華南城

China South City Holdings Limited
華南城控股有限公司

(incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

Stock Code: 1668

GLOBAL OFFERING

Sole Global Coordinator and Sole Sponsor

BofA Merrill Lynch

Joint Bookrunners and Joint Lead Managers

BofA Merrill Lynch BOC INTERNATIONAL

IMPORTANT

If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

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GLOBAL OFFERING

Number of Offer Shares	:	1,500,000,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Public Offer Shares	:	150,000,000 Shares (subject to adjustment)
Number of International Offering Shares	:	1,350,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK$2.10 per Offer Share (payable in full on application and subject to refund on final pricing, plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%)
Nominal value	:	HK$0.01 per Share
Stock Code	:	1668

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. A copy of this Prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 38D of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this Prospectus or any of the other documents referred to above.

We expect to determine the Offer Price by agreement with the Joint Bookrunners, on behalf of the Underwriters, on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, September 23, 2009 and, in any event, not later than Monday, September 28, 2009. The Offer Price will be not more than HK$2.10 per Offer Share and is currently expected to be not less than HK$1.40 per Offer Share unless otherwise announced. Applicants for Hong Kong Public Offer Shares are required to pay, on application, the maximum offer price of HK$2.10 for each Hong Kong Public Offer Share together with brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined should be lower than HK$2.10 per Offer Share.

The Joint Bookrunners, on behalf of the Underwriters and with our consent, may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus (which is HK$1.40 to HK$2.10 per Share) at any time prior to the morning of the last day for the lodging of applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Public Offer Shