction of agricultural land by PRC Government.

According to some estimates, since 1988, capital construction in China has removed 190,000 hectares of land from cultivation annually. Other estimates show a greater loss of land. The land lost in the Shandong and Southeastern coastal provinces is high quality land where multiple cropping is practiced, compounding the loss. Although these losses have been offset by land reclamation of 245,000 hectares annually, reclaimed land tends to be of poorer quality. In addition, the cost of land reclamation has varied between US$2,000 to US$20,000 per hectare depending on the terrain. In the event we are unable to obtain additional land at reasonable prices, or at all, we may not be able to complete additional projects in the future, which could have an adverse effect on our operations, financial condition and results of operations.

Three of our PRC subsidiaries, China Northeast Logistics City Co. Ltd., or China Tieling Northeast, Northeast Logistics City Dezhou Co., Ltd., or China Dezhou Northeast, and China Glorious City (Hengyang) Co. Ltd., or China Hengyang Glorious, are wholly foreign owned enterprises, and are subject to restrictions imposed by relevant PRC laws and regulations.

China Tieling Northeast, China Dezhou Northeast and China Hengyang Glorious were approved by their respective local authorities and filed with the PRC Ministry of Commerce as wholly foreign owned enterprises and, accordingly, are subject to regulations and restrictions applicable to foreign investment real estate enterprises, including, but not limited to, restrictions on their ability to obtain loans within and outside of the PRC, as well as restrictions on the conversion and sale of foreign exchange into their capital accounts. In addition, China Tieling Northeast, China Dezhou Northeast and China Hengyang Glorious, as foreign investment real estate enterprises, are required to maintain registered capital levels at 50% or more of their total investment. As of March 31, 2013, the registered total investment in China Tieling Northeast, China Dezhou Northeast and China Hengyang Glorious were US$49.80 million, US$49.90 and US$99.99 million respectively, including registered capital of US$35.0 million, US$49.9 million and US$30.0 million, representing approximately 70%, 100% and 30% of their respectively registered total investment. Currently, China Tieling Northeast, China Dezhou Northeast and China Hengyang Glorious, our project companies for our property planned for future development in Liaoning, Shandong and Hunan, are our only subsidiaries categorized as foreign investment real estate enterprises.

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The cyclical nature of the real estate, agricultural 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, agricultural and logistics industries in the PRC. Property values and rents are affected by, among other factors, the supply and demand of comparable properties, interest rates, inflation, the rate of economic growth, tax laws and political and economic developments in the PRC. Our tenants and customers may be affected by the weather, climate, import and export of agricultural products and machines, price of the agricultural products and the fluctuation of the RMB. We cannot assure that property values and rents will not decline. In addition, increased competition brought by any 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 industrial and agricultural materials and logistics services in China. A significant downturn in the PRC economy could adversely affect such demand, as well as the demand by suppliers for trade center units.

Our results of operations may fluctuate from period to period due to variations in the proceeds received from sales and leases of trade center units and the fair value of our investment properties.

Our results of operations tend to fluctuate from period to period depending upon the proportion and gross floor area, or GFA, of trade center units that are sold or leased, and when our projects in various stages of development are completed. We generally sell trade center units in the initial stages following completion of a project subject to the then-current market conditions. The number of trade centers that we are able to develop or 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. In addition, the trade centers that we have developed or that are under development are large-scale, integrated, multi-phase projects to be developed over the course of several years. The selling prices and rental rates of trade center units are also subject to fluctuation, which may impact our sales proceeds and rental income and, accordingly, our revenues for any given period. In this regard, rental rates also vary among trade centers, according to market demand and dates of completion of the various trade centers, which affects rental rates because we generally offer tenants of newly completed trade center units preferential rental rates and rent-free periods in order to increase occupancy rates of these trade centers. Our rental rates for future periods may also be affected by similar incentive plans, and may be adversely affected by cyclical changes in market demand.

Our results of operations may also fluctuate due to changes in the fair value of our trade center units and other facilities retained for rental income and capital appreciation of investment properties. We reassess the fair value of our investment properties each 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.

Our operations are subject to extensive governmental regulations, and we are susceptible to changes in policies related to the real estate, agricultural and logistics industries in the PRC.

In order to develop and operate a trade center development, we must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of our trade center 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.

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We cannot assure 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, agricultural or logistics industries in general or the particular processes with respect to the grant of approvals in China. There may also be delays on the part of relevant administrative bodies in reviewing our applications and granting approvals. We may also be subject to periodic delays in our trade center development projects due to building moratoria in the areas in which it operates or plans 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 result in a material adverse effect on our business, financial condition and results of operations. Further, we cannot assure 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, which could have a material adverse effect on our business, financial condition and results of operations.

We face competition from other agricultural logistics and industrial materials trade centers.

Our China Northeast Logistics City Tieling and China Northeast Logistics City Dezhou may face competition from other agricultural and industrial materials trade centers in China. The greatest concentration of industrial materials trade centers in China is in Pearl River Delta, Yangtze River Delta and the Manchuria area. The agricultural, industrial materials and finished goods featured at these competing trade centers include agricultural products, building materials, automobile and accessories and small goods. In addition, there may be an increase in supply of industrial materials trade centers in Guangdong and elsewhere in China, such as Shenzhen and Guangzhou, in the future.

The greatest concentration of agricultural trade centers in China is in Manchuria and Shanghai. The agricultural products for which these trade centers compete include raw materials, corns, wheat, fertilizers, seeds and pesticides, agricultural machinery and tools, which are concentrated in Manchuria area. The Shanghai Agriculture Equity Exchange (SAEE) was established on September 8, 2009, and the management anticipates that similar exchanges will be established in the future.

This competition may affect our ability to attract and retain tenants and buyers and may reduce the rents or prices we are able to charge. We cannot assure that we will prevail in competing with other trade center operators. Our inability to compete effectively could adversely affect our business, financial condition and results of operations.

Demand for our trade centers may be negatively affected by uncertainty regarding the recovery of the global economy, which may have a material adverse effect on our business, results of operations and financial condition.

Uncertainty regarding the recovery of the global economy may diminish the demand from many parts of the world and increase volatility in credit and equity markets. If these conditions persist or worsen, regardless of any efforts by various governmental authorities to stimulate the economy, they may adversely affect the availability, terms and cost of borrowings in the future, including financing necessary to complete our properties planned for future development, as well as the demand for our trade center units. Because our operations are capital intensive, and rely principally on cash flows from operations and bank borrowings, we cannot assure that the global economic downturn will not have a material adverse effect on our business, results of operations, financial condition and cash flow.

The timing and nature of any recovery in the global economy remain uncertain, and there can be no assurance that market conditions will improve in the near future or that our results will not be adversely affected. Furthermore, if economic conditions become worse, the development of our properties could be adversely affected and materially delayed.

We may not be able to renew or re-obtain qualification certificates as real estate developers upon expiration of our current qualification certificate, which could adversely affect our business.

Our subsidiary located in Tieling, China Tieling Northeast, is required to hold a qualification certificate which is normally granted to real estate developers. The Tieling Urban Construction Comprehensive Development Office has previously granted an interim qualification certificate to China Tieling Northeast confirming that China Tieling Northeast is allowed to undertake the development of properties in the PRC. On August 6, 2009, China Tieling Northeast obtained a renewal of the interim qualification certificate. On December 22, 2010, China Tieling Northeast obtained from the Liaoning Housing and Urban Rural Construction Bureau a Qualification Certificate for Real Estate Development Enterprise in Grade III with an effective term until December 21, 2013. After the expiration of its current qualification certificate, China Tieling Northeast will need to renew this qualification certificate or apply for a qualification certificate in a higher grade.

Two of our subsidiaries located in Dezhou, China Dezhou Northeast and Dezhou Northeast City Property Co., Ltd. (a wholly-owned subsidiary of China Dezhou Northeast), are also required to hold qualification certificates as a real estate developer in mainland China. The Dezhou Housing and Urban Rural Construction Bureau has granted interim qualification certificates to China Dezhou Northeast and Dezhou Northeast City Property Co., Ltd. confirming that China Dezhou Northeast and Dezhou Northeast City Property Co., Ltd. are allowed to undertake the development of properties in the PRC. The interim qualification certificate of China Dezhou Northeast will expire on September 30, 2013 and the interim qualification certificate of Dezhou Northeast City Property Co., Ltd. has expired on June 30, 2013 and is in the process of applying to renew the qualification certificate. Upon expiration of the interim qualification certificate, China Dezhou Northeast will be required to renew its qualification certificate.

We cannot assure that these entities will be able to renew the current qualification certificates or obtain a new qualification certificates in a timely manner, or at all. If these entities or other project companies for our future projects are unable to renew the current qualification certificates or obtain new 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 business, which would materially and adversely affect our business, results of operations and financial condition.

The appraisal value of our properties may materially differ from the value we could receive in an actual sales transaction.

Property valuations include a subjective determination of certain factors relating to the properties, such as their relative market position, their financial and competitive strengths, location and their physical condition. Further, the valuation of the properties is not an indication of, and does not guarantee, a sale price corresponding to such valuation, currently or in the future. Unforeseen changes in a particular integrated logistics and trade center development or in general or local economic conditions could affect the value of our properties, and the resulting amounts we obtain may be materially lower than the amount set forth in the valuations.

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.

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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 environmental liability that would be expected to have a material adverse effect on our business, financial condition or results of operations, 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. We cannot assure that such internal control procedures will be effective in preventing non-compliance. If any portion of the project is found to be non-compliant with relevant environmental standards or if we are unable to obtain necessary licenses for releasing contaminants, it may be subject to suspension of a portion of our operations as well as fines and penalties.

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

Our sales of trade center units and residential properties are subject to land appreciation tax in the PRC. In addition, sales of 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%. Certain exemptions may be available for the sale of ordinary residential properties if the appreciation of land value does not exceed 20% of the total deductible items as provided in the relevant tax laws.

On December 28, 2006, the State Administration of Taxation issued the Notice on Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises, or the LAT Notice, which became effective on February 1, 2007. The LAT Notice provides that land appreciation tax should be settled in stages during a real estate development project and sets forth, among other things, methods of calculating land appreciation tax and a time frame for settlement of land appreciation tax. We have accrued all land appreciation tax payable on our property sales and transfers in accordance with the progressive rates specified in relevant tax laws mentioned above. However, the relevant tax authorities have yet to commence the assessment of our land appreciation taxes in order to collect the additional tax payments from it, and, therefore, we have not made the additional payments of land appreciation tax during the fiscal years ended March 31, 2011 and 2012 and the current period. We have paid such land appreciation tax expenses based on the total sales amount of the contracts it entered into with purchasers of trade center units for each fiscal year at the rate of 2% set by the local municipal tax authorities. In fiscal years ended March 31, 2011 and 2012, we paid land appreciation tax to the local municipal tax authorities in the amounts of HK$11.9 million and HK$18.8 million, respectively. In fiscal years ended March 31, 2011 and 2012, we made provisions for land appreciation in the amounts of HK$45.9 million and HK$27.8 million**,** respectively. In the fiscal year ended March 31, 2013, we paid land appreciation tax to the local municipal tax authorities in the amount of HK$18.6 million, and we made a write-back of provision in the amount of HK$1.4 million. Our cash flows and financial condition will be affected if the PRC tax authorities do 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 and cash flows will be materially and adversely affected.

We may be required to forfeit land to be developed if it does not comply with the terms of our land grant contract.

Under PRC laws, if a developer fails to develop land according to the terms of its land grant contract (including those relating to payment of fees, land use or the time for commencement and completion of the development of the land), 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. Further, if the development is delayed for longer than one year, the developer may be restricted from bidding for any new land. Thus, if we were to delay development on the lands acquired for China Northeast Logistics City Tieling and China Northeast Logistics City Dezhou (and if these restrictions were applied to us), we may be restricted from bidding for other land designated to us for development. We have not received such a warning or been subject to such a penalty or threat of forfeiture in the past. However, we cannot assure that circumstances leading to possible forfeiture of land or delays in the completion of the above projects will not occur in the future.

In addition, although the local government is responsible in the master agreement 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 any future properties by us. With respect to any future properties of ours, we will be responsible for land payments only following the successful relocation of existing residents by and at the cost of the local government.

We may not be able to commence or complete our properties planned for future real estate projects on time or within budget.

Our real estate projects involve acquiring 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 involve significant risks. Before a real estate development project generates any revenue, we must make a variety of material expenditures, including to acquire the development rights and to construct the required infrastructure.

It generally takes several years for a planned real estate project to generate revenue, and we cannot assure you that our real estate projects will achieve positive cash flow. As a result, our current and future real estate development activities may be exposed to the following risks:

- 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;

- we may be unable to complete construction of our real estate projects on schedule, or on budget, due to a variety of factors including shortages of materials, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors and sub-contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in the relocation process, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other problems and circumstances, resulting in increased debt service expense and construction costs;

- occupancy rates, rents and sales prices at our real estate 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 services rendered by our contractors may not always meet our quality requirements, and negligence or poor work quality by any 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;

since it normally takes several years for us to complete a real estate project, we expect that we will be affected by increases in the costs of construction materials and the costs of other goods and services, most significantly labor costs;

we may delay, or change the structure of, real estate projects and as a result we may lose deposits paid to participate in the land tender process or fail to recover expenses already incurred; and

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 with respect to a project.

The occurrence of any of these circumstances, most of which are beyond our control, could delay the completion of our real estate projects, which could adversely affect our business, financial condition and results of operations, which in turn could cause the market value of our shares to decline.

We may not be able to obtain adequate funding to our property under development or any properties planned for future development.

To date, for investment activities, we have relied primarily on bank borrowings and other loans for our funding and liquidity requirements; and to a lesser extent on cash inflows from operations. For further information on our available funding and liquidity resources, please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources. As of March 31, 2013, we had net current assets of HK$1,000.8 million and the outstanding balance of our total indebtedness (including trade payables, other payables and accruals, excluding shareholder s loans and loans from a non-controlling interest) amounted approximately HK$1,274.1 million, which included primarily bank and other borrowings, trade payables, other payables and accruals and convertible bonds in the amounts of HK$584.0 million, HK$383.4 million and HK$306.7 million, respectively. Approximately HK$286.7 million of our total borrowings were due within one year or on demand and approximately HK$297.3 million were due within a period of more than one year but not exceeding five years. The projected total investment for China Northeast Logistics City Tieling and China Northeast Logistics City Dezhou could be up to an amount of approximately US$2 billion and US$5 billion, respectively.

We also have available cash flow from our operations, but such amounts are not likely to be sufficient to fund our future development requirements. Due to the nature of our trade center development business, it 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 state-owned land use rights. We may require additional bank borrowings and, if necessary, offerings of debt and 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 stages. We cannot assure that we will be able to obtain additional financing at competitive costs, or at all. In addition, although we have not experienced any difficulties in the past, 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 future projects, and our business development could be severely disrupted.

We cannot assure 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 commence new projects or to continue the development of existing projects or may increase our borrowing costs.

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In previous years, the PRC Government introduced a number of measures and regulations to restrict the ability of property developers to raise capital through external financing and other methods. Because the local authorities treat our project companies, as real property developers, we have been subject to these measures and regulations with respect to China Tieling Northeast, China Dezhou Northeast and Dezhou Northeast City Property Co., Ltd. Additionally, the PRC Government has also recently introduced a number of restrictions on individuals purchases of residential properties. These restrictions may affect our sales of residential properties to individual customers.

We may incur substantial additional indebtedness in the future.

As of March 31, 2013, our debt-to-equity ratio (total bank and other borrowings and convertible bonds/total equity) was approximately 74.9%. We may incur additional indebtedness to complete additional projects and grow our supporting infrastructure, and the amount of such additional indebtedness may be substantial. We will face more risks if we or our subsidiaries incur additional debt. For example, the additional debt could:

- limit our ability to satisfy our obligations under our borrowings;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund project developments, working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- restrict us from making strategic acquisitions or exploring business opportunities;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds or make guarantees; 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 then prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not be able to generate sufficient cash flow for these purposes. If we are unable to service our total 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 our indebtedness or seeking additional equity capital. These strategies may not be implemented on satisfactory terms, if at all.

If we are unable to comply with the restrictions and covenants in our loan agreements, there could be a default under the terms of these agreements, which could cause repayment of our debt to be accelerated.

The bank loan agreements of our PRC subsidiaries contain a number of significant restrictive covenants. These covenants restrict, among other things, our PRC subsidiaries ability and the ability of their subsidiaries to incur additional debt or make guarantees, incur liens, pay dividends or distributions on its or its subsidiaries capital stock, prepay certain indebtedness, sell or transfer property or assets, make investments and merge or consolidate with another company.

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If our PRC subsidiaries are unable to comply with the restrictions and covenants in its current or future loan and other agreements, there could be a 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 our PRC subsidiaries, accelerate the outstanding debt and/or terminate the agreements, as the case may be. If the underlying obligation relates to our PRC subsidiaries secured borrowings, the lender can enforce the mortgages over the property securing the defaulted loan. If any of these events occur, our PRC subsidiaries cannot assure that their assets and cash flows would be sufficient to repay all of their indebtedness, or that they would be able to obtain alternative financing on terms that are favorable or acceptable to our PRC subsidiaries.

Our PRC subsidiaries are not currently in breach of any of these covenants.

In addition, the terms and conditions of convertible bonds we issued during the fiscal year ended March 31, 2013, contained a number of significant restrictive covenants as well as financial covenants. These covenants restricted our ability and our non-PRC incorporated subsidiaries ability to incur additional secured debts, incur liens, pay dividends distribution on its capital stock, prepay certain indebtedness, sell or transfer assets and merge or consolidate with another company.

If we are unable to comply with these restrictions and covenants, there could be a default under the terms of these convertible bonds. In the event of default under these convertible bonds, the holder of the convertible bonds could accelerate the repayment of these convertible bonds. If this occurs, we cannot assure that our assets and cash flows would be sufficient to repay all of our indebtedness, or that we would be able to obtain alternative financing on terms that are favorable or acceptable to us.

We have obtained a wavier from the holders of these convertible bonds in respect of any non-compliance of covenants during the fiscal year ended March 31, 2013.

We depend on China Metro-Rural Limited s founding shareholders, one of whom is also one of our directors, 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 the founding shareholders of the China Metro-Rural Limited (Mr. Cheng Chung Hing, Ricky and Mr. Leung Moon Lam), one of whom (Mr. Cheng Chung Hing, Ricky) is also one of our directors. These founding shareholders are critical to our success because of their vision for us and their industry knowledge and relationships. If we were to lose their support, our relationships with bankers, government officials, potential tenants and industry personnel could be adversely affected. We may not be able to replace these founding shareholders easily or at all. As a result, the loss of any of these founding shareholders, whether because any one or more of them become unwilling to continue in their present capacities with us, develop disagreements between each other, 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. 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 the requisite industry expertise. The loss of any member of our senior management team and our other 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.

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We may suffer losses caused by natural disasters or accidents and these losses may not be covered by insurance.

Our business may be adversely affected due to the occurrence of typhoons, severe storms, floods, wildfires, earthquakes or other natural disasters, or accidents (including fire or explosion) or similar events in the areas where we operate our trade centers. We do not carry any property insurance. Should a loss 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 if we were to obtain insurance, third-party insurance carriers would 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, financial condition and results of operations.

We are a holding company and rely on dividends paid by our subsidiaries for our funding requirements.

As a holding company, we depend upon the receipt of dividends from our subsidiaries to pay dividends to our shareholders and satisfy our obligations. The ability of our direct and indirect subsidiaries to pay dividends to their shareholders (including us) is subject to relevant shareholders agreements or constitutional documents and restrictions contained in the loan agreements of such subsidiaries or other instruments.

In addition, the ability of our subsidiaries in the PRC to pay dividends to their shareholders is subject to the requirements of PRC law. PRC regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Dividends may not be paid until cumulative prior years losses are made up. As a result, if our subsidiaries in the PRC incur losses, such losses may impair their ability to pay dividends or other distributions to us, which would restrict our ability to pay dividends and to service our indebtedness. Our PRC subsidiaries are required to make monthly contributions to the social security plan and the housing reserve fund maintained for their employees, consisting of pension benefits, personal injury insurance, maternity insurance and medical and unemployment benefits. In addition, some of our PRC subsidiaries may be required to set aside at least 10% of its after-tax profits based on PRC accounting standards in accordance with their articles of association and PRC law each year to its PRC statutory reserve until the cumulative amount of such reserve reaches 50% of its registered capital. As of March 31, 2013, we have PRC statutory reserve of approximately HK$114,393,000 for our PRC subsidiaries.

Any occurrence of avian influenza or other widespread public health problems could adversely affect our business, financial condition and results of operations.

In December 2003, January 2004 and March 2013, there were media reports regarding the spread of the avian influenza, among birds and in particular poultry, as well as some isolated cases in countries outside Hong Kong and PRC of transmission of the virus to humans. We cannot assure that there will not be a serious outbreak of a contagious disease in the PRC in the future. A renewed outbreak of SARS, pandemic avian influenza or other widespread public health problems in the PRC could have a material adverse effect on the PRC economy and our property market generally, and on our business, financial condition and results of operations.

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Restrictions on foreign currency exchange may limit our ability to obtain and remit foreign currency or to utilize our revenues effectively.

We currently receive substantially all of our revenues in Renminbi through our ownership and operation of China Northeast Logistics City Dezhou and China Northeast Logistics City Tieling. 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. As a result, any restriction on currency exchange may limit our ability to use revenues generated in Renminbi to pay our foreign currency denominated expenses and service and repay our foreign currency denominated indebtedness. Our ability to satisfy our foreign currency denominated debt obligations depends upon the ability of our subsidiaries incorporated in the PRC to obtain and remit sufficient foreign currency. Our subsidiaries incorporated in the PRC must present certain documents to the designated foreign exchange bank before they can obtain and remit foreign currency out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with the relevant local office of the State Administration for Foreign Exchange). We cannot assure that our subsidiaries incorporated in the PRC will not encounter difficulty in the future when undertaking these activities. If our PRC subsidiaries are unable to remit dividends to us, we would be unable to make payments of interest and/or principal on our foreign currency denominated indebtedness.

We have exposure to general real estate investment risks.

Real estate investments, like many other types of long-term investments, have historically experienced significant fluctuations in value, and specific market conditions and cycles may result in occasional or permanent reductions in the value of our investments. Property cash flows and the marketability and value of real property will depend on many factors beyond our control, including, without limitation:

- adverse changes in international, national, regional and local economic and market conditions;
- changes in interest rates or financial markets;
- fluctuating local real estate conditions and changes in local laws and regulations;
- changes or promulgation and enforcement of governmental regulations relating to land use and zoning, environmental, occupational and safety matters;
- changes in real estate tax rates and other operating expenses;
- existence of uninsured or uninsurable risks; and
- natural disasters, acts of war or terrorism.

The cyclical nature of the real estate industry could adversely affect our results of operations.

The results of our real estate operations are 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, unemployment 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 the future. A significant downturn in demand for our units would result in a material adverse effect on our business, financial condition and results of operations.

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Our operations are subject to extensive governmental regulations, and we are susceptible to changes in policies related to the real estate market in the PRC.

In order to develop and operate our projects, we must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of development, including land use rights documents, planning permits, construction permits, and certificates or confirmations of completion and acceptance. Each approval is dependent on the satisfaction of certain pre-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 market in general or the particular processes with respect to the grant of approvals in China. There may also be delays on the part of relevant administrative bodies in reviewing our applications and granting approvals. If we fail to obtain, or experience material delays in obtaining, the requisite governmental approvals, the development, sale and lease of our projects could be substantially disrupted, which would result in a material adverse effect on our business, financial condition and results of operations.

Our principal shareholder has substantial control over us and can affect decisions made by our shareholders.

As of July 1, 2013, our principal shareholder, Mr. Cheng Chung Hing, Ricky, our director, together with his affiliates, controls 37,338,104 of our outstanding ordinary shares and 100,000 of our outstanding preferred shares, which together represented 40,529,329, or 52.82%, of our outstanding voting shares.

Mr. Cheng Chung Hing, Ricky has the requisite voting power to exert substantial influence over actions which require shareholder approval and generally to direct our affairs, including decisions regarding the election of directors, mergers, consolidations and the sale of all or substantially all of our assets and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of the Company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of the Company and might reduce the price of our shares. These actions may be taken even if they are opposed by our other shareholders.

Because we do not expect to pay dividends in the foreseeable future, you must rely on the appreciation in price of our ordinary shares for a return on your investment.

Except for the Distribution, we have never declared or paid any dividends on our ordinary shares. We intend to retain any future earnings to finance the growth and development of our business and do not anticipate paying any dividends in the foreseeable future. Any dividends paid will be solely at the discretion of our Board of Directors, and the amount of any dividends will depend on various factors, including, without limitation, market conditions, our strategic plans and prospects, our business opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, payments by subsidiaries of cash dividends to us and legal, tax and regulatory restrictions, and other factors that our directors deem significant from time to time. Accordingly, the return on your investment in us will likely depend entirely upon any future price appreciation of our ordinary shares. Our ordinary shares may not appreciate in value or maintain the price at which you purchased units. You may not realize a return on your investment and may even lose the entire amount of your investment.

It may be difficult to effect service of process upon us or our directors or to enforce any judgments obtained from non-PRC courts, and it therefore may be difficult for you to resolve any grievance you have with us.

Our operations are substantially conducted and substantially all of our assets are located within China. Our directors reside in Hong Kong and China, where substantially all of their assets are located. Investors may experience difficulties in effecting service of process upon us, our directors or our senior management in China and it may not be possible to effect such service of process outside China. In addition, our PRC legal counsel has advised us that China does not have treaties with the United States and many other countries providing for reciprocal recognition and enforcement of court judgments. Therefore, recognition and enforcement in China of judgments of a court in the United States or certain other jurisdictions may be difficult or impossible.

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The nuclear crisis in Japan in March 2011 may have a negative impact to our logistics cities in China.

There may be chances that large amount of radioactive substances being released from the Fukushima Daichi Nuclear Plant in Japan to China, where our two projects in Shandong and Liaoning may be subject to radiation exposure. If there is a massive release of radiation resulting from complete meltdown of the Fuksushima Daichi Nuclear Plant, the radiation would have contaminated the areas up to several hundred kilometers from the nuclear reactor. The distance between Fukushima and Shandong Province is approximately 1,896 kilometres (1,178 miles), where China Northeast Logistics City Dezhou is located, the distance between Fukushima and Liaoning Province is approximately 1,000 kilometers (621 miles), where China Northeast Logistics City Tieling is located.

China has deployed radiation test vehicles around major cities in China since the Fukushima nuclear crisis, especially the coastal areas close to Japan. The Ministry of Environmental Protection is responsible for monitoring the situation and has updated analyses daily at www.mep.gov.cn.

Risks Related to Our Ordinary Shares

The market price and trading volume of our ordinary shares may be volatile.

The market price of our ordinary shares may become highly volatile and subject to wide fluctuations. In addition, trading volume in our ordinary shares may fluctuate and cause significant price variations to occur. Some of the factors that could result in fluctuations in the price or trading volume of our ordinary shares include, among other things: actual or anticipated changes in our current or future financial performance and general market and economic conditions. We cannot assure you that the market price of our ordinary shares will not fluctuate or decline significantly.

Future sales of our ordinary shares could have an adverse effect on our stock price.

We cannot predict the effect, if any, of future sales of ordinary shares, or the availability of shares for future sales, on the market price of our ordinary shares. Sales of substantial amounts of ordinary shares, or the perception that such sales could occur, may adversely affect prevailing market prices for our ordinary shares. In addition, a large supply of saleable ordinary shares, such as those underlying warrants issued in our May 2011 offering and August 2011 placements and those underlying convertible bonds and warrants issued in our August 2012 placement or other shares eligible for future sale, may adversely affect the prevailing market prices for our ordinary shares.

Our securities offering in May 2011 and our convertible bonds issued in August 2012 could prevent the acquisition or sale of our business.

The exercise price of the warrants issued in our offering in May 2011 and the convertible bonds and warrants issued in our August 2012 placement may be decreased if we issue securities below certain prices or if we fail to meet certain financial targets set forth in the warrants and convertible bonds. The exercise of the convertible bonds and warrants could further dilute the holdings of existing shareholders.

In addition, the issuance of our ordinary shares to the investors upon exercise of the offered warrants and convertible bonds could have an anti-takeover effect because such issuance will make it more difficult for, or discourage an attempt by, a party to obtain control of the Company by tender offer or other means. Such issuance of ordinary shares will increase the number of shares entitled to vote, increase the number of votes required to approve a change of control of the Company, and dilute the interest of a party attempting to obtain control of the Company.

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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, results of operations and financial condition.

All of our agricultural logistics business is conducted in, and all of our agricultural logistics revenues are derived from 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 gross domestic product, or 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 other measures taken by the PRC Government to regulate the economy could have a significant negative impact on economic conditions in China, with a resulting negative impact on our business. For example, our business, results of operations and financial condition may be materially and adversely affected by:

- new laws and regulations and the interpretations of those laws and regulations;
- the introduction of measures to control inflation or stimulate growth;
- changes in the rate or method of taxation; or
- the imposition of additional restrictions on currency conversions and remittances abroad.

Previous macroeconomic measures taken by the PRC Government to manage economic growth could have adverse economic consequences, and recent fiscal stimulus measures may not be successful in offsetting a decline in the rate of economic growth in the PRC.

In previous years, the PRC Government had periodically taken measures to slow economic growth to a more manageable level, in response to concerns about China s historical high growth rate in industrial production, bank credit, fixed investment and money supply. These measures have included macroeconomic measures to control perceived over investment in the real property market. More recently, along with a decline in economic growth worldwide, the rate of growth of the PRC economy has slowed down. In 2012, China s real GDP grew by a rate of an estimated 7.75% as compared to a rate of 9.2% and 10.3% in 2011 and 2010, respectively. In response to the recent global economic downturn, and a resulting slowdown in the PRC economy, the PRC Government has adopted increasingly flexible macroeconomic policies, including an announced fiscal stimulus package, aimed at offsetting the slowdown brought by the financial crisis. These policies include measures specifically designed to encourage development of the domestic property market, which represents a reversal on policies implemented since 2003 designed to tighten control on the real property market. However, we cannot assure you that the PRC Government s fiscal stimulus package will be successful in offsetting the slowdown resulting from the current economic downturn and deterioration in the global credit markets, or that restrictive measures already in place will not adversely affect our business.

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 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, interpretation and enforcement of these laws and regulations involve uncertainties. In addition, as the legal system in China develops, changes in such laws and regulations, their interpretation or their enforcement may have a negative effect on our business, financial condition and results of operations.

We are subject to risks of fluctuations in the exchange rate between the Renminbi and foreign currencies.

From 1994 until recently, the conversion of Renminbi into U.S. dollars was based on rates set by the People s Bank of China, which were set daily based on the previous day s PRC interbank foreign exchange market rate and current exchange rates on the world financial markets. On July 21, 2005, the People s Bank of China announced a reform of its exchange rate system and revalued the Renminbi to RMB8.11 to US$1.00. Under the reform, the Renminbi would no longer be effectively linked to the United States dollar but instead would be allowed to fluctuate within a narrow and managed band against a basket of foreign currencies. We cannot assure you that such exchange rate will not fluctuate widely against the U.S. dollar, Hong Kong dollar or any other foreign currency in the future. The PRC Government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. However, we cannot predict if or when these further reforms will occur. Although currently a substantial portion of our revenues, expenses and bank loans are denominated in Renminbi, we do have loans that are denominated in Hong Kong dollars and convertible bonds that are denominated in United States dollars. Fluctuation of the value of Renminbi will affect the amount of our non-Renminbi debt service in Renminbi terms since we have to convert Renminbi into non-Renminbi currencies to service our foreign debt. Since a substantial portion of income and profits are denominated in Renminbi, any appreciation of Renminbi will also increase the value of, and any dividends payable on, our shares in foreign currency terms. Conversely, any depreciation of Renminbi will decrease the value of, and any dividends payable on, our shares in foreign currency terms.

If the custodians or authorized users of controlling non-tangible assets of the Company, including corporate chops and seals, fail to fulfill their responsibilities or misappropriate or misuse these assets, the Company s business and operations could be materially and adversely affected.

Under PRC law, legal documents for corporate transactions, including contracts that the Company s business relies on, are executed using the chops or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant branch of the Administration of Industry and Commerce (AIC).

Although the Company usually utilizes chops to enter into contracts, the designated legal representatives of each of the Company s PRC subsidiaries have the apparent authority to enter into contracts on behalf of such entities without chops and bind such entities. All designated legal representatives of the Company s PRC subsidiaries are members of the Company s senior management team who have signed employment agreements with the Company or its PRC subsidiaries under which they agree to abide by various duties they owe to the Company.

In order to maintain the physical security of the Company s chops, the chops are generally stored in secured locations accessible only by the authorized personnel in the legal or finance departments of each of the Company s subsidiaries. The Company s designated legal representatives generally do not have access to the chops, but if such designated legal representatives were to obtain the chops, in spite of these protections, the Company may encounter difficulties in maintaining control over the relevant entities. Although the Company has implemented internal control procedures to monitor the use of corporate chops, such procedures may not be able to prevent all instances of abuse or negligence.

If any of the designated legal representatives obtains and misuses or misappropriates the Company s chops and seals or other controlling intangible assets for whatever reason, the Company could experience disruption to its normal business operations. If a designated legal representative obtains control of the chops in an effort to obtain control over the entity, the Company or its PRC subsidiary would need to pass a new shareholder or board resolution to designate a new legal representative and the Company would need to take legal action to seek the return of the chops, apply for new chops with the relevant authorities, or otherwise seek legal redress for the violation of the representative s fiduciary duties to the Company, which could involve significant time and resources and divert management attention away from the Company s business. In addition, the affected entity may not be able to recover corporate assets that are sold or transferred out of the Company s control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

The audit report included in this Annual Report is prepared by an auditor who is not inspected by the Public Company Accounting Oversight Board and, as such, you are deprived of the benefits of such inspection.

Auditors of companies that are registered with the US Securities and Exchange Commission and traded publicly in the United States, including our independent registered public accounting firm, must be registered with the US Public Company Accounting Oversight Board (United States) (the PCAOB) and are required by the laws of the United States to undergo regular inspections by the PCAOB to assess their compliance with the laws of the United States and professional standards. Because we have substantial operations within the PRC and the PCAOB is currently unable to conduct inspections of the work of our auditors as it relates to those operations without the approval of the Chinese authorities, our auditor s work related to our operations in China is not currently inspected by the PCAOB.

This lack of PCAOB inspections of audit work performed in China prevents the PCAOB from regularly evaluating audit work of any auditors that was performed in China including that performed by our auditors. As a result, investors may be deprived of the full benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of audit work performed in China makes it more difficult to evaluate the effectiveness of our auditor s audit procedures as compared to auditors in other jurisdictions that are subject to PCAOB inspections on all of their work. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

Proceedings instituted recently by the SEC against five PRC-based accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934.

In December 2012, the SEC instituted proceedings under Rule 102(e)(1)(iii) of the SEC s Rules of Practice against five PRC-based accounting firms, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC s rules and regulations thereunder by failing to provide to the SEC the firms work papers related to their audits of certain PRC-based companies that are publicly traded in the United States and which are subject of certain SEC investigations. We were not and are not the subject of any SEC investigations nor are we involved in the proceedings brought by the SEC against the accounting firms. If the SEC is successful in the proceedings, it could result in the accounting firms, (including our independent registered accounting firm) losing, temporarily or permanently, the ability to practice before the SEC. While we cannot predict the outcome of the SEC s proceedings, if our independent registered public accounting firm were denied, temporarily or permanently, the ability to practice before the SEC, and we are unable to find timely another registered public accounting firm which can audit our company, our financial statements could be determined to not be in compliance with the requirements for financial statements of public companies with a class of securities registered under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such a determination could ultimately lead to the delisting of our ordinary shares from the NYSE MKT, or deregistration from the SEC, or both, which could substantially reduce or effectively terminate the trading of our ordinary shares in the United States.

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Risk Related to U.S. Taxation

There is a risk that we could be treated as a U.S. domestic corporation for U.S. federal income tax purposes, which could result in a significant U.S. federal income tax liability to us.

Section 7874(b) of the Internal Revenue Code, or Section 7874(b), generally provides that a corporation organized outside the United States which acquires, directly or indirectly, pursuant to a plan or series of related transactions substantially all of the assets of a corporation organized in the United States will be treated as a domestic corporation for U.S. federal income tax purposes if shareholders of the acquired corporation own at least 80% (of either the voting power or the value) of the stock of the acquiring corporation after the acquisition. If Section 7874(b) applied to the liquidation of Man Sang Holdings Inc. in 2009, then we would be subject to U.S. federal income tax on our worldwide taxable income following the liquidation.

We believe that under Section 7874(b), we should not be treated as a domestic corporation for U.S. federal income tax purposes because Man Sang Holdings Inc. transferred no assets to us (other than rights to a potential tax refund, which was insignificant). However, the IRS may assert that we are subject to U.S. federal income tax on our worldwide income after the liquidation.

U.S. holders of our ordinary shares and warrants may suffer adverse tax consequences if we are characterized as a Passive Foreign Investment Company.

There is a risk that we will be classified as a PFIC for U.S. federal income tax purposes. Our status as a PFIC could result in a reduction in the after-tax return to U.S. holders of our ordinary shares and warrants and may cause a reduction in the value of such shares and warrants. We will be classified as a PFIC for any taxable year in which (i) at least 75% of our gross income is passive income or (ii) at least 50% of the average value of all of our assets produce or are held for the production of passive income. For this purpose, passive income includes dividends, interest, royalties and rents that are not derived in the active conduct of a trade or business. Based on the projected composition of our income and valuation of our assets, we do not believe we were a PFIC for the year ended March 31, 2013. The U.S. Internal Revenue Service or a U.S. court could determine that we are a PFIC in any year. If we are classified as a PFIC, U.S. holders of our ordinary shares and warrants could be subject to greater U.S. income tax liability than might otherwise apply, imposition of U.S. income tax in advance of when tax would otherwise apply, and detailed tax filing requirements that would not otherwise apply. The PFIC rules are complex and U.S. holders of our ordinary shares are urged to consult their own tax advisors regarding the possible application of the PFIC rules to them in their particular circumstances. See Material United States Federal Income Tax Consequences.

Item 4. Information on the Company
A. History and Development of the Company

China Metro-Rural Holdings Limited, or China Metro, was incorporated in the British Virgin Islands as an international business company under the name Man Sang International (B.V.I.) Limited, or MSBVI, under the International Business Companies Act on August 14, 1995, and automatically re-registered as a business company on January 1, 2007 pursuant to The BVI Business Companies Act, 2004. Prior to August 25, 2009, MSBVI was a wholly-owned subsidiary of Man Sang Holdings, Inc., or MSHI, a United States domestic issuer incorporated in the State of Nevada whose ordinary shares were listed on the NYSE MKT (formerly known as the American Stock Exchange). On August 25, 2009, at a general meeting, the shareholders of MSHI resolved that MSHI liquidated and dissolved, whereby we were effectively redomiciled from the United States to the British Virgin Islands and, as part of this transaction (the Reorganziation), MSBVI became the successor of MSHI and a non-United States domestic issuer whose ordinary shares are listed on the NYSE MKT. From its inception in August 1995 through the completion of the dissolution and liquidation on August 25, 2009, MSBVI was a wholly-owned subsidiary of MSHI. As a result of the dissolution and liquidation of MSHI on August 25, 2009, MSBVI became the listed holding company of our group. On March 19, 2010, MSBVI was renamed China Metro-Rural Holdings Limited. Our ordinary shares are traded on the NYSE MKT under the ticker symbol CNR .

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Upon the effective date of the Reorganization, the Company and its subsidiaries continued to conduct the business previously conducted by MSHI and its subsidiaries (including the Company). Although the dissolution and liquidation of MSHI resulted in the cessation of MSHI as the holding company of the Group, the dissolution and liquidation had no material impact on our financial condition or operating results, other than the costs incurred in connection with its dissolution and liquidation. As the Company contractually assumed all rights, title, obligations and liabilities of MSHI upon the terms and subject to the conditions of the agreement and plan of the dissolution and liquidation, there was a continuation of the risks and benefits to the ultimate controlling owners that existed prior to the dissolution and liquidation of MSHI. Accordingly, the Reorganization has been accounted for as a reorganization of entities under common control in a manner similar to pooling-of-interests. On this basis, the Company has been treated as the holding company of MSHI in all periods presented in the financial statements rather than from the effective date of the Reorganization.

Subsequent to the Reorganization, pursuant to an agreement and plan of merger, or the Merger Agreement, dated as of February 19, 2010, by and among the Company, China Metro-Rural Limited and Creative Gains Limited (Creative Gains) (a wholly-owned subsidiary of the Company), Creative Gains was merged with and into China Metro (the Merger). Immediately after the Merger, Creative Gains ceased and China Metro became a wholly-owned subsidiary of the Company. The acquisition of equity interest of China Metro-Rural Limited has been accounted for as a combination of entities under common control in a manner similar to pooling of interests as both the Company and China Metro-Rural Limited were controlled by Mr. Cheng Chung Hing, Ricky immediately prior to and immediately after the Merger. On this basis, the consolidated financial statements of China Metro-Rural Holdings Limited for periods prior to the Merger have been restated to include, to the extent of the equity interest of China Metro-Rural Limited held by Mr. Cheng Chung Hing, Ricky, the assets and liabilities and results of operations of China Metro-Rural Limited for those periods as if China Metro-Rural Holdings Limited had owned China Metro-Rural Limited at the beginning of the financial period reported in the consolidated financial statements or when MSBVI and China Metro-Rural Limited came under common control by Mr. Cheng Chung Hing, Ricky, whichever is later, and all assets and liabilities of China Metro-Rural Limited have been stated at historical carrying amounts. The acquisition by the Company of interest owned by all the shareholders of China Metro, including Mr. Cheng, was treated as an equity transaction at the completion date of the Merger.

As a result of the Merger, our principal operating subsidiaries are China Metro-Rural Limited and its subsidiaries as well as Man Sang International Limited and its subsidiaries.

In addition, on July 28, 2010, the Company declared a dividend to its shareholders which was satisfied by way of distribution in specie of the entire equity interest in Man Sang International Limited, or MSIL held by the Company, represented approximately 494 million ordinary shares of MSIL and was completed in August 2010. Upon the completion of the Distribution, the Group no longer held interest in MSIL and has discontinued its pearls and real estate businesses, or Man Sang Discontinued Operations, which was previously operated through MSIL. Selected financial data of Man Sang Discontinued Operations is set forth above in Item 3. Key Information A. Selected Financial Data .

On November 30, 2012, the Company disposed of its entire interest in CFC HK and, in effect, disposed of its entire interest in Qiqihar CFC, which represented Qiqihar Discontinued Operations. The Group will continue to carry out its rural-urban migration and city re-development business through other subsidiaries. Selected financial date of Qiqihar Discontinued Operations is set forth above in Item 3. Key Information A. Selected Financial Data .

B. Business Overview

China Metro-Rural Holdings Limited, or China Metro, is focused on being one of the leading developers and operators of large scale, integrated agricultural logistics and trade centers in Northern China that facilitate a relationship between sellers and buyers of agricultural products and small goods, provide relevant physical platform and timely marketing information and intelligence, provide a transparent and competitive market price discovery mechanism and provide infrastructure to enhance the living standards of those from the rural area. In addition, China Metro also carry out rural-urban migration and city re-development business, which consists of development and sales of commercial and residential properties and servicing and assignments of development rights to independent third party developers.

On November 30, 2012, the Company disposed of its entire interest in HK CFC and, in effect, disposed of its entire entity interest in Qiqihar CFC, which currently represented the Company s entire rural-urban migration and city re-development business. Accordingly, the rural-urban migration and city re-development business carried out by HK CFC and Qiqihar CFC have been classified as discontinued operations (Qiqihar Discontinued Operations). The Group will continue to carry out its rural-urban migration and city re-development business through other subsidiaries.

Agricultural logistics business

Our agricultural logistics business is comprised of (1) development and operation of integrated agricultural logistics and trade centers and supporting facilities; and (2) property management which engages in the management of developed properties within the logistics platforms known as China Northeast Logistics Cities. We currently are developing two locations in the PRC, namely Northeast Logistics City in Tieling City, Liaoning Province, or China Northeast Logistics City Tieling, and Dezhou Northeast Logistics City in Dezhou City, Shandong Province, or China Northeast Logistics City Dezhou.

Each China Northeast Logistics City is an integrated agricultural logistics and trade center platform which mainly focuses on agriculture industry, including agricultural products, agricultural machineries, fertilizers and chemicals, and small goods. Our first project, China Northeast Logistics City Tieling, is currently operating, and planning and construction work for our second integrated agricultural logistics and trade center platform, China Northeast Logistics City Dezhou, commenced in June 2011 in Dezhou City, Shandong Province.

Each China Northeast Logistics City will provide a wide range of products and services necessary for agricultural production, including farm equipment, financial services, grain agronomy, marketing, storage and transportation. Each China Northeast Logistics City will provide trade centers covering agricultural products such as corn, rice, beans, seeds, pesticides, fertilizers, agricultural machinery and other related tools as well as industrial products such as leather, textile and clothing hardware and accessories, building materials, specialized vehicles and their spare parts. We will also facilitate and make available to our trade center tenants and their customers a full range of integrated agricultural logistics and trade facilities and services, including transportation services, warehouses, agricultural logistics liaison services, on-site agricultural logistics service providers and quality testing services. The agricultural logistics services will be provided by on-site joint venture and third party service providers in our facilities. In addition, we will provide value-added exhibition and conference, residential, hotel and office facilities and procure other parties to provide banking and advertising services as well as food and beverage services. Our business model will be further augmented by the on-site presence of PRC Government agencies, which offer a diverse range of services, including registration and compliance, customs, tax administration, public security and human resources services primarily to trade center tenants, farmers and other customers.

Our development activities consist of site selection, land acquisition, project design and construction of trade centers, warehouse facilities and supporting commercial and residential facilities. Our operations consist of the operation of these trade centers and facilities on our project sites.

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China Northeast Logistics City Tieling

China Northeast Logistics City Tieling as a whole, including all trade centers and supporting commercial, warehouse and residential facilities, is expected to cover a total planned GFA of approximately 6 million square meters upon completion of all phases at the end of 2019. Phase I trade centers at China Northeast Logistics City Tieling commenced construction in January 2008, was partially completed in February 2009 and began operating in August 2009. Upon the completion of its first phase, or Phase I, China Northeast Logistics City Tieling will have a planned total gross floor area, or GFA, of approximately 2.0 million square meters. We sell and lease trade center units at China Northeast Logistics City Tieling to agricultural traders, farmers, domestic and international suppliers, distributors of raw materials and agricultural products, and we provide superior facilities and an integrated platform from which to display and sell their agricultural or related products to buyers. We focus on developing our trade centers by providing superior project planning and managing completed trade centers with quality services. We intend to maintain an optimal mix between trade center units for sale and trade center units held as investment properties for lease.

As of March 31, 2013, a total GFA of approximately 514,680 square meters (excluding self-used properties) were completed and more than 3,000 independent individuals had entered into sales and purchase agreements to purchase more than approximately 301,000 square meters of GFA, or approximately 58%, of our completed GFA. As of March 31, 2013, we completed sales of GFA of approximately 301,000 square meters (including approximately 39,000 square meters of residential properties). For such sales, we had outstanding accounts receivable of approximately HK$22,478,000, or 2% of such sales, as of March 31, 2013. An additional approximately 146,000 square meters of GFA are under construction. In addition, we have GFA of approximately 263,000 square meters and approximately 94,000 square meters, which included GFA under construction, available for sale and pre-sale, and for lease, respectively, of which approximately 130,000 square meters for sale and approximately 81,000 square meters for lease have been completed.

China Northeast Logistics City Tieling is treated as a real estate developer by the government authorities in Liaoning Province and has obtained a Qualification Certificate for Real Estate Development Enterprise in Grade III with an effective term until December 21, 2013. China Northeast Logistics City Tieling is required to either renew this qualification certificate or apply for a qualification certificate in a higher grade once the current qualification has expired.

China Northeast Logistics City Dezhou

China Northeast Logistics City Dezhou is expected to have a total site area of 7 million square meters, which is expected to provide GFA of approximately 15 million square meters upon completion of all phases in 2021. We entered into a framework agreement to develop China Northeast Logistics City Dezhou with the Dezhou Municipal Government in July 2010 and a groundbreaking ceremony was held on October 8, 2010. China Northeast Logistics City Dezhou is located in Dezhou City of Shandong Province, approximately 60 minutes drive from Jinan, the capital city of Shandong Province. We have acquired land use rights for the first parcels of land with site area of approximately 602,386 square meters for China Northeast Logistics City Dezhou, and it is expected to provide up to total GFA of approximately 0.4 million square meters. The first phase of construction for China Northeast Logistics City Dezhou commenced in June 2011.

As of March 31, 2013, a total GFA of approximately 231,000 square meters were completed and more than 1,900 independent individuals had entered into sales and purchase agreements to purchase more than approximately 162,000 square meters of GFA, or approximately 70%, of our completed GFA. As of March 31, 2013, we completed sales of GFA of approximately 162,000 square meters. For such sales, we had outstanding accounts receivable of approximately HK$26,217,000, or 3% of such sales, As of March 31, 2013. An additional approximately 150,000 square meters of GFA are under construction.

As of March 31, 2013, our total investments for China Northeast Logistics City Tieling and China Northeast Logistics City Dezhou are approximately RMB2,067 million (US$328 million) and RMB1,427 million (US$226 million), respectively.

Rural-urban migration and city re-development business

Our rural-urban migration and city re-development business is comprised of (1) servicing and assignments of development rights and (2) development and sales of residential, commercial and other auxiliary properties in new city center districts. It is China Metro s strategy to assign the development rights to independent third party developers on portion of land plots that have been allocated by the local government under framework agreements for their development in return for a premium while retaining the remaining portion for China Metro s own development.

China Metro previously carried out rural-urban migration and city re-development business through China Focus City Qiqihar. Upon disposal of China Focus City Qiqihar during the fiscal year ended March 31, 2013, China Metro will continue this business through other locations.

All of our agricultural logistics business revenues were derived from our operations at China Northeast Logistics City Tieling, and China Northeast Logistics City Dezhou, and were from sales, leases and management of trade center units. China Northeast Logistics City Tieling began to generate revenue in the fiscal year ended March 31, 2009 with net revenue of approximately HK$1.1 million, all of which were contributed from sales of trade center units. Net revenues in the fiscal year ended March 31, 2010 were approximately HK$337.7 million, with HK$336.7 million, HK$0.6 million and HK$0.4 million were contributed from sales of trade center units, rental income from leases of trade center units and property management fee income, respectively. Net revenues in the fiscal year ended March 31, 2011 were approximately HK$581.6 million, with HK$575.6 million, HK$4.5 million and HK$1.5 million were contributed from sales of trade center units, rental income from leases of trade center units and property management fee income, respectively. During the fiscal year ended March 31, 2012, Northeast Logistics City Dezhou commenced to contribute to our agricultural logistics business. Net revenues in fiscal year ended March 31, 2012 were approximately HK$913.8 million, with HK$758.4 million, HK$3.9 million and HK$3.6 million were contributed from sales of trade center units**,** rental income from leases of trade center units and property management fee income, respectively, whereas our rural-urban migration and city re-development business contributed revenue of approximately HK$147.9 million through servicing and assignments of development rights at Qiqihar City. Net revenues in fiscal year ended March 31, 2013 were approximately HK$284.8 million, with HK$273.4 million, HK$5.0 million and HK$6.4 million were contributed from sales of trade center units**,** rental income from leases of trade center units and property management fee income, respectively**.** Although we do not generate significant revenue from the agricultural logistics and other supporting services available at our trade centers, these services facilitate the operations of our trade center tenants and form an integral part of our trade center operations. In addition, the breadth of our supporting facilities and services distinguishes us from other trade centers in the PRC, and we believe they are important factors in attracting trade center tenants, farmers and customers.

Changes in fair values of our investment properties (which include investment properties under construction) were approximately HK$111.5 million, HK$2.6 million and HK$6.2 million, in the fiscal years ended March 31, 2011, 2012 and 2013, respectively. In the fiscal years ended March 31, 2011, 2012, and 2013, changes in fair values of investment properties represented positive of 41.3%, positive of 1.5% and negative of 4.1%, respectively, of our net profit from our continuing operation after taking into account relevant deferred income tax.

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The following maps illustrate the geographic location and construction planning of China Northeast Logistics City Tieling:

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The following maps illustrate the geographic location of China Northeast Logistics City Dezhou:

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Completed Property Development

China Northeast Logistics City Tieling

Phase I of China Northeast Logistics City Tieling will cover a planned GFA of approximately 2.0 million square meters. Construction of 514,680 square meters of trade centers and residential properties was completed as of March 31, 2013.

China Northeast Logistics City Dezhou

Phase I of China Northeast Logistics City Dezhou will cover a planned GFA of approximately 2.9 million square meters. Construction of 231,000 square meters of trade centers was completed as of March 31, 2013.

Properties under Development

China Northeast Logistics City Tieling

We are currently constructing additional trade centers and supporting facilities for Phase I of China Northeast Logistics City Tieling with a planned GFA of approximately 146,000 square meters.

China Northeast Logistics City Dezhou

We are currently constructing additional trade centers and supporting facilities for Phase I of China Northeast Logistics City Dezhou with a planned GFA of approximately 150,000 square meters.

Properties Planned for Future Development

China Northeast Logistics City Tieling

We plan to develop and construct additional trade centers, supporting commercial office buildings, hotels, warehouses and residential facilities on the remaining area of Phase I of China Northeast Logistics City Tieling, which will be approximately 1.5 million square meters. We expect to complete Phase I construction by 2019.

The planned site area for Phase II of China Northeast Logistics City Tieling will be approximately 2.1 million square meters according to a framework agreement that was signed in 2006. We are in the initial planning stages for Phase II of China Northeast Logistics City Tieling, and we have already obtained land use rights certificates for an area of approximately 0.6 million square meters.

China Northeast Logistics City Dezhou

We plan to develop and construct additional trade centers, supporting commercial office buildings, hotels, warehouses and residential facilities on the China Northeast Logistics City Dezhou, which will be approximately 14.8 million square meters. We expect to complete all construction of China Northeast Logistics City Dezhou by 2021.

The total planned site area for China Northeast Logistics City Dezhou will be approximately 15 million square meters according to a framework agreement that was signed in 2010. We are in the planning stage for construction of further GFA of approximately 0.4 million square meters and we have already obtained land use rights certificates for an area of approximately 0.6 million square meters and are in the process of acquiring more land use rights from local Land Bureau.

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Competitive Strengths

We believe that we are well-positioned to take advantage of the continued strong growth in the trade of agricultural industrial materials 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 innovative business model provides an integrated platform for our trade center tenants and their customers to receive a comprehensive range of trade, agricultural logistics and supporting services.

The scale and scope of each China Northeast Logistics City, which serves agricultural and related industries, attracts buyers and sellers seeking to take advantage of the synergies present within our integrated agricultural logistics and trade centers. Buyers are able to meet their purchasing needs for a wide range of agricultural raw materials and products 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 agricultural logistics and trade solutions available at our trade centers. In addition, hotel and restaurant facilities are available on-site for the convenience of trade center tenants and their customers. As our trade centers serve as a wholly integrated, single shop for both buyers and sellers, we believe this business model will continue to set us apart from our competitors and attract new tenants and customers, while allowing us to retain our current tenants and customers.

Our integrated agricultural logistics and trade centers are strategically located in fast growing agricultural, manufacturing and economic centers near well-developed transportation networks and infrastructure.

China Northeast Logistics City Tieling:

Manchuria is comprised of Liaoning, Jilin and Heilongjiang provinces.

The great Manchurian plain (average elevation 1,000 ft/300 m), crossed by the Liao and Songhua Rivers, is the only extensively level area in that region. Fertile and densely populated, it has been a major manufacturing and agricultural center of China. As one of the few areas in the country suitable for large-scale mechanized agriculture, it has numerous collective farms. Long, severe winters limit harvests to once a year, but considerable quantities of soybeans are produced. Sweet potatoes, beans and cereals (including rice, wheat, millet and gaoliang) are also grown, and cotton, flax and sugar beets are raised as industrial crops. The processing of soybeans into oil, animal feed, and fertilizer is centered in cities in or near the plain, notably Changchun, Harbin and Shenyang. Livestock are raised in the north and the west, and fishing is important off the Yellow Sea coast.

In addition, China Northeast Logistics City Tieling is connected to each of the major railway arteries in Northeast China as well as at least two major highways linking each of the major cities in the Manchuria region, Russia, North Korea and South Korea. Located in Bohai sea region, China Northeast Logistics City Tieling also has access to heavy port facilities in the Yellow Sea coast.

China Northeast Logistics City Dezhou:

China Northeast Logistics City Dezhou is strategically located in the northern of Shandong Province which has a comprehensive transportation network forming a gateway between south and north. It is only a three-hour drive from Beijing and eight-hour drive from Shanghai. The population of Dezhou City and Shandong Province are over 5 million and 94 million, respectively. The gross domestic product, or GDP, of Shandong Province was US$792 billion in 2012, which ranked third among Chinese provinces.

Shandong is historically well known for both agricultural and industrial outputs such as corn, cotton, fertilizers and wheat as well as rolled steel, tractors and farming machinery.

We believe the strategic location and agricultural and industrial production near China Northeast Logistics City Dezhou offers significant opportunity for us.

We enjoy strong municipal and regional government support in the locations in which we currently 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 services in their long-term plans. In doing so, we are able to ensure that our business operations are closely aligned with the long-term economic development plans of the region in which we develop and operate. With respect to China Northeast Logistics City Tieling, with local administrative support, we were able to secure a plot of land in excess of one square kilometer quickly, efficiently and in accordance with relevant approval procedures. Pursuant to the terms of our mutual agreement, representatives of the municipal governments undertook or will undertake the responsibility for relocating all prior occupants of the land as well as improving roads and infrastructure within each China Northeast Logistics City. In addition, 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 each China Northeast Logistics City. Several PRC Government agencies also plan to have an on-site presence at each China Northeast Logistics City to assist trade center tenants and other visitors. We believe each China Northeast Logistics City will remain an important part of the municipal and regional governments overall strategy to develop the local economy by creating new jobs, contributing increased tax revenues and attracting new manufacturing plants and commercial development to the surrounding area.

The founding shareholders of China Metro-Rural Limited possess in-depth experience and extensive networks of contacts within their respective industries.

The two founding shareholders of China Metro-Rural Limited, each of whom are either chairmen or executive directors of leading manufacturing and industrial companies based in Hong Kong with operations in the PRC, 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. Mr. Cheng Chung Hing, Ricky, one of the founding shareholders of China Metro-Rural Limited, is also the Chairman of Shenzhen Logistics and Supply Chain Management Association. He is also a member of the Shenzhen Committee of the Chinese People s Political Consultative Conference and a member of Guangxi Committee of Chinese People s Consultative Conference. Mr. Leung Moon Lam is a member of the Liaoning committee of the Chinese People s Political Consultative Conference. He is also the Chairman of Federation of Hong Kong Shenzhen Association and Chairman of the Shenzhen Textile Industry Association.

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 agricultural 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 real estate operations and financial management, which we believe provides us with a key competitive advantage. Our financial team includes professionals with experience in financial management, mergers and acquisitions, capital markets financing and corporate restructuring. Furthermore, we have developed a strong sales team with specialized experience in each of the different trade and agricultural logistics services industries. 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.

Strategy

Our objective is to become the leading developer and operator of large-scale, agricultural and industrial integrated logistics platforms and rural-urban migration and city re-development in the PRC. To achieve this objective, we intend to implement the following strategies:

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

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

Provide preferential rental terms to maximize occupancy rates and increase rental rates and sales prices as occupancy rates increase. Our operating strategy of the integrated agricultural logistics and trade centers aims to first achieve high occupancy rates and attract a high-quality tenant base, and then increase rental rates and sales prices steadily as occupancy rates increase. We intend to 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 intend to increase rental rates after the initial lease period, 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 agricultural 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 agricultural logistics and trade centers, and (2) higher quality features to be developed in the trade centers, which we expect will be offered at higher rental rates and sales prices. In the fiscal year ended March 31, 2013, our overall average selling price was HK$5,733 per square meter, represented an increase of approximately 10% as compared with the average selling price of HK$5,194 per square meter in the fiscal year ended March 31, 2012.

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

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 Northeast Logistics City Tieling, we have entered into strategic alliances and arrangements with a variety of third party service providers, including one of China s leading banks, Agricultural Credit Union, and a telecommunications company. We have also signed non-binding memorandum of understanding with two state-owned enterprises (China Grains and Logistics Corporation) to be anchor tenants and entered into a strategic alliance with Liaoning Chemical Fertilizers Co. Ltd. to build the largest fertilizer trade market in Liaoning. In addition, we will offer conference and exhibition facilities to the agricultural and related industries participants.

Building a strong brand by expanding into other cities and regions. We intend to expand the brand name China Northeast Logistics City into other cities and regions in the PRC by establishing a network of China Northeast Logistics Cities. By creating a network, we hope to create synergy between China Northeast Logistics Cities in different regions where customers from each China Northeast Logistics City will be attracted to one another, thus creating more transactions.

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 in China. We will emphasize the competitive strengths of our trade centers, including strategic location, integration into the global agricultural logistics supply chain, strong supporting infrastructure and services and high quality and superior management in our marketing efforts. Our marketing promotions and advertising campaigns will target domestic and multinational companies active in the industries represented at our trade centers. We believe that these 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 industrial materials and finished goods, creating higher demand for our trade center units.

Achieve and maintain an optimal mix between properties for sale and investment properties for lease.

We do not have any limitations or constraints in sales or leasing. We intend to maintain an optimal mix of properties generating long-term recurring income and capital appreciation, and properties generating profit from sales. We intend to strategically balance the amount of GFA for sale and for investment in our completed projects and properties under development and planned for future development in order to enhance our working capital position and to finance a portion of our project development costs.

Achieve and maintain an optimal mix between land for self development, and servicing and assignments of development rights.

We intend to retain certain land plots to be acquired for our own development and sales of commercial and residential properties while assigning the remaining land plots to independent third party developers in return for a premium. By doing so, we hope to be able to maintain at an optimal mix in terms of cash flows from assignments of rights and sales of properties and timing of such cash flows, creating flexibility in China Metro s overall development and funding requirements.

Trade Center Projects

We currently have two large-scale integrated agricultural logistics and trade center projects in various stages of development.

Our trade center projects are classified into:

- Properties under development, representing properties for which we have obtained land use rights certificates and have planned or commenced construction.

- Investment properties under construction, representing properties held for long-term investment and for leasing purposes upon completion.

- Properties held for sale, representing properties for which we have completed construction and are ready to be sold and occupied by potential buyers and tenants.

- Properties under planning, representing development activities consisting of site selection, land acquisition and project design.

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In determining the estimated commencement and completion dates for our properties under development and planned for future development, we rely on certain assumptions, including that: (1) there will be no material changes with respect to the general economic conditions in the PRC, performance of the PRC property market or demand for agricultural materials, particularly in the regions where we plan to develop such properties; (2) there will be no material change in the regulatory regime governing the real estate market in the PRC which adversely affects our ability to develop such properties; (3) there will be no significant obstacles in obtaining necessary licenses and approvals to develop such properties; (4) we will be able to obtain adequate funding through internal financing, bank borrowings and shareholder loans, as well as expanding our sources of external financing, including access to debt and equity financing, to develop such properties; (5) we will be able to obtain sites identified for future development pursuant to the terms of the master agreements governing the construction and development of such projects; (6) we will be able to obtain land use rights and building ownership certificates necessary to commence development of such projects; (7) the services rendered by independent contractors engaged in the construction of such properties will be performed in a satisfactory manner that meets our quality requirements; (8) there will be no material increase in the costs of construction materials and labor in the PRC; and (9) we will not be involved in any material legal or other governmental proceedings arising from the transfer or development of such properties.

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 issuance of a land use rights certificate by the relevant authority. A land use rights certificate is the evidentiary legal document to demonstrate 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 issuance 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 the PRC law, land use rights and building ownership rights which are duly registered are protected by law.

The 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, please see Regulation .

China Northeast Logistics City Tieling

We have received land use rights with respect to approximately 1,788,308 square meters of a total site area of approximately 3.9 million square meters planned for development for China Northeast Logistics City Tieling. Other than as discussed below, we have obtained all necessary land use rights and building ownership certificates to conduct our operations at China Northeast Logistics City Tieling. The land use rights for the Phase I are for a period ranging from 40 to 70 years commencing from the respective dates as specified in the land use rights certificates.

We have paid for and signed a land grant contract with the local government for approximately 1,788,308 square meters of land planned for use in Phase I and 558,586 square meters of land planned for use on Phase II, which together representing approximately 60%, of the total site area for China Northeast Logistics City Tieling. As of March 31, 2013, we received all land use rights for Phase I of our development. All the land has gone through auctions.

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China Northeast Logistics City Dezhou

We have received land use rights with respect to approximately 602,386 square meters of a total site area of approximately 7 million square meters planned for development for China Northeast Logistics City Dezhou. We have obtained necessary land use rights certificates to conduct our current operations at China Northeast Logistics City Dezhou. The land use rights obtained are for a period of 40 years commencing from the respective dates as specified in the land use rights certificates. All the land has gone through auctions.

Under relevant PRC laws and regulations, idle land is subject to (a) payment of idle fees equivalent to 20% of the land grant fees paid for these parcels of land, or (b) in more serious cases, potential forfeiture.

Currently, none of our land has been designated as idle land by relevant PRC authorities, and we do not believe our land is subject to payment of any idle fees or forfeiture.

Sales and Marketing

As of March 31, 2013, we had a team of approximately 50 and 59 sales and marketing and customer services personnel located in Tieling City and Dezhou City, respectively, who are responsible for the sales, leasing and marketing of the store units in the trade centers, residential and other properties. Once a project is completed, our sales and marketing staff will also develop advertising and rental plans for the properties held for rental, and sales plans for the store units to be sold to purchasers of the properties. We will also engage other independent professionals in the PRC to prepare marketing studies to assist us in developing our advertising and sales and rental plans. This process also includes a determination of target customers, as well as strategies to maximize usage and revenues from the property.

We conduct marketing of our projects through a variety of channels, including the network of our founding shareholders, advertising media, events and exhibitions and activities of trade associations. China Northeast Logistics City Tieling and China Northeast Logistics City Dezhou also has their own websites www.nlc88.com and www.nlc86.com which provide platforms for promoting each China Northeast Logistics City and the business carried out therein.

Lease Agreements

China Northeast Logistics City Tieling

Overview

As of March 31, 2013, we had approximately 2,600 completed trade center units for lease at China Northeast Logistics City Tieling. Leasing of trade center units and commercial facilities is conducted by our sales and marketing department. Prospective tenants complete an application containing information as to desired location of the rental units and facilities, and pay a nominal deposit. We review the application and, if appropriate, provide a detailed proposal of the rental unit, as well as deposits, rental rates, management fees and any rent abatement or rent-free periods. Once an agreement is reached with a tenant, a lease agreement is executed.

Preferential Payment Terms

In an effort to attract tenants as part of the initial leasing-out period of Phase I trade center units, we provided early tenants with preferential rental rates and rent-free periods of up to 24 months for a three-year lease, based primarily on the length of the lease agreements.

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We currently offer preferential rental rates to all of our Phase I 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. We also offer additional discounts to those tenants who make rental payments in advance. Tenants who make rental payments in advance typically receive a discount based on the length of the prepayment term. In addition, we offer incentive discounts to existing tenants who choose to enter into new lease agreements following the expiration of their initial lease terms and pay a portion of their rent in advance. As of March 31, 2013, taking into account the above preferential terms, the average effective monthly rental rate for our Phase I trade center units is approximately RMB 61 per square meter annually (excluding management fees).

Self-Used Properties

In order for us to operate our agricultural logistics business more efficiently and effectively, we have constructed and occupied the following properties at China Northeast Logistics City Tieling as at March 31, 2013:

- Administrative Tower, a 5-story building with a total gross floor area of approximately 10,757 square meters. The Tower is used as our headquarters of China Northeast Logistics City Tieling and is used by us for daily administrative duties.

- Sales Center, a 2-story building with office area with a total gross floor area of approximately 2,265 square meters. The Sales Center is used as showroom at China Northeast Logistics City Tieling and is used by our sales team for daily sales and administrative duties.

Recent Developments

China Northeast Logistics City Tieling

During the past few years we have acquired four parcels of land with a total site area of approximately 558,586 square meters for the next phase, or Phase II, of China Northeast Logistics City Tieling.

For the portion of Phase I of China Northeast Logistics City Tieling that has been pre-sold/sold, average selling price decreased by approximately 68% from HK$4,132 per square meter in the fiscal year ended March 31, 2012 to HK$1,308 per square meter in the fiscal year ended March 31, 2013. As of March 31, 2013, we have pre-sold/sold total GFA of approximately 304,000 square meters.

Sales of GFA decreased by 99.5% from approximately 31,000 square meters in the fiscal year ended March 31, 2012 to 164 square meters in the fiscal year ended March 31, 2013.

China Northeast Logistics City Dezhou

We have acquired land use rights for the first parcels of land from local Land Bureau with site area of approximately 602,386 and commenced construction in June 2011. GFA of approximately 231,000 square meters was completed during the fiscal year ended March 31, 2013and GFA of approximately 150,000 square meters is still under construction.

For the GFA we have pre-sold/sold, average selling price increased by approximately 4.9% from HK$5,480 per square meter in the fiscal year ended March 31, 2012 to HK$5,749 per square meter in the fiscal year ended March 31, 2013. As of March 31, 2013, we have pre-sold/sold total GFA of approximately 187,000 square meters.

Sales of GFA decreased by 59.1% from approximately 115,000 square meters in the fiscal year ended March 31, 2012 to 47,000 square meters in the fiscal year ended March 31, 2013.

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Our Corporate Information

Our principal executive office is located at Suite 2204, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong, telephone: 852-2111-3815. We have designated National Registered Agents, Inc., located at 111 Eighth Avenue, New York, NY 10011, as our agent for service of process in the United States.

Intellectual Property Rights

Agricultural logistics

We have registered the trademark of (i) (China Northeast Logistics City) and its logo and (ii) the logo of China Metro-Rural Exchange under some additional categories with the Trade Marks Registry in Hong Kong, and we have submitted applications for registration of the trademarks and NLC with the Trademark Office of the State Administration For Industry and Commerce of the PRC under various categories relating to metals, textiles, machines, electronics and many other categories. We are also the owner of the domain names of nlc88.com , nlc86.com , ..com and www.chinametrorural.com .

Provided they are still in use, we will apply to renew our trademarks prior to or upon their expiration. Currently, we do not anticipate any difficulties in renewing our trademarks. Accordingly, we do not expect any adverse effects from the upcoming expiration of any of our trademarks.

We believe that our business is not dependent, to a significant extent, on patents or licenses, industrial, commercial or financial contracts or new manufacturing process, and such factors are not material to our business or profitability.

Facilities

Our principal executive office, which is comprised of approximately 1,512 square feet pursuant to a lease that expires on March 16, 2014, and is staffed by management and office personnel.

Our China administrative office for China Northeast Logistics City Tieling is located at Administrative Tower, China Northeast City, Zuanshi Road, Xincheng District, Tieling City, Liaoning Province, PRC. Our administrative and sales office for China Northeast Logistics City Tieling, which is comprised of approximately 13,022 square meters in supporting commercial facilities located within China Northeast Logistics City Tieling, is also staffed by management and office personnel. We have land use rights and building ownership certificates for the buildings in which our Tieling City office and sales office are located.

Our China administrative office for China Northeast Logistics City Dezhou is located at Tianqu Industrial Zone, Decheng District, Dezhou, Shandong Province, PRC, which is comprised of approximately 1,200 square meters, and is provided by Tianqu Industrial Zone Committee on a rent-free basis, and is staffed by management and office personnel.

Our China administrative office for Shenzhen head office is located at Suite 2119-2123, 2125-2127, 21/F, Global Logistics Center, Pinghu, Longgang District, Shenzhen, PRC, which is comprised of approximately 564 square meters and is staffed by management and office personnel.

Legal Proceedings

As of March 31, 2013, we did not have any litigation, arbitration or claim of material importance, and the Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against us or any of our subsidiaries.

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Insurance

We had purchased construction all-risk insurance during the construction of certain trade centers (which are now completed and the insurance has expired). With respect to our ongoing construction projects, we require our contractors to insure the construction through all-risk insurance. There are, however, certain types of risks that are not covered by our (or our contractors) insurance policies, including losses resulting from war, nuclear contamination, tsunami, pollution, earthquake and acts of terrorism. As of March 31, 2013, we have 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 insure our automobiles through automobile insurance covering collision damage and various types of liability.

REGULATION

The following section sets forth a summary of the most significant PRC laws and regulations that affect our businesses. For a description of the legal risks relating to government regulation of our business, and in particular the land system in China, please see Risk Factors.

In this section, we , us and our refer to the Company and its subsidiaries as the context requires.

Overview

We, through our PRC subsidiaries, China Tieling Northeast, China Dezhou Northeast and Dezhou Northeast City Property Co., Ltd., are developers in the PRC of integrated agricultural logistics and trade centers and residential and commercial properties, and are subject to extensive government regulations in the PRC. In connection with our integrated agricultural logistics and trade center development and residential and commercial property development activities, we are subject to a number of PRC laws and regulations relating to the land system in the PRC, such as those related to land use rights (including how land use rights may be acquired and transferred), documents of title, property development, real estate loans, mortgages and other financing techniques, property management, leasing and property-specific taxes. Our customers and agricultural logistics providers located on-site at Tieling and Dezhou are subject to PRC laws and regulations, and licensing requirements, relating to the import/export industry and the provision of agricultural logistics services.

Our Treatment as an Integrated Logistics Enterprise and Industrial and Agricultural Exchange

We, through our PRC subsidiaries, China Tieling Northeast and China Dezhou Northeast, provide or will provide platforms for a variety of industrial and agricultural exchange, integrated agricultural logistics and trade services and facilities, including transportation services, warehouses, and other services. Because China Tieling Northeast and China Dezhou Northeast develop properties necessary for their integrated logistics and trade center operations, China Tieling Northeast and China Dezhou Northeast are subject to certain PRC laws, regulations and policies applicable to property development enterprises.

According to *Regulations for Guiding the Direction of Foreign Investment* ( ) issued by the State Council on February 11, 2002, foreign investment projects must be examined, approved and submitted for record by development planning authorities or foreign trade and economic cooperation authorities, depending on the nature of the projects. Our PRC subsidiary, China Tieling Northeast, was examined and approved by the Tieling Bureau of Foreign Trade and Economics Cooperation and established on May 15, 2007, and it filed as a foreign investment real estate enterprise with the PRC Ministry of Commerce on September 1, 2009. Our PRC subsidiary, China Dezhou Northeast, was examined and approved by the Dezhou Bureau of Commerce and established on September 27, 2010, and it filed as a foreign investment real estate enterprise with the PRC Ministry of Commerce on August 11, 2011.

The Land System of the PRC

Overview

The *Law of the People s Republic of China on the Administration of Land* ( ), issued by the National People s Congress on June 25, 1986 and amended on August 29, 1998 and further amended on August 28, 2004, distinguishes between the ownership of land and the right to use land. All land in the PRC is either state-owned or collectively owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned, and all land in the rural areas and all farmland is, unless otherwise specified by law, collectively owned. The State has the right to resume its ownership of land or the right to use land in accordance with law if required for the public interest.

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Although all land in the PRC is owned by the State or by collectives, individuals and entities may obtain land use rights and hold such land use rights for development purposes. Individuals and entities may acquire land use rights in different ways, the two most important being land grants from local land authorities and land transfers from land users who have already obtained land use rights.

Land Grants

National and Local Legislation

In April 1988, the National People s Congress passed an amendment to the constitution of the PRC. The amendment, which allowed for the transfer of state-owned land use rights for value, paved the way for reforms of the legal regime governing the use of state-owned land and transfer of state-owned land use rights. The *Decision of the Standing Committee of the National People s Congress on Amending the Law of the People s Republic of China on the Administration of Land* ( ), adopted by the National People s Congress on December 29, 1988, amends the *Land Administration Law of the People s Republic of China* ( ) to permit the transfer of state-owned land use rights for value.

On May 19, 1990, the State Council issued the *Regulations of People s Republic of China Concerning the Interim Grant and Assignment of Right to Use State Land in Urban Areas* ( ), or the Urban Land Regulations. These regulations formalized the process of the grant and transfer of land use rights for consideration. Under this system, the State retains the ultimate ownership of the land. However, the right to use the land, referred to as land use rights, can be granted by the State and local governments at or above the county level for a maximum period of 70 years for specific purposes, including for residential and commercial development, pursuant to a land grant contract and upon payment to the State of a land grant fee for the grant of land use rights.

The Urban Land Regulations prescribe different maximum periods of grant for different uses of land as follows:

Use of Land	**Maximum Period (years)**
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Educational, scientific, technological, cultural, public health and sports	50
Comprehensive utilization or other purposes	50

Under the Urban Land Regulations, domestic and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State may not resume possession of lawfully granted land use rights prior to expiration of the term of grant. If the public interest requires the resumption of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. Subject to compliance with the terms of the land grant contract, a holder of land use rights may exercise substantially the same rights as a land owner during the grant term, including holding, leasing, transferring, mortgaging and developing the land for sale or lease.

Upon paying in full the land grant fee pursuant to the terms of the contract, the grantee may apply to the relevant land bureau for issuance of the land use rights certificate. Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a new land grant fee. If the term of the grant is not renewed, the land use rights and ownership of any buildings on the land will revert to the State without compensation.

The Law of the People s Republic of China on Property Rights ( ), or the Property Law, adopted by the National People s Congress on March 16, 2007 and effective as of October 1, 2007, further clarified land use rights in the PRC with the following rules:

- land use rights for residences will be automatically renewed upon expiry;
- car parking spaces and garages within residential buildings must be used to meet the needs of the owners who live in the building first;
- the construction of buildings must comply with relevant laws and regulations and must not affect the ventilation of or lighting to neighboring buildings; and
- where the state-owned land use rights for construction use are transferred, exchanged, used as a capital contribution, donated to others or mortgaged, an application for modification registration must be filed with the registration department.

In addition to the general framework for transactions relating to land use rights set out in the Urban Land Regulations, local legislation provides for additional requirements, including those applicable to specific transactions within specific areas relating to the grant and transfer of state-owned land use rights. These local regulations are numerous and some of them are inconsistent with national legislation. Under PRC law, national laws and regulations prevail to the extent of such inconsistencies.

Methods of Land Grant

There are two methods by which state-owned land use rights may be granted, namely by private agreement or competitive processes (i.e., public tender, auction or listing for sale at a land exchange administered by the local government).

The Ministry of Land and Resources has required, since August 31, 2004, that the grant of state-owned land use rights must be made pursuant to public tenders, auctions or listings for sale on a land exchange and that no state-owned land use rights for commercial uses could be granted by way of agreement. PRC laws and regulations specifically provide that land to be used for commercial purposes must be granted by way of competitive processes. A number of measures are provided by PRC laws and regulations to ensure such grant of state-owned land use rights for commercial purposes is conducted openly and fairly. For instance, the local land bureau must take into account various social, economic and planning considerations when deciding on the use of a certain piece of land, and its decision regarding land use designation is subject to approval by the city or provincial government. In addition, the announcement of a public tender, auction or listing for sale at a land exchange must be made 20 days prior to the date of beginning such competitive processes. Further, it is also stipulated that for listing at a land exchange, the time period for accepting bids must not be less than 10 days.

When state-owned land use rights are granted by way of tender, a bid evaluation committee consisting of not less than five members (including a representative of the grantor and other experts) formed by the land bureau is responsible for evaluating the bids and the tenderee is responsible for deciding on the successful bidder. The successful bidder will then sign the land grant contract with the land bureau and pay the balance of the land-grant fee before obtaining the state-owned land use rights certificate and before the land bureau will effectuate the registration of the successful bidder as the holder of state-owned land use rights for the land. The land bureau will consider the following factors: if the invitation to tender only requires a bid from the bidder, whoever offers the highest bid will be the successful bidder; or if the invitation to tender requires the bidder to submit planning proposals in addition to the bid, then details of the proposals will be considered. If the relevant land bureau considers that none of the bids is satisfactory, the land bureau has the right to reject all the bids. Tenders for state-owned land use rights can be by way of open tenders or private tenders.

Where state-owned land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau, and the land use rights are granted to the highest bidder. The successful bidder will then be asked to sign the land grant contract with the local land bureau and pay the relevant land grant fee within a prescribed period.

Where state-owned land use rights are granted by way of listing at a land exchange administered by the local government, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land, the initial bidding price, the period for receiving bids and the terms and conditions upon which the land use rights are proposed to be granted. The state-owned land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the local land bureau and pay the relevant land grant fee within a prescribed period.

The state-owned land use rights obtained by China Metro s PRC subsidiaries have been granted by way of listing at their respective Land Reserve Centers.

Upon signing the land grant contract, the grantee is required to pay the land grant fee pursuant to the terms of the contract and the contract is then submitted to the relevant local bureau for the issue of the state-owned land use rights certificate. Upon expiration of the term of grant, the grantee may apply for its renewal. Upon approval by the relevant local land bureau, a new contract is entered into to renew the grant, and a land grant fee is paid.

Model Land Grant Contract

To standardize land grant contracts, in 2008, the Ministry of Land and Resources and the State Administration for Industry and Commerce published the model land grant contract, on the basis of which many local governments have formulated their respective local form land grant contract to suit their special local circumstances. The model land grant contract contains terms such as location of land, use of land, land grant fee and its payment schedule, conditions of land upon delivery, term of grant, land use conditions and restrictions (including GFA, plot ratio and height and density limitations), construction of public facilities, submission of building plans for approval, deadline for commencement of construction, payment of idle fees, deadline for completion of construction, application for extension of the stipulated construction period, restrictions on subsequent transfers, responsibility for obtaining supply of utilities, restrictions against alienation before payment of the land-grant fee and completion of prescribed development, application of renewal, force majeure, breach of contract and dispute resolution.

Our PRC subsidiaries, as grantees, and the respective State-owned Land and Resource Bureaus, as the PRC land authorities responsible for the grant of the state-owned land use rights, have entered into various land grant contracts. The majority of the terms of our PRC subsidiaries land grant contracts are consistent with the model land grant contract. However, certain terms have been added or amended to suit our PRC subsidiaries circumstances.

If the land user fails to develop and invest in the land within the period of time specified in the land grant contract, the land bureau has the right to impose various penalties ranging from fines to withdrawal of the grant without consideration (unless the failure is due to force majeure or the activities of a government authority).

Termination

A land use right terminates upon the expiry of the term of grant specified in the land grant contract and the resumption by the State of that right.

The State generally will not withdraw a state-owned land use right before the expiration of its term of grant and if it does so for special reasons, such as for the public interest, it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the state-owned land use right has been enjoyed by the user.

Upon expiry, the state-owned land use rights and ownership of the related buildings erected on the land and other attachments may be acquired by the State without compensation. The land user will take steps to surrender the state-owned land use rights certificate and cancel the registration of the certificate in accordance with relevant regulations.

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A land user may apply for renewal of the state-owned land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a land grant fee and effect appropriate registration for the renewed grant.

Documents of Title and Registration of Property Interests

A state-owned land use rights certificate is the evidentiary legal document to demonstrate that the registered land user has the lawful right to use the land during the term stated therein. Upon the completion of construction of a building (including passing the acceptance tests by various government departments), a building ownership certificate will be issued to the owner of the building. The holder of a state-owned land use right who is issued a building ownership certificate holds the state-owned land use rights and owns the building erected on the land. All holders of state-owned land use rights, and other rights in respect of the land, such as the right to buildings erected on the land, must register all their lawful state-owned land use rights, as well as ownership rights to the buildings. In Tieling, the state-owned land use rights certificate and the building ownership certificate are separate certificates.

Mortgage and Guarantee

Under PRC laws and regulations, when a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage shall be simultaneously created on the state-owned land use rights of the land on which the building is erected. Pursuant to PRC laws and regulations, buildings newly erected on a piece of urban land after a mortgage contract has been entered into shall not constitute mortgaged property. If the mortgaged property is auctioned off, the new buildings added on the land may be auctioned together with the mortgaged property, but the mortgagee shall not be entitled to priority compensation from the proceeds of the auction of the new buildings.

Within 30 days after a real estate mortgage contract has been signed, the parties to the mortgage should register the mortgage with the real estate administration authority in the city where the real estate is situated. A real estate mortgage becomes effective on the date of registration of the mortgage. When carrying out mortgaged property registration, the loan contract and the mortgage contract as well as the state-owned land use rights certificate or the building ownership certificate in respect of the mortgaged property must be submitted to the mortgagee.

Under PRC laws and regulations, guarantees may be in two forms: (1) general guarantees whereby the guarantor bears the liability when the debtor fails to perform the payment obligation; and (2) guarantees with joint and several liability whereby the guarantor and debtor are jointly and severally liable for the payment obligation. A guarantee contract must be in writing and, unless agreed otherwise, the term of a guarantee shall be six months after the expiration of the term for performance of the principal obligation.

Where indebtedness is secured by both a guarantee and by mortgaged property, the guarantor s liability shall be limited to the extent of the indebtedness that is not secured by the mortgaged property.

Property Development

Property development projects in the PRC are generally divided into single projects and large tract development projects. A single project refers to the construction of buildings on a plot of land and the subsequent sale of units. Large tract development projects consist of the comprehensive development of large area and the construction of necessary infrastructure such as water, electricity, road and communications facilities. The developer may either assign the state-owned land use rights of the developed area or construct buildings on the land itself and sell or lease the buildings erected on it.

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Foreign entities must establish foreign investment enterprises in the PRC as project companies to develop property. The typical scope of business of such project companies includes development, construction, sales, leasing and property management of commodity properties and ancillary facilities on the specific land as approved by the government. The term of the property development company is usually the same as the term of grant of the state-owned land use rights in question.

Establishment of a project company is subject to the approval by the relevant departments of the PRC Government in accordance with the following procedures. First, a project application report is submitted to the central or local development and reform commission for verification and approval. If the development and reform commission considers the proposed property development project to be consistent with the prevailing national and local economic plans and foreign investment regulations, it will grant an approval to the applicant in respect of the project.

Once the project application report has been verified and approved, a joint feasibility study report is prepared that reflects the investor s assessment of the overall economic viability of the proposed project company. The feasibility study report and/or articles of association may then be submitted to the Ministry of Commerce or its local counterpart, as the case may be, for approval. If the Ministry of Commerce or its local counterpart finds the application documents to be in compliance with PRC law and industrial policy, it will issue an approval certificate for the establishment of the project company. With this approval certificate, the investor can apply to the local administration for industry and commerce for a foreign investment enterprise business license for the project company.

Regulations on Foreign Investment Real Estate Enterprises

Once a foreign entity developer has established a project company and secured the state-owned land use rights to a piece of land for development, it has to apply for and obtain the requisite planning permits from the planning departments and have its design plan approved by, and apply for and obtain construction permits from, the relevant construction commission for commencement of construction work on the land. When the construction work on the land is completed, the completed buildings and structures must be examined and approved by the government departments before they can be delivered to purchasers or lessors for occupancy.

Based on the advice of our PRC Counsel, Commerce & Finance Law Offices, we acknowledge that China Tieling Northeast, China Dezhou Northeast and China Hengyang Glorious are treated as foreign investment real estate enterprises engaged in integrated logistics projects and are subject to the requirements imposed on such enterprises.

PRC law requires that a foreign investment project be approved by government authorities at the appropriate level depending on the amount of the investment by the foreign enterprise and the industries to which the project belongs under the foreign investment catalog. China Tieling Northeast has obtained approval from the Tieling Bureau of Foreign Trade and Economics Cooperation as a foreign investment enterprise and have subsequently received approval on two occasions to increase the investment capital to US$35.0 million. China Dezhou Northeast has obtained approval from the Dezhou Bureau of Foreign Trade and Economics Cooperation as a foreign investment enterprise with investment capital of US$49.9 million. China Hengyang Glorious has obtained approval from the Hengyang Bureau of Foreign Trade and Economics Cooperation as a foreign investment enterprise with investment capital of US$99.99 million.

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Circular No. 171

Issued in response to increasing foreign investment in the real estate industry in recent years, the *Opinions on Regulating the Entry of Foreign Capital Into the Real Estate Market and the Administration Thereof* ( ), or Circular No. 171, issued by the Ministry of Construction, the Ministry of Commerce, the National Development and Reform Commission, the People s Bank of China, the State Administration for Industry and Commerce and the State Administration of Foreign Exchange, on July 11, 2006, may impact foreign investment in the PRC real estate industry in the following areas:

Circular No. 171 requires a foreign invested real estate enterprise, or FIREE, with total investments equating to or exceeding US$10 million to have a registered capital consisting of no less than 50% of its total amount of investment. FIREEs with total investments below US$10 million must have a registered capital in amounts pursuant to and consistent with existing regulations.

Upon payment of the state-owned land use rights grant fees, the FIREE can apply to the land administration authority for a state-owned land use rights certificate. Upon obtaining the state-owned land use rights certificate, an FIREE may then obtain a recertification of its existing foreign investment enterprise approval certificate, or FIEAC, and the business license, with the same validity period as that of such FIEAC; following which, the FIREE may apply to the tax administration for tax registration purposes.

When a foreign investor merges with a domestic real estate enterprise, or acquires an FIREE s equity or project, the investor is required to submit a guarantee which ensures the compliance with the provisions of the state-owned land use rights grant contract, construction site planning permit and construction work planning permit, and the state-owned land use rights certificate, and the modification certification issued by the construction authorities, and the tax payments certification issued by the relevant tax authorities.

Foreign investors which merge with domestic real estate development enterprises by share transfer or other methods, or which acquire the equity of a PRC party in joint venture enterprises, must allocate their employees appropriately, deal with bank debts and settle the lump sum payment of the transfer price through self-owned funds. However, a foreign investor with an unfavorable record should not be allowed to conduct any of these activities.

FIREEs which have not paid up their registered capital fully, or failed to obtain a state-owned land use rights certificate, or with under 35% of the total capital required for the project, may not be allowed to obtain a loan in or outside China, and foreign exchange administration departments shall not approve any settlement of foreign loans by such enterprises. Although the Ministry of Commerce has not issued any further opinions on the regulation of entry of foreign capital into the real estate market, however, based on the Capital Ratios Notice, issued by the State Council on May 25, 2009, this capital requirement may be reduced to 30% in the future.

Any Sino or foreign investors in an FIREE shall not guarantee fixed profit returns or provide other arrangements to the same effect for any party in any form.

Circular No. 50

The *Notice of the Ministry of Commerce and the State Administration of Foreign Exchange on Further Strengthening and Regulating the Examination, Approval and Oversight of Foreign Direct Investment in the Real Estate Sector* ( ), or Circular No. 50, issued by the Ministry of Commerce and the State Administration of Foreign Exchange on May 23, 2007 may impact foreign investment in the PRC real estate industry in the following areas:

the local governments/authorities that approve FIREE establishments are now required to file such approvals with the Ministry of Commerce;

- prior to establishing a foreign invested real estate enterprise, foreign investors are required to obtain state-owned land use rights or the ownership of a real estate building, or the investor should have entered into an indicative land grant contract or indicative project purchase agreement with the land administrative department, developer of the land or owner of the property;

- the practice of allowing foreign investors taking over local project companies by way of roundtrip investment is strictly controlled; and

- a foreign investment enterprise that intends to engage in real estate development, or an existing FIREE which intends to undertake a new real estate development project, shall first apply to the relevant authorities for such business scope and scale expansion in accordance with laws and regulations on foreign investments.

Circular No. 130

The *Notice of the General Affairs Department of the State Administration of Foreign Exchange on Issuance of the List of the First Batch of Foreign-Invested Real Estate Projects Recorded With the Ministry of Commerce* ( ), or Circular No. 130, issued by the State Administration of Foreign Exchange on July 10, 2007, is a strict embodiment and application of Circular No. 50, under which some notices will have a significant impact on offshore financings of FIREEs. Some of the key developments in this area are as follows:

- an FIREE which has obtained an FIEAC (including new establishment and registered capital increase) and filed with the Ministry of Commerce after June 1, 2007 may not incur foreign debt or convert loans in foreign currency into RMB; and

- an FIREE which obtains an FIEAC after June 1, 2007 but fails to file with the Ministry of Commerce after June 1, 2007, may not conduct a foreign exchange registration nor a foreign exchange conversion of its registered capital.

Since our PRC subsidiaries, China Tieling Northeast and China Dezhou Northeast are considered as foreign investment real estate developers after June 1, 2007, we may not inject capital into China Tieling Northeast and China Dezhou Northeast in the form of shareholders loans. Further, China Tieling Northeast and China Dezhou Northeast are subject to a registered capital ratio requiring them to maintain registered capital levels at 50% or more of their registered total investment.

Qualifications of a Property Developer

Under the *Regulations for the Administration of the Qualifications of Real Estate Development Enterprises* ( ), or Qualification Certificate Regulations, issued by the Ministry of Construction on March 29, 2000, a real estate developer shall apply for registration of its qualifications according to the Qualification Certificate Regulations.

According to the Qualification Certificate Regulations, a newly established property developer must first apply for an interim qualification certificate within 30 days of obtaining its business license. The interim qualification certificate has a one-year validity and may be extended for not more than two years with the approval of the relevant real estate development administration authority. In addition, an application for a formal qualification certificaten must be made one month before the expiration of the interim certificate. All qualification certificates are subject to renewal on an annual basis. Under government regulations, developers must fulfill all statutory requirements before they may obtain or renew their qualification certificates.

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The Tieling Urban Construction Comprehensive Development Office has granted a short term (one year) qualification certificate to China Tieling Northeast in order to allow China Tieling Northeast to undertake the development of property necessary for its integrated logistics operations. On August 6, 2009, China Tieling Northeast obtained from the Liaoning Housing and Urban Rural Construction Bureau an annual renewal of the qualification certificate. On December 22, 2010, China Tieling Northeast obtained from the Liaoning Housing and Urban Rural Construction Bureau a Qualification Certificate for Real Estate Development Enterprise in Grade III with an effective term until December 21, 2013. After the expiration of its current qualification certificate, China Tieling Northeast will need to renew this qualification certificate or apply for a qualification certificate in a higher grade.

The Dezhou Housing and Urban Rural Construction Bureau has granted interim qualification certificates to China Dezhou Northeast and Dezhou Northeast City Property Co., Ltd. to allow China Dezhou Northeast and Dezhou Northeast City Property Co., Ltd to undertake the development of properties in the PRC. The interim qualification certificates of China Dezhou Northeast will expire on September 30, 2013 and the interim qualification certificate of Dezhou Northeast City Property Co., Ltd. has expired on June 30, 2013 and is in the process of applying to renew the qualification certificate.

Each of China Tieling Northeast, China Dezhou Northeast and Dezhou Northeast City Property Co., Ltd. have the requisite qualification certificates for engaging in their property development activities. China Tieling Northeast, China Dezhou Northeast and Dezhou Northeast City Property Co., Ltd. will apply to obtain the requisite qualification certificates for their properties planned for future development in Tieling City, Dezhou City and Qiqihar as required to conduct their operations.

Property Leasing

Both the Urban Land Regulations and the Property Law permit leasing of granted state-owned land use rights and the buildings or homes constructed on the land. Leasing of properties situated in urban areas is governed by the *Measures for Administration of the Lease of Commercial Premises* ( ), or the Leasing Measures, issued by the Ministry of Construction on December 1, 2010. The Leasing Measures came into effect on February 2011 in accordance with *Law on the Urban Real Estate Administration* ( ) in order to strengthen the administration of the leasing of urban buildings. The Leasing Measures permit property owners to lease their properties to others for residential or commercial property uses except as otherwise prohibited by relevant law. The landlords and tenants who are the parties to a property lease transaction are required to enter into a written lease agreement specifying all of the terms of the lease arrangement as required by statute. Leasing of buildings and the underlying state-owned land use rights must not exceed a maximum term of 20 years. The lease agreement becomes effective upon signing; however, it must be registered with the relevant real property administration authority at the municipality or county level within 30 days after its execution for the purpose of protecting the tenant s interest against claims from third parties. A tenant may, upon obtaining consent from the landlord, assign or sublease the premises to sub-tenants. Local governments may impose rent controls.

Under PRC laws and regulations, an enterprise legal person has the right to possess, use, benefit from and dispose of its immovable property and movable property in accordance with laws, administrative regulations and its articles of association. Based on the advice of our PRC Counsel, Commerce & Finance Law Offices, we believe that our commission lease arrangements are in compliance with and protected by the Property Law.

Since July 2009, China Tieling Northeast has been entering into unit lease contracts with third parties. Agreements with third party tenants are contracts granting the tenants the right to use the units for a set period of time. Due to the fact that the Property Law and other relevant PRC laws and regulations do not specifically define this right in relation to housing, these agreements are treated as lease agreements.

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Under the *Contract Law of the People s Republic of China* ( ), or the PRC Contract Law, issued by the National People s Congress on March 15, 1999, a lease agreement is an agreement by which a lessor agrees to deliver a thing to a lessee for the lessee to use or collect fruits from, and for which the lessee agrees to pay rent to the lessor. Based on the advice of our PRC Counsel, Commerce & Finance Law Offices, our agreements with our tenants (a) comply with relevant PRC laws and regulations, and (b) are legally binding on all parties to such agreements.

We began entering into lease agreements for certain units prior to obtaining building ownership certificates. Based on relevant PRC laws and regulations, obtaining building ownership certificates is not a prerequisite to enter into lease agreements. In addition, pursuant to the *Tieling Measures for Administration of the Lease of Urban Premises* ( ), within 30 days after the execution of a lease agreement or delivery of a unit, China Tieling Northeast and the tenant of such unit are required to register the lease agreement with the local authority, Tieling Real Estate Administration Bureau. Although we have not made such registrations, based on the advice of our PRC Counsel, Commerce & Finance Law Offices, this should not affect the effectiveness or validity of our existing lease agreements with tenants.

In addition, as a property developer, we are subject to a number of measures and regulations recently introduced by the PRC Government to tighten control of the real property market. The measures include:

- tightening lending of bank loans to property developers and purchasers of developed properties and increasing the reserve requirements for commercial banks;
- restricting the ability of foreign invested real estate companies to raise funds offshore for the purpose of funding such companies either through capital increase or by way of shareholder loans;
- restricting the conversion and sale of foreign exchange on the capital account for foreign invested real estate companies that have not undergone an examination by the local examination and approval authority;
- imposing strict requirements before commencement of a real estate project can begin, including the requirement that proposed projects with a total investment value of at least RMB50 million establish administration files and receive relevant approval or permits prior to the commencement of construction;
- prohibiting the extension of loans to real estate developers that do not satisfy certain loan conditions, such as those with a percentage of project capital of less than 35% and those that are not in possession of necessary certificates and permits;
- requiring the payment of an idle land charge for land that is idle for one year and recovery of such land by the State without consideration if the land is idle for two years;
- requiring property developers to pay all land grant fees prior to issuing land use rights certificates; and
- requiring all industrial and commercial land to be granted through an invitation of bids or auction.

Property Sales

Presale of Real Estate

Under PRC laws and regulations, real estate developers wishing to engage in the presale of real estate in the PRC must first obtain the following permits:

Certificate of Real Estate Exploitation and Business License of the Developer;

State-owned Land Use Rights Certificate;

Construction Work Planning Permit;

Construction Site Planning Permit;

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Work Commencement Permit; and

Commodity Premises Pre-sale Permit.

Under the *Measures for the Administration of the Sale of Commodity Premises* ( ), and the *Urban Commodity Premises Pre-Sale Measures* ( ) issued by the Ministry of Construction on April 4, 2001 and July 20, 2004, respectively, the sale of commodity premises, which include residential properties, commercial properties (such as China Tieling Northeast s and China Dezhou Northeast s trade center units) and other buildings that are developed by property developers can include both pre-completion and post-completion sales.

Pre-completion Sales

A developer intending to sell a commodity property before the completion of construction must attend to the necessary pre-completion sale registration with the real estate administration authority of the relevant city or county to obtain a Permit for Pre-completion Sale of Commodity Properties.

Commodity properties may only be sold before completion provided that:

the grant premium has been paid in full for the grant of the state-owned land use rights involved and a state-owned land use rights certificate has been obtained;

a Construction Work Planning Permit and a Work Commencement Permit have been obtained;

the funds invested in the development of the commodity properties put up for pre-completion sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and

the pre-completion sale has been registered and a Commodity Premises Pre-sale Permit has been obtained.

Post-completion Sales

In accordance with the *Measures for the Administration of the Sale of Commodity Premises* ( ), or Commodity Premises Sale Measures, issued by the Ministry of Construction on April 4, 2001, commodity properties may be put up for post-completion sale only when the following preconditions for such sale have been satisfied:

the real estate developer offering to sell the post-completion properties has a valid business license and a qualification classification certificate;

the real estate developer has obtained a state-owned land use rights certificate or other approval documents of land use;

the real estate developer has the relevant Construction Work Planning Permit and the Work Commencement Permit;

the commodity property has been completed, inspected and accepted as qualified;

the original residents have been resettled;

the supplementary and essential facilities for supplying water, electricity, heating, gas, communication and other essentials have been made ready for use, and other supplementary facilities and public facilities have been made ready for use, or the schedule of construction and delivery date of have been specified; and

the property management plan has been completed.

Prior to a post-completion sale of a commodity property, a real estate developer is also required to submit a Real Estate Development Project Manual and other documents showing that the preconditions for a post-completion sale have been fulfilled to the relevant real estate development authorities.

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Restrictions on the Sale of Commodity Properties

We (through our PRC subsidiaries China Tieling Northeast and Dezhou Northeast City Property Co., Ltd.) are treated by local authorities as a real estate developer focused on integrated logistics in Tieling and Dezhou, and, as such, is subject to certain PRC laws, regulations and policies otherwise applicable to property development enterprises, including the Commodity Premises Sale Measures.

Under the Commodity Premises Sale Measures, a real estate developer may not sell a commodity property, by means of either pre-completion or post-completion sales, through the use of cost-returned sales. In addition, a real estate developer may not sell a commodity property by means of pre-completion sales through the use of any form of after-sale lease guarantee. According to the Commodity Premises Sale Measures, a cost-returned sale refers to a situation in which a real estate enterprise sells a commercial property by means of periodically returning the price of the property to the purchaser. According to the Commodity Premises Sale Measures, an after-sales lease guarantee refers to a situation in which a real estate enterprise sells a commercial property by pledging to act as lessee or as lease agent of the property within a certain period after sale.

Based on the opinion of our PRC Counsel, Commerce & Finance Law Offices, our commission lease arrangements constitute neither cost-returned sales (or any form thereof) nor after-sale lease guarantees (or any form thereof).

Under the terms of a commission lease agreement with the purchaser of a trade center unit, we maintain the right to lease and receive rental income from the trade center unit for periods of up to three years as a means of further developing the trade center market.

Based on the advice of our PRC Counsel, Commerce & Finance Law Offices, we believe that our commission lease agreement should not be considered a cost-returned sale (or any form thereof) and is in compliance with the Commodity Premises Sale Measures and other relevant laws and regulations because (1) the commission lease agreement is entered into separately from the purchase agreement for the property; and (2) neither the purchase agreement nor the commission lease agreement contains a provision relating to the periodic return of the price of the property to the purchaser. Based on the above factors, as well as the fact that we do not account for the lease payments under the commission lease agreements as income, Commerce & Finance Law Offices is of the opinion that the commission lease arrangement should not be viewed as a cost-return sale (or any form thereof).

Based on the advice of our PRC Counsel, Commerce & Finance Law Offices, we believe that our commission lease agreement should not be considered an after-sales lease guarantee (or any form thereof) and is in compliance with the Commodity Premises Sale Measures and other relevant laws and regulations because (1) we do not pay any consideration to the purchaser of a trade center unit in exchange for the right to use and derive profits from the trade center unit, and (2) we did not transfer any rental income to the purchaser of a trade center unit. In this regard, we neither pledge to act as lessee nor as lease agent of the property under the commission lease agreement.

Based on the advice of our PRC Counsel, Commerce & Finance Law Offices, we believe that the commission lease arrangements do not violate the Commodity Premises Sale Measures or other relevant PRC laws and regulations.

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In accordance with the *Notice on Enhancing the Supervision of Real Estate Market and Improving the Pre-Completion Sales System of Commodity Property* ( ) issued by the Ministry of Housing and Urban-Rural Development of the PRC (MOHURD) on April 13, 2010, a developer is required to abide by the following regulations:

For any commodity property project without a Pre-sale Permit, a developer shall not engage in any form of pre-completion sales (including subscription, reservation, sequence, VIP card, etc.) or receive any retainer fees /security deposits or participate in any promotion affairs. For any commodity property project with a Pre-sale Permit, a developer must disclose a complete list of all available premises with the price of each premise within 10 days since the issuance date of the Pre-Sale Permit and strictly follow the disclosed price for selling such premises.

A developer shall not sell any self-reserved premises before the primary registration of property title or participate in fraudulent transactions. If a developer will engage any real estate agent for selling commodity properties, such agent shall be chosen only from those registered with the relative authorities.

A developer will be subject to severe penalty if not selling within the time limit or not selling all available premises after the issuance of the Pre-Sale Permit and if intentionally reducing the supply of such premises by overpricing or signing false purchase/sale contracts.

The pre-sale revenue must be put into an escrow account supervised by the relative authorities and be used for the purpose of project construction only.

Commodity properties shall be purchased under the true-name policy. The buyer s name shall not be changed without course after the closing of purchase.

A developer shall be primarily responsible for the quality of its commodity properties. The Plan of Pre-completion Sales submitted by a developer with interim qualification shall set forth the guarantee party for property quality under the circumstances of the developer s bankruptcy or dissolution. Such guarantee party who will issue a guarantee letter accordingly shall be an independent body corporate and be capable of affording relative indemnities.

In accordance with the *Notice on Further Implementing Regulation and Control of Real Property Market* ( ) issued by the State Council on February 26, 2013, the issuance the pre-sale certificate may be suspended if the pre-sale price is unreasonably high and the developer refuses to accept the direction of the relevant government authority, or the property project is not subject to the pre-sale revenue supervision.

Regulations on Real Estate Financing

The PRC Government has introduced a number of measures and regulations to restrict the ability of property developers to raise capital through external financing and other methods since 2003. For example, commercial banks may not grant loans to property developers for the purposes of paying for land grant fees. In addition, a developer applying for real estate development loans shall have at least 35% of capital funds required for the development. Further, commercial banks are not allowed to advance their loan facilities to developers who do not have the required 35% or more of the total capital for the construction projects. Banks shall not accept mortgages of commodity properties remaining unsold for more than three years.

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On April 17, 2010, the State Council of PRC issued the *Notice on Controlling the Skyrocketing Price of Properties in Some Cities* ( ) which sets forth some new regulations on real estate financing as follows:

For any family (including the borrower and the borrower s spouse and minor children) purchasing its first residential premises of 90 square meters or above, the down payment ratio shall be not less than 30%. For any family purchasing its second residential premises, the downpayment ratio shall be not less than 50% and the interest rate shall be not less than 110% of the standard interest rate. For any family purchasing its third or above residential premises, the downpayment ratio and interest rate will be substantially raised up. On June 4, 2010, MOHURD, the People s Bank of China and China Banking Regulatory Commission (CBRC) promulgated the *Notice on Regulating the Criterion of the Second Residential Premises for Commercial Home Loans* ( ). The number of premises for commercial home loans shall be judged by the actual number of premises under the names of the borrower s family members (including the borrower, the borrower s spouse and minor children). The minimum downpayment ratio was up to 60% regulated by the *Notice on the Issues Related to Further Enhancing the Regulation and Control of Real Estate Market* ( ) issued by the State Council of PRC on January 26, 2011.

For certain areas with skyrocketing property prices and shortage of supply, the banks may temporarily stop making loans to one or above residential premises. For non-resident without 1 year or above tax or social insurance record, no mortgage loans shall be made by the banks. If necessary, the local governments may temporarily put limits on the number of properties purchased within a certain time period. For the purchase of properties by foreign institutions or foreign individuals, the relative policies (Circular No. 171) shall be followed strictly.

The land for welfare houses, rebuilding of shanty areas and ordinary residential premises shall be no less than 70% of the total supply of residential lands and supplied with top priority. A developer who has violated relative laws and regulations will be restricted on purchasing any new land. The shareholders of a developer shall not provide loans, entrusted loans, guarantee or other financing against applicable regulations to the developer during the biding and construction process. For any developer participating in land speculation or with idle land, the banks shall not make new development loans and China Securities Regulatory Commission (CSRC) shall temporarily reject its application for listing, rights issue and material assets restructuring.

On February 26, 2013, the State Council issued the *Notice on Further Implementing Regulation and Control of Real Property Markets* ( ) and required strict implementation of certain on-going restrictive measures with respect to residential properties, including that (i) the restriction area should cover the relevant cities entire administrative area; the restrictive measures should apply to all the newly established or second-hand residential properties in such cities; and the qualification review of the purchasers should be conducted before the execution of the purchase agreement or subscription agreement; (ii) the minimum down payment of the total purchase price and the minimum mortgage lending interest rate for a second residential property may be further raised in cities where the housing prices are increasing at an excessively high rate; (iii) the individual income tax rate for selling any self-owned residential properties should strictly be 20%, if the original value of such properties could be verified through taxation or real estate registration records.

Regulations on Development of a Real Estate Project

Under the Urban Real Estate Law, those who have obtained state-owned land use rights through grant must develop the land in accordance with the terms of use and within the period of commencement prescribed in the contract for the state-owned land use rights grant.

If construction work has not been commenced within one year upon the commencement date as set forth in the state-owned land use rights agreement, a surcharge on idle land equivalent to less than 20% of the land grant fees may be levied. If the construction work has not been commenced within two years, the land can be confiscated without any compensation, unless the delay is caused by force majeure, or the acts of government or acts of other relevant departments under the government, or by indispensable preliminary work.

Planning of a Real Estate Project

After signing a state-owned land use rights grant contract, a developer shall apply for an Opinion on Construction Project s Site Selection and a Construction Site Planning Permit with the city planning authority. After obtaining a Construction Site Planning Permit, a developer may commence planning and design work in accordance with the Construction Site Planning Permit requirements and proceed to apply for a Construction Work Planning Permit with the city planning authority.

Relocation

Upon obtaining approvals for a construction project, a construction site planning permit, a state-owned land use rights certificate, a relocation plan and a verification of deposit to compensate parties that are affected by the relocation payable by the developer by a bank, a developer may apply to the local real estate administration authorities where the real estate is located for a permit for housing demolition and removal.

Upon granting a demolition and removal permit, the real estate administration department must issue a demolition and removal notice to the inhabitants of the area.

Construction of a Real Estate Project

After obtaining the Construction Work Planning Permit, a developer shall apply for a Work Commencement Permit from the relevant construction authority.

Completion of a Real Estate Project

A real estate project must comply with the relevant laws and other regulations, requirements on construction quality, safety standards and technical guidance on survey, design and construction work, as well as provisions of the relevant construction contract. After the completion of works for a project, the developer shall apply for an acceptance examination to the construction authority and shall also report details of the acceptance examination to the construction authority. A real estate development project may only be delivered after passing the acceptance examination.

Regulations on Environmental Protection in Construction Projects

Under the Regulations for *Administration of Environmental Protection in Construction Projects* ( ), or Environmental Regulations, issued by the State Council on November 29, 1998 and effective as of the same date, each construction project is subject to an environmental impact assessment by the relevant authorities.

According to the Environmental Regulations, a developer is required to submit an environmental impact report, an environmental impact report form, or an environmental impact registration form (as the case may be) to the relevant environmental protection administration for approval during the project s feasibility analysis stage. In the meantime, if any ancillary environmental protection facilities are necessary in the construction project, such facilities are required to be designed, constructed and used in conjunction with the main project. After completion of the project, the developers are required to apply to the relevant environmental protection administrations for final acceptance examination in respect of any ancillary environmental protection facilities. Construction projects are approved for use after passing such acceptance examination.

The *Law of the People s Republic of China on Environmental Impact Assessments* ( ), adopted by the National People s Congress on October 28, 2002 and became effective as of September 1, 2003, provides that if the environmental impact assessment documents of a construction project have not been examined by the relevant environmental protection administrations or are not approved after examination, the authority in charge of examination and approval of the project shall not approve construction of the project, and the construction work unit may not commence work.

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A notice issued by the State Environmental Protection Administration on July 6, 2006 provides for stringent examination and approval procedures for various real estate development projects. It also stipulates that no approvals may be issued for new residential projects or extensions in industry development zones, areas impacted by industrial enterprises or areas where such development poses potential harm to residents health.

Property Management

A property management enterprise shall apply for assessment of qualifications by the qualification approval authority. An enterprise which passes such a qualification assessment will be issued a qualification certificate evidencing the qualification classification by the authority. No enterprise may engage in property management without undertaking a qualification assessment and obtaining a qualification certificate. One of our subsidiaries, Tieling North Asia Property Management Co., Ltd., has obtained a property management qualification certificate under the classification grade III, which was issued by Tieling House Bureau on August 25, 2008. Another of our subsidiaries, Dezhou North Asia Property Management Co., Ltd., has obtained a property management qualification certificate under classification grade III (temporary), which was issued by Dezhou Property Management Center on September 19, 2011.

Insurance

There are no mandatory requirements under PRC laws and regulations for a property developer to obtain insurance policies for its property developments. Under standard industry practice in the real estate industry, construction companies are generally required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies are required to pay for the insurance premium at their own costs and obtain insurance to cover their liabilities, such as a third-party s liability risk, an employer s liability risk, risk of nonperformance of contract in the course of construction and risks associated with the construction and installation works during the construction period. The requirement for construction companies to obtain insurance coverage for all of these risks ceases immediately after the completion and acceptance upon inspection of construction.

Regulation of Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange

The principal regulation governing foreign currency exchange in the PRC is the *Regulations of the People s Republic of China for the Control of Foreign Exchange* ( ), or the Foreign Exchange Regulations, amended by the State Council on August 1, 2008 and effective on August 5, 2008. Under these regulations, Renminbi are freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not for expenses of capital, such as direct investment, loans or investments in securities outside the PRC unless the prior approval of the State Administration of Foreign Exchange is obtained.

Under the Foreign Exchange Regulations, foreign investment enterprises in the PRC may purchase foreign exchange for trade and service-related foreign exchange transactions without approval by the State Administration of Foreign Exchange by providing commercial documents evidencing these transactions. They may also remit foreign exchange (subject to a cap approved by the State Administration of Foreign Exchange) to satisfy foreign exchange liabilities or to pay dividends.

Dividend Distribution and Remittance

Under PRC laws and regulations, wholly foreign owned enterprises in China may only pay dividends out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign owned enterprise in China may be required to set aside at least 10.0% of its after-tax profits based on PRC accounting standards in accordance with its articles of incorporation and PRC law each year, if any, to PRC statutory reserve until the accumulated reserve amounts to 50.0% of its registered capital. It is also required to set aside funds for the employee bonus and welfare fund from its after-tax profits each year at percentages determined at its sole discretion. These reserves are not distributable as cash dividends. If the registered capital of a foreign investment enterprise has not been fully paid in accordance with the articles of association, dividends in foreign currency may not be remitted out of the PRC.

Shareholder Loan

Shareholder loans made to foreign investment enterprises are regarded as foreign debt in China, and are therefore subject to a number of PRC laws and regulations. Under these regulations, our PRC subsidiaries can legally borrow foreign exchange loans up to their borrowing limits, which is the difference between their respective amounts of total investment and registered capital as approved by the Ministry of Commerce or its local counterparts. Total investment is the projected amount of funds necessary for a foreign investment enterprise to attain the production or operational capacity set out in its joint venture contract and/or articles of association, whereas registered capital refers to the equity or capital contributions to be paid in full by the foreign investors. According to the Temporary Regulations on Foreign Debt Statistics and Monitor issued by the State Administration of Foreign Exchange effective on August 27, 1987, and the Implementing Rules on Foreign Debt Statistics and Monitor issued by the State Administration of Foreign Exchange effective on January 1, 1998, such loans must be registered and recorded with the State Administration of Foreign Exchange or its local branch. Interest payments on such loans, if any, are subject to a 10% withholding tax unless otherwise exempted pursuant to applicable tax treaties or tax arrangements between the PRC Government and the government of other jurisdictions.

If the foreign exchange debts of a foreign investment enterprise exceed an enterprise s statutory borrowing limits, the foreign investor is required to increase its total investment amount and registered capital as necessary to comply with these limits.

Taxation

Enterprise Income Tax

The Enterprise Income Tax Law imposes a uniform tax rate of 25% (compared to a previous top rate of 33%) for all enterprises incorporated or resident in China, including foreign investment enterprises, and eliminates many tax exemptions, reductions and preferential treatments formerly applicable to foreign investment enterprises.

Under the Enterprise Income Tax Law that has been effective since January 1, 2008, enterprises established under the laws of foreign countries or regions whose de facto management bodies are located within the PRC territory are considered as resident enterprises and thus will normally be subject to enterprise income tax at the rate of 25% on global income. In particular, non-resident enterprises with an institution or establishment in China must pay enterprise income tax at the rate of 25% on taxable income derived by such institution or establishment within China as well as on taxable income earned outside China which has a de facto connection with such institution or establishment. Non-resident enterprises without any institution or establishment within China, or non-resident enterprises whose income has no connection to its institution or establishment inside China must pay a withholding income tax at the rate of 10% on taxable income derived from inside China, unless otherwise exempted pursuant to applicable tax treaties or tax arrangements between the PRC Government and the government of other jurisdictions. Under the Enterprise Income Tax Law, dividends, bonuses and other equity investment proceeds received by an enterprise are exempted from Enterprise Income Tax if distributed between qualified resident enterprises or if obtained by a nonresident enterprise with institutions or establishments in China from a resident enterprise and having a de facto connection with such institutions or establishments. However, even if we are unable to satisfy the requirements for this exemption from withholding tax on the dividends we receive from our subsidiaries in China, we are entitled to a reduced withholding tax of 5% on dividend payments due to a tax treaty between China and Hong Kong, which became effective on December 8, 2006. The tax treaty provides that a company incorporated in Hong Kong may be subject to a withholding tax of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in the PRC company, or at the rate of 10% if it holds less than a 25% interest in the PRC company.

The regulations implementing the Enterprise Income Tax Law, or the Implementation Regulations, define the term de facto management body as the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting and properties of a non-PRC company is located. The determination of tax residency in a particular situation requires a review of the surrounding facts and circumstances and the mechanism provided in the Implementation Regulations gives the relevant taxation authority discretion in applying its judgment.

Business Tax

Under the Provisional Regulations of the PRC on Business Tax issued by the State Council which took effect on January 1, 2009 and the related implementation rules, a business tax is levied on all units and individuals engaged in taxable services, the transfer of intangible assets or the sale of immovable properties within the territory of the PRC. The tax rates range from 3% to 20% depending on the type of services provided. Most of our PRC subsidiaries which engage in services pay business tax at tax rates of 5%.

According to the Circular on Printing and Issuing the Pilot Program for Transition from Business Tax to Value Added Tax ( ) jointly issued by the MOF and State Administration of Taxation on October 16, 2011, the MOF and the State Administration of Taxation introduced two new band rates of 11% (transportation and construction industries) and 6% (part of modern service industries) on the basis of the standard value-added tax rate of 17% and the lesser value-added tax rate of 13% first commenced in Shanghai on January 1, 2012. Furthermore, nine cities and provinces have also officially applied to participate, specifically Tianjin, Chongqing, Jiangsu, Anhui, Fujian, Xiamen, Shenzhen, Hunan and Hainan in accordance with the Circular on Implementing the Pilot Policy of Transition on Business Tax to Value-Added Tax in Eight Cities and Provinces Including Beijing ( ) jointly issued by the MOF and State Administration of Taxation. On April 10, 2013, the State Council decided that such policy be implemented in all the areas within China since August 1, 2013. Therefore, storage and other services provided by our Company may be subject to the policy of the transition from business tax to value-added tax since August 1, 2013.

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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 for properties sold. Land appreciation tax is levied on China Northeast by local tax authorities in accordance with the *Interim Regulations on Land Appreciation Tax* ( ), issued by the State Council on December 13, 1993, which provides that all enterprises and individuals, domestic and foreign, who receive income as a result of a grant of state-owned land use rights are subject to payment of land appreciation tax. Land appreciation tax is levied upon the appreciation value of property upon sale or transfer, 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 land appreciation tax at progressive rates that range from 30% to 60%. On December 28, 2006, the State Administration of Taxation issued the LAT Notice, which came into effect on February 1, 2007. The LAT Notice sets forth, among other things, methods of calculating land appreciation tax and the time frame for settlement of land appreciation tax.

On May 19, 2010, the State Administration of Taxation issued a supplementary *LAT Notice* ( ) which clarifies the details of income confirmation and deduction items.

Value-Added Tax

Under PRC regulations which took effect on January 1, 2009, all units and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC are taxpayers of value-added tax, and shall pay value-added tax at tax rates of between 3% and 17%, depending on the activities in which they engage. Tieling North Asia Development Co., Ltd. and China Tieling Northeast are also required to pay value-added tax under local regulations.

Dividends from Our China Operations

Under PRC tax laws, regulations and rulings applicable to years prior to 2008, dividends from our operations in China paid to us were exempt from any PRC withholding or income tax. The Enterprise Income Tax Law as currently in effect provides that a withholding tax rate of 10% will normally be applicable to dividends payable to non-PRC investors that are derived from sources within the PRC, but with a possibility of exemption or reduction. The Implementation Regulations reduce the withholding tax rate for non-PRC residents to 10%. As a result, effective from January 1, 2008, dividends paid by foreign investment enterprises to non-PRC resident shareholders are subject to withholding tax at an ordinary rate of 10%, unless otherwise exempted or reduced by PRC laws and regulations or in accordance with arrangements or treaties between the PRC Government and the government of any other jurisdiction where such non-PRC resident shareholder is registered. Currently we are entitled to a reduced withholding tax of 5% on divided payments due to a tax treaty between China and Hong Kong, which became effective on April 1, 2007.

Dividends paid by the Company to our Overseas Investors

Prior to January 1, 2008, the distribution of dividends by a company to its overseas investors was not subject to PRC tax. However, if we are deemed as a resident enterprise under the Enterprise Income Tax Law, which has been effective since January 1, 2008, the dividends we declare and pay after January 1, 2008 to our investors, including non-PRC investors, will be subject to corporate income tax or income withholding tax unless otherwise exempted.

Transfer or Disposition of Our Shares

As we are not incorporated in the PRC, under the previous PRC law applicable prior to January 1, 2008, any transfer or disposition of shares of the Company by a non-PRC investor does not trigger PRC tax liabilities. However, if we are deemed a resident enterprise under the new Enterprise Income Tax Law which took effect on January 1, 2008, any gain on transfer or disposition of shares of the Company will be subject to corporate income tax, unless otherwise exempted or reduced by PRC laws and regulations or in accordance with arrangements or treaties between the PRC Government and the government of any other jurisdiction where such non-PRC resident investor is registered.

Environmental Matters

We are subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments with respect to our logistics platform businesses, where our projects are normally required to undergo an environmental impact assessment by government-appointed third parties, and a report of such assessment needs to be submitted to the relevant environmental authorities in order to obtain their approval before commencing construction. Upon completion of each project, the relevant environmental authorities inspect the site to ensure the applicable environmental standards have been complied with, and the resulting report is presented together with other specified documents to the relevant construction administration authorities for their approval and recordation. Approval from the environmental authorities on such report is required before delivery of the properties. In the past, we have not experienced any difficulties in obtaining such approvals for commencement of construction and delivery of completed projects. Our operations have not been subject to payment of material fines or penalties for violations of environmental regulations.

Due to the relatively low impact of our operations on the environment, our environmental compliance costs have not been substantial. There was no environmental compliance cost incurred for both fiscal years 2013 and 2012.

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C. Organizational Structure

The following chart shows our corporate structure as of March 31, 2013, including all our significant subsidiaries, with the shareholding percentage and jurisdiction of incorporation of each company:

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D. Property, Plants and Equipment

Property

Hong Kong

Headquarters. We entered into a tenancy agreement for a property at Suite 803, 8th Floor, Tower 1, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong, for a term of three years commencing from December 15, 2009, which comprised approximately 1,072 square feet. The tenancy agreement was replaced by a new tenancy agreement dated January 18, 2011 with a new property at Suite 2204, 22th Floor, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong for a term of approximately three years commencing from Mach 21, 2011 to March 16, 2014, which comprises approximately 1,512 square feet.

People s Republic of China

Office and sales facilities. We own an administrative tower, a 5-story building with total gross floor area of approximately 10,757, and a sales center, a 2-story building with total gross floor area of approximately 2,265 square meters at China Northeast Logistics City Tieling, Zuanshi Road, Xincheng District, Tieling City, Liaoning Province, PRC, which are staffed by management and office personnel. We have land use rights and building ownership rights for the buildings in which our China Northeast Logistics City Tieling office and sales center are located. Our China administrative office for China Northeast Logistics City Dezhou is located at Tianqu Industrial Zone, Decheng District, Dezhiu, Shandong Province, PRC, which comprises approximately 1,200 square meters, and is provided by Tianqu Industrial Zone Committee on a rent-free basis. Our China administrative office for Shenzhen head office is located at Suite 2119-2123, 2125-2127, 21/F, Global Logistics Center, Pinghu, Longgang District, Shenzhen, PRC, which is comprised of approximately 564 square meters and is staffed by management and office personnel.

Properties for sale and lease. Phase I of China Northeast Logistics City Tieling will cover a planned GFA of approximately 2.0 million square meters. As of March 31, 2013, construction of approximately 514,680 square meters of trade centers and residential properties were completed, out of which, approximately 301,000 square meters were sold; whereas among approximately 2,600 completed trade center units for lease, approximately 430 units were leased out. China Northeast Logistics City Dezhou is expected to provide GFA of approximately 15.0 million square meters. As of March 31, 2013, construction of approximately 231,000 square meters of trade centers were completed, out of which, approximately 162,000 square meters were sold.

Item 4A. Unresolved Staff Comments
None.

Item 5. Operating and Financial Review and Prospects

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words expect, anticipate, intend, believe, the negative of such terms or other comparable terminology. All forward-looking statements included in this document are based on information available to us on the date hereof, and we undertake no obligation to update any such forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information set forth above in Item 3. Key Information D. Risk Factors. We caution you that our business and financial performance are subject to substantial risks and uncertainties, including the factors identified in Item 3. Key Information D. Risk Factors, that could cause actual results to differ materially from those in the forward-looking statements.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this Annual Report. Some of the information contained in this discussion and analysis constitutes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Annual Report, particularly those under Cautionary Statement Concerning Forward-Looking Statements and Risk Factors.

The Company was previously a wholly-owned subsidiary of Man Sang Holdings, Inc. (MSHI), a United States domestic company incorporated in the State of Nevada whose common stocks were listed on the NYSE MKT with ticker symbol MHJ . On August 25, 2009, at a general meeting, for the purpose of the redomicile of MSHI from the United States to the British Virgin Islands, the shareholders of MSHI resolved to carry out a group reorganization (the Reorganization) whereby, inter alia, MSHI was dissolved and liquidated and the Company contractually assumed all rights, title, obligations and liabilities of MSHI pursuant to the terms and subject to the conditions of the agreement and plan of the dissolution and liquidation of MSHI. As a result of the Reorganization, the Company succeeded MSHI as the holding company its subsidiaries (the Group) on August 25, 2009 with its ordinary shares being listed on the NYSE MKT as a non-United States domestic company. From its inception in August 1995 through the effective date of the Reorganization on August 25, 2009, the Company was a wholly-owned subsidiary of MSHI.

Upon the effective date of the Reorganization, the Company and its subsidiaries continued to conduct the business previously conducted by MSHI and its subsidiaries (including the Company). Although the dissolution and liquidation of MSHI resulted in the cessation of MSHI as the holding company of the Group, the dissolution and liquidation had no material impact on our financial condition or operating results, other than the costs incurred in connection with its dissolution and liquidation. As the Company contractually assumed all rights, title, obligations and liabilities of MSHI upon the terms and subject to the conditions of the agreement and plan of the dissolution and liquidation, there was a continuation of the risks and benefits to the ultimate controlling owners that existed prior to the dissolution and liquidation of MSHI. Accordingly, the Reorganization has been accounted for as a reorganization of entities under common control in a manner similar to pooling-of-interests. On this basis, the Company has been treated as the holding company of MSHI in all periods presented in the financial statements rather than from the effective date of the Reorganization.

Subsequent to the Reorganization, pursuant to an agreement and plan of merger or the Merger Agreement, dated as of February 19, 2010, by and among the Company, China Metro-Rural Limited and Creative Gains Limited (Creative Gains) (a wholly-owned subsidiary of the Company), Creative Gains was merged with and into China Metro (the Merger). Immediately after the Merger, Creative Gains ceased and China Metro became a wholly-owned subsidiary of the Company. The acquisition of equity interest of China Metro-Rural Limited has been accounted for as a combination of entities under common control in a manner similar to pooling of interests as both the Company and China Metro-Rural Limited were controlled by Mr. Cheng Chung Hing, Ricky immediately prior to and immediately after the Merger. On this basis, the consolidated financial statements of China Metro-Rural Holdings Limited for periods prior to the Merger have been restated to include, to the extent of the equity interest of China Metro-Rural Limited held by Mr. Cheng Chung Hing, Ricky, the assets and liabilities and results of operations of China Metro-Rural Limited for those periods as if China Metro-Rural Holdings Limited had owned China Metro-Rural Limited at the beginning of the financial period reported in the consolidated financial statements or when MSBVI and China Metro-Rural Limited came under common control by Mr. Cheng Chung Hing, Ricky, whichever is later, and all assets and liabilities of China Metro-Rural Limited have been stated at historical carrying amounts. The acquisition by the Company of interest owned by all the shareholders of China Metro, including Mr. Cheng, was treated as an equity transaction at the completion date of the Merger.

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On July 28, 2010, the Company declared a dividend to its shareholders by way of distribution in specie of the entire equity interest in MSIL held by the Company, represented by 494 million ordinary shares, or the Distribution, and was completed in August 2010. Upon the completion of the Distribution, the Group no longer held any interests in MSIL and has discontinued its pearls and real estate businesses, or Man Sang Discontinued Operations, which was previously operated through MSIL. Details of results of Man Sang Discontinued Operations is set forth above in Item 3. Key Information A. Selected Financial Data .

On November 30, 2012, the Company disposed of its entire interest in CFC HK and, in effect, disposed of its entire interest in Qiqihar CFC, which represented Qiqihar Discontinued Operations. The Group will continue to carry out its rural-urban migration and city re-development business through other subsidiaries. Details of results of Qiqihar Discontinued Operations is set forth above in Item 3. Key Information A. Selected Financial Date .

Unless otherwise specified, references to Notes to the audited consolidated financial statements are to the Notes to our audited consolidated financial statements as of March 31, 2013 and 2012 and for the years ended March 31, 2013, 2012 and 2011.

Overview

At the end of the fiscal year ended March 31, 2013, the Group had two main business segments, our Agricultural Logistics Operation and Rural-Urban Migration and City Re-development Operation, which are presented as the continuing operations on the face of the consolidated income statements of the Group for the fiscal years ended March 31, 2013, 2012 and 2011.

As a result of the disposal of HK CFC and Qiqihar CFC, our Rural-Urban Migration and City Re-development Operations Qiqihar was classified as Qiqihar Discontinued Operations, which comprised of (1) servicing and assignments of development rights and (2) development and sale of residential, commercial and other auxiliary properties in new city center district of Qiqihar City.

Another of our discontinued business segments was engaged in the purchase, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products, or the Pearl Operation. We were one of the world s largest purchasers and processors of saltwater cultured and freshwater cultured pearls.

Another of our discontinued business segment was engaged in real estate development and real estate leasing, or the Real Estate Operation. We operated real estate for lease and sale in Hong Kong and the PRC, including (1) an industrial complex located in the Shenzhen Special Economic Zone, PRC, or the Man Sang Industrial City; (2) China Pearls and Jewellery City, a market center with various supporting facilities, including manufacturing, processing, exhibition and residential facilities, among others, located in Shanxiahu, Zhuji, Zhejiang Province, PRC; and (3) commercial and residential properties in Hong Kong, or the Hong Kong Properties.

The Pearl Operation and Real Estate Operation together comprised Man Sang Discontinued Operations.

Our Agricultural Logistics Operations are engaged in the development and operations of large scale, integrated agricultural logistics and trade centers in Northeast China that facilitate a relationship between sellers and buyers of agricultural products and small goods, provide relevant physical platform and timely marketing information and intelligence, provide a transparent and competitive market price discovery mechanism and provide infrastructure to enhance the living standards of those from the rural area.

Our Rural-Urban Migration and City Re-development Operations is comprised of (1) servicing and assignments of development rights and (2) development and sales of residential, commercial and other auxiliary properties in new city center districts.

Following the Distribution discussed above, it resulted in the discontinuation of the Pearl Operation and the Real Estate Operation, or, collectively, Man Sang Discontinued Operations, which were previously carried out through MSIL. Following of the disposal of HKCFC and Qiqihar CFC, which resulted in Qiqihar Discontinued Operations. As a result of such discontinuation, the results of operations of Man Sang Discontinued Operations and Qiqihar Discontinued Operations have been presented as a single line item on the face of the consolidated income statement of the Group. We are now entirely focused on being one of the leading developers and operators of large scale, integrated agricultural logistics and trade centers and rural-urban migration and city re-development business.

Critical Accounting Policies

Management s discussion and analysis of results of operations and financial condition are based upon our consolidated financial statements. These statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the IASB. These principles require management to make certain estimates and assumptions that affect amounts reported and disclosed in the consolidated financial statements and related notes. Actual results could differ from these estimates. Periodically, we review all significant estimates and assumptions affecting the consolidated financial statements and records the effect of any necessary adjustments.

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

Revenue and Other Income

Revenue from sales of properties

Revenue from sales of properties is recognized when the risks and rewards related to the properties are transferred to purchasers, which is when the construction of relevant properties has been completed, title to the properties has been delivered to the purchasers and collectability of related receivables is reasonably assured. Revenue is recognized only to the extent collectability of such receivable is reasonably assured.

Revenue from servicing and assignments of development rights

In its rural-urban migration and city re-development business, the Company develops and sells residential, commercial and other auxiliary properties as well as assigns the development rights to independent third party developers on portions of land plots that have already been designated by the local government under the framework agreement for development by such independent third parties. In connection with providing the development rights to the independent third party developers, the Company agrees with the independent third party developers to construct certain economical housing units on behalf of the third party developers as the local government requires all property developers to construct certain economical housing units .

In order for the independent third party developers to acquire land use rights within the land plots that have already been designated by the local government under the framework agreement, the Company is required to provide certain services by liaising between the local government and the independent third party developers to ensure the independent third party developers are able to secure the land use rights at a certain price. Once the independent third party developers have successfully secured the land use rights and the collectability of the related receivables is reasonably assured, the Company would recognize the related revenue for the services performed. With regards to the obligations of constructing the economical housing units , the Company would defer the related revenue which approximates the fair value of the economical housing units until the economical housing units are completely constructed and delivered to the local government.

As part of the aforementioned transaction, the Company would also provide certain financing to the independent third party developers, as necessary. Such financing is interest bearing and is repayable within one year.

Revenue from sales of properties with operating leaseback

As part of the Company s overall strategy to develop property projects with specific themes, in relation to sales of certain properties, immediately following sale of such properties, the Company leases back the properties from purchasers for periods ranging from 3 to 5 years either for an insignificant amount of rental payments or free of charge. As lease back of the properties for an insignificant amount of rental payments or free of charge was arranged as part of the sale of these properties, the Company determined the fair value of lease payments it would ordinarily make to lease such properties from other independent owners based on factors such as expected occupancy rates, rental yields etc. and included it as part of the sales consideration received with a corresponding debit to prepaid operating lease payments. Since the fair value of lease payments the Company would ordinarily make to lease such properties was estimated to be insignificant, the Company did not separately recognize it as part of the sales consideration received with a corresponding debit to prepaid operating lease payments. Such transactions are accounted for as a sale and operating leaseback given that as part of the sale transaction, the Company disposes of substantially all risks and rewards of owning the property. In concluding that substantially all risks and rewards of owning the property have been transferred, the Company considers the short period of the lease and the expected future rentals it could earn by letting out these properties, which are insignificant relative to the value of the property.

The leaseback is considered as an operating lease due to (i) the ownership of the property will not transfer back to the Company by the end of the lease term; (ii) the Company does not have the option to purchase the property at the end of the lease term; (iii) the lease term is not the major part of the economic life of the property; (iv) at the inception of the lease, the fair value of the property is significantly higher than the present value of the minimum lease payments; and (v) any gains or losses from the fluctuation in the fair value of the property rest to purchasers. In addition, operating leases rentals paid to purchasers are recorded as an expense on a straight line basis over the period of the lease.

To promote sales of certain properties, the Company, through its Man Sang Discontinued Operations, conducted a promotional sale of these properties during fiscal year ended March 31, 2010 and fiscal year ended March 31, 2011 prior to the Distribution wherein it sold such properties at special rates to selected purchasers which was different from the normal sales of properties as discussed above where no special rates were given. Sales consideration for these properties included an explicitly agreed transaction price to be settled in cash plus a lease back of these properties to the Company free of charge for 5 years. As lease back of the properties free of charge was arranged as part of the sale of these properties as well as the sales of these properties were at special rates, the Company determined the fair value of lease payments it would ordinarily make to lease such properties from other independent owners based on factors such as expected occupancy rates, rental yields etc. and included it as part of the sales consideration received with a corresponding debit to prepaid operating lease payments. The leaseback is considered as an operating lease for the same reasons as explained above. The prepaid operating lease payments will be amortized and recognized as operating leases expense on a straight line basis over the 5 year period of the lease.

Promotional sale of certain properties

As discussed under Revenue from sales of properties with operating leaseback , the Company, through Man Sang Discontinued Operations, conducted a promotional sale of certain properties during the year. Sales consideration for these properties included an explicitly agreed transaction price to be settled in cash plus a lease back of these properties to the Company free of charge. Of the explicitly agreed transaction price, the Company received a down-payment of 24% in cash amounting to HK$18,459,000 and HK$4,147,000 in the fiscal year ended March 31, 2010 and year ended March 31, 2011 prior to the Distribution, respectively, upon transfer of title to the properties with the remainder HK$71,167,000 and HK$13,131,000, respectively, being receivable in future. As all the revenue recognition criteria had been met, the Company recorded this as a revenue transaction. Having considered a number of factors such as the overall state of the property market, the prospects of the properties and profile of individual buyers, management determined that the collectability of the receivable was not reasonably assured at the date of sale. Accordingly, revenue was recorded only to the extent of cash received.

Revenue from sales of goods

Sale of goods is recognized on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from leasing of investment properties

Rental income under operating leases is recognized in the period in which the properties are let out and on a straight-line basis over the term of the relevant lease, including the rent free periods.

Revenue from property management service

Revenue from property management service is recognized when services are rendered.

Others

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset s net carrying amount.

Dividend income from investments is recognized when the rights to receive payments have been established.

Land Appreciation Tax

Land appreciation tax provisions represent provisions for the estimated land appreciation tax payable in relation to our properties sold during a period. We make provisions based on our own calculations in accordance with our understanding of the relevant laws and regulations. Our estimate of land appreciation tax provisions requires us to use significant judgment with respect to the appreciation of land value and the allowability of deductible items for income tax purposes. Disagreements with the taxing authorities could subject us to additional taxes, and possibly, penalties.

Valuation of Properties

We state our investment properties, investment properties under construction and leasehold land and buildings at their fair value as non-current assets on our consolidated statements of financial position on the basis of valuations supported by a qualified independent professional valuer, Savills Valuation and Professional Services Limited. We provide the independent professional valuer with various information for the valuer to use as a basis for valuation.

We state our properties held for sale classified as current assets on our consolidated statements of financial position, at the lower of cost and net realizable value on an individual property basis. Cost includes all development expenses, applicable borrowing costs and other direct costs attributable to the development of such properties. Net realizable value is determined by reference to the prevailing market prices on an individual property basis.

We state our property, plant and equipment as non-current assets on our consolidated statements of financial position. We state our property, plant and equipment at cost less impairment losses, with the exception of leasehold land and buildings, which are not depreciated. Cost includes the direct costs, direct costs of construction and capitalized borrowing costs on related borrowings during the period of construction. Properties under development are transferred to the appropriate category of property, plant and equipment or properties held for sale when completed and ready for use.

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During the fiscal year ended March 31, 2013, the amount of salaries capitalized in investment properties, investment properties under construction and properties under development were nil, HK$25,000 and HK$9,510,000 respectively. During the fiscal year ended March 31, 2012, the amount of salaries capitalized in investment properties, investment properties under construction and properties under development were nil, HK$341,000 and HK$7,401,000, respectively. The amounts of external (construction costs only) and internal costs (salaries and other indirect expenses that are directly attributable to construction of properties) incurred and capitalized during the fiscal year ended March 31, 2013 and 2012 were:

	2013			2012		
	Investment Properties HK$ 000	Investment properties under construction HK$ 000	Properties under development HK$ 000	Investment Properties HK$ 000	Investment properties under construction HK$ 000	Properties under development HK$ 000
External costs		255	379,117		40,287	925,464
Internal costs		46	12,459		429	9,388
		301	391,576		40,716	934,852

Impairment of trade receivables

The management determines the provision for impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and prevailing market conditions. Management reassesses the provision for impairment of trade receivables at the statements of financial position date. In respect of the trade receivables past due but not impaired, majority of which are related to sales of properties in mainland China, they are due to the reason that longer time is normally required for customers to apply for mortgages in the location at which the Company s subsidiaries are operated. As most of these mortgages were approved by banks and balances settled subsequent to the date of statement of financial position and additional resources have been invested to monitor the progress of mortgage application, management considered that these receivables are fully recoverable.

Recoverability of completed properties held for sale and properties under development

We perform a regular review on the carrying amounts of completed properties held for sale and properties under development as these property projects are in their early stages and we have invested significant amount of capital in them. Furthermore, all our current property projects are located in China as discussed under Business Overview where the PRC Government can exercise 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. Accordingly, policies and other measures taken by the PRC Government to regulate the economy could have a significant negative impact on economic conditions in China, with a resulting negative impact on our business which is further discussed under Risk Relating to Doing Business in the PRC .

More recently, the China s real GDP has continued to grow even though at a slower rate resulting from a recent global economic downturn which also slowdown the economy in the PRC. Accordingly, the PRC Government has introduced certain stimulus package aimed at offsetting the slow down brought by the financial crisis. In addition, the PRC Government has introduced certain macroeconomic measures to control perceived overinvestment in the real property market. Considering the overall state of the PRC s economy, specifically the real estate market which could potentially have a negative effect on the recoverability our property projects, we will consider write-down of our property projects when the estimated net realizable value of these property projects. In determining the net realizable value, asides from the aforementioned factors, we will also consider the latest economic measures introduced by the local government, recent global and local economic developments, recent sales transactions of the Group and other similar properties in the surrounding areas, marketability of the Group s existing properties, market survey reports available from independent property valuers, internally available information and management s expectation on future sales.

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Impairment of long-lived assets

We conduct impairment review of assets when events of changes in circumstances indicate that their carrying amount may not be recoverable or annually in accordance with relevant accounting standards. An impairment loss is recognized when the carrying amount of an asset is less than the greater of its net selling price or the value in use. In determining the value in use, we assess the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgments are applied in determining these future cash flows and the discount rate.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The derivative component of the convertible bonds is recognized initially at the fair value. The liability component is recognized initially at the difference between the fair value of the convertible bonds as a whole and the fair value of the derivative component. Any directly attributable transaction costs are allocated to the derivative financial liability and the liability components in proportion to their initial carrying amounts.

Derivative financial instruments

Derivative financial instruments issued by the Company comprise warrants that can be exercised to purchase share capital of the Company at the option of the holder and derivative component of convertible bonds. The number of shares to be purchased upon exercise of the warrants or conversion of convertible bonds does not vary with changes in their fair values. Derivative liabilities instruments are initially and subsequently measured at fair value through profit or loss and any gains or losses derived from its changes in fair values are recognized in the consolidated income statement unless the derivative financial liabilities are qualified for hedge accounting. Transaction costs attributable to the issue of derivative financial instruments are charged to the consolidated income statement during the period in which they are incurred. The fair values of derivative financial instruments were determined by management based in part on valuations performed by qualified independent professional valuers, Savills Valuation and Professional Services Limited and Intelliwise Engineering Advisory Corp. Ltd. We provide the independent professional valuers with various information for the valuers to use as a basis for valuations.

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A. Operating Results

Consolidated Results of Operations

The following is a discussion of our consolidated results of operations for the years ended March 31, 2013, 2012 and 2011:

	2013 HK$ 000	2012 HK$ 000	2011 HK$ 000
Continuing operation:			
Revenue	284,759	765,872	581,573
Cost of sales	(217,955)	(467,195)	(352,265)
Gross profit	66,804	298,677	229,308
Other income, net	67,535	61,363	68,234
Other (losses)/gains, net	(69,617)	6,828	120,456
Selling expenses	(32,254)	(24,212)	(22,436)
Administrative expenses	(112,504)	(117,922)	(64,748)
Operating (loss)/profit	(80,036)	224,734	330,814
Finance income/(costs) net	4,384	389	(3,124)
Share of loss of an associate	(1,606)	(2,456)	(386)
(Loss)/profit before income tax	(77,258)	222,667	327,304
Income tax expenses	(35,746)	(90,202)	(124,630)
(Loss)/profit for the year from continuing operation	(113,004)	132,465	202,674
Discontinued operations:			
Profit for the year from discontinued operations, net of tax	17,532	98,594	29,878
(Loss)/profit for the year	(95,472)	231,059	232,552
Attributable to:			
Equity holders of the Company	(101,104)	208,986	227,346
Non-controlling interests	5,632	22,073	5,206
	(95,472)	231,059	232,552

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Results of operations of Qiqihar Discontinued Operations

	2013 HK$ 000	2012 HK$ 000	2011 HK$ 000
Revenue		147,896	
Cost of sales		(9,358)	
Gross profit		138,538	
Other income and gains, net	619		
Expenses	(28,929)	(5,665)	
Operating (loss)/profit	(28,310)	132,873	
Finance income net	8,009	238	
(Loss)/profit before income tax	(20,301)	133,111	
Income tax credits/(expenses)	5,355	(34,517)	
(Loss)/profit for the year	(14,946)	98,594	
Gain on disposal of discontinued operations	32,478		
Profit for the year from Qiqihar Discontinued Operations	17,532	98,594	
Attributable to:			
Equity holders of the Company	17,532	98,594	
Non-controlling interests			
	17,532	98,594	

Results of operations of Man Sang Discontinued Operations

	2013 HK$ 000	2012 HK$ 000	2011 HK$ 000
Revenue			157,452
Cost of sales			(117,241)
Gross profit			40,211
Other income and gains, net			9,314
Recycling of exchange difference to profit or loss upon the Distribution			20,284
Expenses			(33,983)
Operating profit			35,826
Finance income net			87
Share of results of an associate			17
Profit before income tax			35,930
Income tax expenses			(6,052)
Profit for the year from Man Sang Discontinued Operations			29,878
Attributable to:			

Equity holders of the Company	23,950
Non-controlling interests	5,928
	29,878

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Fiscal Year Ended March 31, 2013 Compared with Fiscal Year Ended March 31, 2012

Continuing Operation

Revenue

Revenue in the fiscal year ended March 31, 2012 was approximately HK$765.9 million, which consisted primarily of sales of trade center units were approximately HK$758.4 million. Revenue in the fiscal year ended March 31, 2013 was approximately HK$284.8 million, which consisted primarily of sales of trade center units and supporting facilities of approximately HK$273.4 million. The change was attributable to a decrease in the sales of trade center units and supporting facilities. In fiscal year ended March 31, 2013, the sales of trade center units and supporting facilities with the number of units sold and gross floor area were approximately 530 units and approximately 47,000 square meters, which represented a decrease of approximately 70% and 68% as compared with the number of units sold and gross floor area were approximately 1,740 units and approximately 146,000 square meters, respectively. In the fiscal year ended March 31, 2013, our average selling price was HK$5,733 per square meter, which represented an increase of approximately 10% as compared with the average selling price of HK$5,194 per square meter in the fiscal year ended March 31, 2012. The remainder of revenue represented rental income from leases of trade center units of approximately HK$5.0 million and property management fee income of approximately HK$6.4 million.

Cost of Sales

In the fiscal year ended March 31, 2012, our cost of sales was approximately HK$467.2 million. In the fiscal year ended March 31, 2013, our cost of sales was approximately HK$218.0 million. The cost of sales was based on direct and indirect costs of construction, land grant fee and capitalized expenses attributable to the area of properties that were recognized as sales.

Gross Profit

Our gross profit decreased by HK$231.9 million, or 77.6%, from HK$298.7 million for the fiscal year ended March 31, 2012 to HK$66.8 million for the fiscal year ended March 31, 2013. The gross profit margin, or gross profit as a percentage of total revenue, decreased from 39.0% for the fiscal year ended March 31, 2012 to 23.5% for the fiscal year ended March 31, 2013. The decrease in gross profit margin was primarily due to an increase in average construction costs.

Other Income and Other (Losses)/Gains, Net

In the fiscal year ended March 31, 2012, our other income and gains were approximately HK$68.2 million, primarily from government grants of approximately HK$56.0 million, net income of certain non-recurring land leveling works of approximately HK$4.9 million and a decrease in fair value of warrants of approximately HK$4.0 million.

In the fiscal year ended March 31, 2013, our other income and losses were approximately HK$2.1 million, resulting primarily from government grants of approximately HK$66.8 million and compensation received for non-exercise of option of approximately HK$61.4 million which was offset in part by an increase in fair value of derivative components of convertible bonds and warrants of approximately HK$128.7 million.

Selling Expenses

Our selling expenses increased by HK$8.0 million, or 33.1%, from HK$24.2 million for the fiscal year ended March 31, 2012 to HK$32.2 million for the fiscal year ended March 31, 2013. The increase in selling expenses was primarily due to an increase in advertising expenses of approximately of HK$5.7 million. As a percentage of revenue, selling expenses increased from 3.2% for the fiscal year ended March 31, 2012 to 11.3% for the fiscal year ended March 31, 2013. The increase was primarily attributable to new sales campaign initiated in China Northeast Logistics City Tieling.

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Administrative Expenses

Our administrative expenses of HK$112.5 million for the year ended March 31, 2013 was comprised of HK$102.3 million (2012: HK$107.9 million) from Agricultural Logistics Operation and HK$10.2 million (2012: HK$10.0 million) from corporate expenses. Administrative expenses decreased by approximately HK$5.4 million, or 4.6%, from approximately HK$117.9 million in the fiscal year ended March 31, 2012 to approximately HK$112.5 million in the fiscal year ended March 31, 2013. The decrease in our administrative expenses was a result of a decrease of HK$5.6 million, or 5.2%, in Agricultural Logistics Operation. The decrease in administrative expenses from Agricultural Logistics Operation was primarily due to a decrease in impairment of trade receivables of HK$5.8 million and a decrease in heating costs of approximately HK$3.2 million, which was offset in part by an increase in consultancy fee of approximately HK$5.6 million.

Net Finance Income/(Costs)

Our interest income from bank deposits were HK$0.9 million in both fiscal years ended March 31, 2012 and 2013. In fiscal year ended March 31, 2013, we received interest income on other receivables of approximately HK$16.1 million.

In the fiscal year ended March 31, 2012, we incurred interest expense of approximately HK$72.6 million, out of which HK$72.1 million was capitalized in properties under development and investment properties under development and the rest of HK$0.5 million was recognized as finance costs in the consolidated income statement. In the fiscal year ended March 31, 2013, we incurred interest expense of approximately HK$144.9 million, out of which HK$132.3 million was capitalized in properties under development and investment properties under development and the rest of HK$12.6 million was recognized as finance costs in the consolidated income statement. In the fiscal year ended March 31, 2013, our weighted average borrowings and weighted average interest rate were approximately HK$783.2 million and 18.5% per annum (2012: approximately HK$821.3 million and 8.8% per annum), respectively.

Profit Before Income Tax From Continuing Operation

As a result of the foregoing, we had a profit before income tax from continuing operation of approximately HK$222.7 million in the fiscal year ended March 31, 2012. In the fiscal year ended March 31, 2013, we had a loss before income tax from continuing operation of approximately HK$77.3 million.

Taxation

In the fiscal year ended March 31, 2012, our income tax expenses of HK$90.2 million consisted of net current income tax expenses of HK$104.2 million and deferred tax expense, arising from fair value gain on investment properties, of HK$0.6 million which was offset in part by over-provision for PRC land appreciation tax of HK$14.6 million. In the fiscal year ended March 31, 2013, our income tax expense of HK$35.7 million consisted of net current income tax expenses of HK$36.4 million and deferred tax expense, arising from fair value gain on investment properties, of HK$1.5 million and over-provision for PRC land appreciation tax of HK$2.2 million.

In fiscal year ended March 31, 2012, the effective tax rate was positive 40.5%. In fiscal year ended March 31, 2013, the effective tax rate was negative 46.3%.

(Loss)/profit for the Year From Continuing Operation

In the fiscal year ended March 31, 2012 we generated a net profit from continuing operation of approximately HK$132.5 million. In the fiscal year ended March 31, 2013, we had a net loss from continuing operation of approximately HK$113.0 million as a result of the cumulative effect of the factors discussed above.

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Non-Controlling Interests

In the fiscal year ended March 31, 2012 and 2013, profit from continuing operation attributable to non-controlling interests was approximately HK$22.1 million and HK$5.6 million, respectively.

Qiqihar Discontinued Operations

Revenue

Rural-Urban Migration and City Re-development Operation Qiqihar

Revenue in fiscal year ended March 31, 2012 was approximately HK$147.9 million which was attributable to revenue from servicing and assignments of development rights. No revenue was generated in the fiscal year ended March 31, 2013.

Cost of Sales

Rural-Urban Migration and City Re-development Operation Qiqihar

In the fiscal year ended March 31, 2012, our cost of sales was approximately HK$9.4 million. In the fiscal year ended March 31, 2013, no cost of sales was recognized. The cost of sales was mainly represented the business tax related to revenue from servicing and assignments of development rights.

Gross Profit

Rural-Urban Migration and City Re-development Operation Qiqihar

In the fiscal year ended March 31, 2012, our gross profit was approximately HK$138.5 million. In the fiscal year ended March 31, 2013, as there were neither sales nor cost of sales recognized, there was no gross profit. Gross profit margin, or gross profit as a percentage of its total revenue, was 93.6% in the fiscal year ended March 31, 2012.

Other Income and Other Gains, Net

In the fiscal year ended March 31, 2012, no other income and gains were generated. In the fiscal year ended March 31, 2013, our other income and gains were approximately HK$0.6 million, resulting primarily from government grants.

Expenses

	2013 HK$ million	2012 HK$ million	Change %
Selling and distribution costs	12.5	2.1	495.2
Administrative expenses	16.4	3.6	355.6
	28.9	5.7	407.0

Rural-Urban Migration and City Re-development Operation Qiqihar

Our selling expenses increased by HK$10.4 million, or 495.2%, from HK$2.1 million for the fiscal year ended March 31, 2012 to HK$12.5 million for the fiscal year ended March 31, 2013. The increase was due to an increase in advertising expense of approximately HK$5.9 million. As a percentage of revenue, selling expenses was 1.4% for the fiscal year ended March 31, 2012.

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Administrative expense increased by approximately HK$12.8 million, or 355.6% from approximately HK$3.6 million in the fiscal year ended March 31, 2012 to approximately HK$16.4 million in the fiscal year ended March 31, 2013. The increase was primarily due to an increase in salaries of approximately HK$4.4 million, an increase in entertainment expenses of approximately HK$2.6 million, an increase in land use tax of approximately HK$1.8 million and a general increase in other expenses in the fiscal year ended March 31, 2013.

Net Finance Income

Our interest income from bank deposits were HK$0.2 million in both fiscal years ended March 31, 2012 and 2013. In fiscal year ended March 31, 2013, we received interest income on other receivables of approximately HK$7.8 million.

(Loss)/profit Before Income Tax From Discontinued Operations

As a result of the foregoing, we had a profit before tax from discontinued operations of approximately HK$133.1 million in the fiscal year ended March 31, 2012. In fiscal year ended March 31, 2013, we had a loss before income tax from discontinued operations of approximately HK$20.3 million.

Taxation

In the fiscal year ended March 31, 2012, our income tax expenses were HK$34.5 million primarily represented of current corporate income tax.

In the fiscal year ended March 31, 2013, our income tax credits were HK$5.4 million primarily consisted of deferred tax credit, arising from tax losses recognized, of HK$6.5 million but offset in part by current income tax of HK$1.1 million.

The effective interest rate increased from 25.9% in the fiscal year ended March 31, 2012 to 26.4% in the fiscal year ended March 31, 2013.

(Loss)/profit for the Year From Discontinued Operations

In the fiscal year ended March 31, 2012, we incurred a net profit of approximately HK$98.6 million. In the fiscal year ended March 31, 2013, we incurred a net profit of approximately HK$17.5 million.

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

Continuing Operation

Revenue

Revenue in the fiscal year ended March 31, 2011 was approximately HK$581.6 million, which consisted primarily of sales of trade center units and supporting facilities of approximately HK$575.6 million. Revenue in the fiscal year ended March 31, 2012 was approximately HK$765.9 million, which consisted primarily of sales of trade center units were approximately HK$758.4 million. The change was attributable to an increase in the average selling prices of the sales of trade center units and supporting facilities. In the fiscal year ended March 31, 2012, our average selling price was HK$5,194 per square meter, which represented an increase of approximately 49% as compared with the average selling price of HK$3,482 per square meter in the fiscal year ended March 31, 2011. The sales of trade center units and supporting facilities with the number of units sold and gross floor area were approximately 1,740 units and approximately 146,000 square meters (2011: approximately 1,660 units and approximately 165,000 square meters), respectively. The remainder of revenue represented rental income from leases of trade center units of approximately HK$3.9 million and property management fee income of approximately HK$3.6 million.

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Cost of Sales

In the fiscal year ended March 31, 2011, our cost of sales was approximately HK$352.3 million. In the fiscal year ended March 31, 2012, our cost of sales was approximately HK$467.2 million. The cost of sales was based on direct and indirect costs of construction, land grant fee and capitalized expenses attributable to the area of properties that were recognized as sales.

Gross Profit

Our gross profit increased by HK$69.4 million, or 30.3%, from HK$229.3 million for the fiscal year ended March 31, 2011 to HK$298.7 million for the fiscal year ended March 31, 2012. The gross profit margin, or gross profit as a percentage of total revenue, decreased from 39.4% for the fiscal year ended March 31, 2011 to 39.0% for the fiscal year ended March 31, 2012. The decrease in gross profit margin was primarily due to an increase in average construction costs.

Other Income and Other Gains, Net

In the fiscal year ended March 31, 2011, our other income and gains were approximately HK$188.7 million, resulting primarily from an increase in fair value of investment properties and investment properties under construction of approximately HK$111.5 million, government grants of approximately HK$56.0 million, net income recognized for a construction contract of approximately HK$11.0 million and gain on disposal of a land use right as a result of an injection into an associate of approximately HK$8.5 million.

In the fiscal year ended March 31, 2012, our other income and gains were approximately HK$68.2 million, primarily from government grants of approximately HK$56.0 million, net income of certain non-recurring land leveling works of approximately HK$4.9 million and a decrease in fair value of warrants of approximately HK$4.0 million.

Selling Expenses

Our selling expenses increased by HK$1.8 million, or 8.0 %, from HK$22.4 million for the fiscal year ended March 31, 2011 to HK$24.2 million for the fiscal year ended March 31, 2012. The increase in selling expenses was primarily due to an increase in salaries and commissions paid to sales executives for sales of properties of approximately HK$1.3 million. As a percentage of revenue selling expenses decreased from 3.9% for the fiscal year ended March 31, 2011 to 3.2% for the fiscal year ended March 31, 2012. The decrease was due to lesser sales efforts required by China Northeast Logistics City Dezhou.

Administrative Expenses

Our administrative expenses of HK$117.9 million for the year ended March 31, 2012 was comprised of HK$107.9 million (2011: HK$57.1 million) from Agricultural Logistics Operation and HK$10.0 (2011: HK$7.6 million) from corporate expenses. Administrative expenses increased by approximately HK$53.2 million, or 82.2%, from approximately HK$64.7 million in the fiscal year ended March 31, 2011 to approximately HK$117.9 million in the fiscal year ended March 31, 2012. The increase in our administrative expenses was a result of an increase of HK$50.8 million in Agricultural Logistics Operation and an increase of HK$2.4 million in corporate expenses.

The increase in corporate expenses was primarily due to an increase in insurance expenses of approximately HK$0.4 million, an increase in audit and consultancy fees of approximately HK$0.5 million and an increase in salaries of approximately HK$0.5 million. The increase in administrative expenses from Agricultural Logistics Operation was primarily due to an increase in impairment of trade receivables of HK$1.4 million, an increase in salaries of approximately HK$17.0 million, an increase in land use tax of approximately HK$5.1 million, an increase in depreciation of approximately HK$2.8 million, an increase in heating costs of approximately HK$9.0 million, an increase in entertainment expenses of approximately HK$3.5 million, an increase in donation of approximately HK$1.9 million, an increase in consultancy fee of approximately HK$2.8 million and a general increase in other expenses in the fiscal year ended March 31, 2012.

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Net Finance Income/(Costs)

Our interest income from bank deposits increased by HK$0.1 million, or 12.5%, from HK$0.8 million for the fiscal year ended March 31, 2011 to HK$0.9 million for the fiscal year March 31, 2012. The increase was primarily due to general increase in average bank balances.

In the fiscal year ended March 31, 2011, we incurred interest expense of approximately HK$30.0 million, out of which HK$26.1 million was capitalized in properties under development and investment properties under development and the rest of HK$3.9 million was recognized as finance costs in the consolidated income statement. In the fiscal year ended March 31, 2012, we incurred interest expense of approximately HK$72.6 million, out of which HK$72.1 million was capitalized in properties under development and investment properties under development and the rest of HK$0.5 million was recognized as finance costs in the consolidated income statement. In the fiscal year ended March 31, 2012, our weighted average borrowings and weighted average interest rate were approximately HK$821.3 million and 8.8% per annum (2011: approximately HK$502.3 million and 6.0% per annum), respectively.

Profit Before Income Tax From Continuing Operation

As a result of the foregoing, we had a profit before income tax from continuing operation of approximately HK$327.3 million in the fiscal year ended March 31, 2011. In the fiscal year ended March 31, 2012, we had a profit before income tax from continuing operation of approximately HK$222.7 million.

Taxation

In the fiscal year ended March 31, 2011, our income tax expenses of HK$124.6 million consisted of net current income tax expenses of HK$97.3 million and deferred tax expense, arising from fair value gain on investment properties, of HK$27.9 million which was offset in part by over-provision for income tax of HK$0.6 million. In the fiscal year ended March 31, 2012, our income tax expense of HK$90.2 million consisted of net current income tax expenses of HK$104.2 million and deferred tax expense, arising from fair value gain on investment properties, of HK$0.6 million which was offset in part by over-provision for PRC land appreciation tax of HK$14.6 million.

The effective tax rate increased from 38.1% in the fiscal year ended March 31, 2011 to 40.5% in the fiscal year ended March 31, 2012. The increase in effective tax rate was mainly due to loss making subsidiaries while deferred tax assets have not been provided.

Profit for the Year From Continuing Operation

In the fiscal year ended March 31, 2011 we generated a net profit from continuing operation of approximately HK$202.7 million. In the fiscal year ended March 31, 2012, we had a net profit from continuing operation of approximately HK$132.5 million as a result of the cumulative effect of the factors discussed above.

Non-Controlling Interests

In the fiscal year ended March 31, 2011, loss from continuing operation attributable to non-controlling interests was approximately HK$0.7 million. In the fiscal year ended March 31, 2012, profit from continuing operation attributable to non-controlling interests was approximately HK$22.1 million. The increase in profit was mainly due to the commencement of China Northeast Logistics City Dezhou during the fiscal year ended March 31, 2013.

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Qiqihar Discontinued Operations

Revenue

Rural-Urban Migration and City Re-development Operation Qiqihar

We have just commenced the rural-urban migration and city re-development business in the current fiscal year and therefore no revenue was generated in the fiscal year ended March 31, 2011. Revenue in fiscal year ended March 31, 2012 was approximately HK$147.9 million which was attributable to revenue from servicing and assignments of development rights.

Cost of Sales

Rural-Urban Migration and City Re-development Operation Qiqihar

In the fiscal year ended March 31, 2011, no cost of sales was recognized as the operation had not yet commenced. In the fiscal year ended March 31, 2012, our cost of sales was approximately HK$9.4 million. The cost of sales was mainly represented the business tax related to revenue from servicing and assignments of development rights.

Gross Profit

Rural-Urban Migration and City Re-development Operation Qiqihar

In the fiscal year ended March 31, 2011, no gross profit was generated as the operation had not yet commenced. In the fiscal year ended March 31, 2012, our gross profit was approximately HK$138.5 million. Gross profit margin, or gross profit as a percentage of its total revenue, was 93.6% in the fiscal year ended March 31, 2012.

Other Income and Other Gains, Net

There were no other income and gains generated for both fiscal years ended March 31, 2011 and 2012.

Expenses

	2012 HK$ million	2011 HK$ million	Change %
Selling and distribution costs	2.1		100.0
Administrative expenses	3.6		100.0
	5.7		100.0

Rural-Urban Migration and City Re-development Operation Qiqihar

In fiscal year ended March 31, 2011, no selling expenses were generated as the operation had not yet commenced. In the fiscal year ended March 31, 2012, our selling expenses were approximately HK$2.1 million. As a percentage of revenue selling expenses increased from nil for the fiscal year ended March 31, 2011 to 1.4% for the fiscal year ended March 31, 2012. The increase was due to the commencement of the Rural-Urban Migration and City Re-development Operation Qiqihar during the fiscal year ended March 31, 2012.

In fiscal year ended March 31, 2011, no administrative expenses were generated as the operation had not yet commenced. In the fiscal year ended March 31, 2012, our administrative expenses were approximately HK$3.6 million.

Net Finance Income

In fiscal year ended March 31, 2011, no interest income from bank deposits were generated as the operation had not yet commenced. In fiscal year ended March 31, 2012, our interest income from bank deposits were HK$0.2 million.

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Profit Before Income Tax From Discontinued Operations

As a result of the foregoing, no profit before tax from discontinued operations was generated in the fiscal year ended March 31, 2011. In fiscal year ended March 31, 2012, we had a profit before income tax from discontinued operations of approximately HK$133.1 million.

Taxation

In the fiscal year ended March 31, 2011, no income tax expenses was generated as the operation had not yet commenced.

In the fiscal year ended March 31, 2012, our income tax expenses were HK$34.5 million primarily represented of current corporate income tax.

The effective tax rate increased from nil for the fiscal year ended March 31, 2011 to 25.9% for the fiscal year ended March 31, 2012. The increase was due to the commencement of the Rural-Urban Migration and City Re-development Operation Qiqihar during the fiscal year ended March 31, 2012.

Profit for the Year From Discontinued Operations

In fiscal year ended March 31, 2011, no profit was generated as the operation had not yet commenced. In the fiscal year ended March 31, 2012, we incurred a net profit of approximately HK$98.6 million.

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

Continuing Operation

Revenue

Revenue in the fiscal year ended March 31, 2010 was approximately HK$337.7 million, which consisted primarily sales of trade center units of approximately HK$336.7 million. Revenue in the fiscal year ended March 31, 2011 was approximately HK$581.6 million, which consisted primarily sales of trade center units and supporting facilities of approximately HK$575.6 million. The change was attributable to an increase in sales of trade center units and supporting facilities with the number of units sold and gross floor area of approximately 1,660 units and approximately 165,000 square meters (2010: approximately 1,350 units and approximately 104,000 square meters), respectively, which included a hotel property with gross floor area of approximately 26,956 square meters (2010: nil). In the fiscal year ended March 31, 2011, our average selling price was HK$3,482 per square meter, which represented an increase of approximately 8% as compared with the average selling price of HK$3,228 per square meter in the fiscal year ended March 31, 2010. The remainder of revenue represented rental income from leases of trade center units of approximately HK$4.5 million and property management fee income of approximately HK$1.5 million.

Cost of Sales

In the fiscal year ended March 31, 2010, our cost of sales was approximately HK$209.4 million. In the fiscal year ended March 31, 2011, our cost of sales was approximately HK$352.3 million. The cost of sales was based on direct and indirect costs of construction, land grant fee and capitalized expenses attributable to the area of properties that were recognized as sales.

Gross Profit

Our gross profit increased by HK$101.1 million, or 78.9%, from HK$128.2 million for the fiscal year ended March 31, 2010 to HK$229.3 million for the fiscal year ended March 31, 2011. The gross profit margin, or gross profit as a percentage of total revenue, increased from 38.0% for the fiscal year ended March 31, 2010 to 39.4% for the fiscal year ended March 31, 2011. The increase was primarily due to an increase in the average selling prices while construction costs remained relatively steady.

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Other Income and Other Gains, Net

In the fiscal year ended March 31, 2010, our other income and gains were approximately HK$191.6 million, primarily from an increase in fair value of investment properties and investment properties under construction of approximately HK$155.6 million, government subsidy of approximately HK$36.6 million, but offset partly by other net loss from a construction contract of approximately HK$0.8 million.

In the fiscal year ended March 31, 2011, our other income and gains were approximately HK$188.7 million, resulting primarily from an increase in fair value of investment properties and investment properties under construction of approximately HK$111.5 million, government grants of approximately HK$56.0 million, net income recognized for a construction contract of approximately HK$11.0 million and gain on disposal of a land use right as a result of an injection into an associate of approximately HK$8.5 million.

Selling Expenses

Our selling expenses increased by HK$14.2 million, or 171.1%, from HK$8.3 million for the fiscal year ended March 31, 2010 to HK$22.4 million for the fiscal year ended March 31, 2011. The increase in selling expenses was primarily due to an increase in advertising expenses of approximately HK$11.6 million, an increase in salaries and commissions paid to sales executives for sales of properties of approximately HK$1.5 million and an increase in printing expenses incurred for printing of marketing materials of approximately HK$0.7 million. The increase in the above expenses was a result of new sales campaign initiated and the commencement of the new sales center in the fiscal year ended March 31, 2011.

Administrative Expenses

Administrative expenses increased by approximately HK$5.0 million, or 8.5%, from approximately HK$59.7 million in the fiscal year ended March 31, 2010 to approximately HK$64.7 million in the fiscal year ended March 31, 2011. The increase in administrative expenses was primarily due to an increase in impairment of trade receivables of HK$2.6 million, an increase in salaries of approximately HK$6.2 million, an increase in depreciation of approximately HK$2.6 million, an increase in heating costs of approximately HK$2.8 million, an increase in travelling expenses of approximately HK$2.1 million and a general increase in other expenses in the fiscal year ended March 31, 2011, but was set off partly by a decrease in listing related expenses such as announcement costs and share registration fees of approximately HK$1.5 million and a decrease in audit and consultancy fees of approximately HK$8.1 million.

Net Finance (Costs)/Income

Our interest income from bank deposits increased by HK$0.4 million, or 100%, from HK$0.4 million for the fiscal year ended March 31, 2010 to HK$0.8 million for the fiscal year March 31, 2011. The increase was primarily due to general increase in average bank balances.

In the fiscal year ended March 31, 2010, we incurred interest expense of approximately HK$24.4 million, all of which was capitalized in properties under development. In the fiscal year ended March 31, 2011, we incurred interest expense of approximately HK$30.0 million, out of which HK$26.1 million was capitalized in properties under development and investment properties under development and the rest of HK$3.9 million was recognized as finance costs in the consolidated income statement. In the fiscal year ended March 31, 2011, our weighted average borrowings and weighted average interest rate were approximately HK$502.3 million and 6.0% per annum (2010: approximately HK$422.4 million and 5.8% per annum), respectively.

Profit Before Income Tax From Continuing Operation

As a result of the foregoing, we had a profit before income tax from continuing operation of approximately HK$252.3 million in the fiscal year ended March 31, 2010. In the fiscal year ended March 31, 2011, we had a profit before income tax from continuing operation of approximately HK$327.3 million.

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Taxation

In the fiscal year ended March 31, 2010, our income tax expense of HK$86.6 million consisted of net current income tax expenses of HK$48.5 million, deferred tax expense, arising from fair value gain on investment properties, of HK$37.5 million and under-provision for income tax of HK$0.6 million. In the fiscal year ended March 31, 2011, our income tax expenses of HK$124.6 million consisted of net current income tax expenses of HK$97.3 million and deferred tax expense, arising from fair value gain on investment properties, of HK$27.9 million which was offset in part by over-provision for income tax of HK$0.6 million.

The effective tax rate increased from 34.3% in the fiscal year ended March 31, 2010 to 38.1% in the fiscal year ended March 31, 2011. The increase was caused by an increase in sales of properties in the PRC which was subject to land appreciation tax at progressive rates.

Profit for the Year From Continuing Operation

In the fiscal year ended March 31, 2010, we incurred a net profit from continuing operation of approximately HK$165.7 million. In the fiscal year ended March 31, 2011 we generated a net profit from continuing operation of approximately HK$202.7 million as a result of the cumulative effect of the factors discussed above.

Non-Controlling Interests

In the fiscal year ended March 31, 2010 and 2011, loss from continuing operation attributable to non-controlling interests was approximately HK$0.2 million and HK$0.7 million, respectively.

Man Sang Discontinued Operations

Revenue

	2011 HK$ million	2010 HK$ million	Change %
Pearl Operation	88.3	261.6	-66.2
Real Estate Operation	69.2	77.8	-11.1
	157.5	339.4	-53.6

Pearl Operation

In the fiscal year ended March 31, 2010, revenue attributable to the Pearl Operation was HK$261.6 million, which represented a full year result. In the fiscal year ended March 31, 2011 prior to the Distribution, revenue attributable to the Pearl Operation was HK$88.3 million.

Real Estate Operation

In the fiscal year ended March 31, 2010, revenue attributable to the Real Estate Operation was HK$77.8 million, which represented a full year result. In the fiscal year ended March 31, 2011 prior to the Distribut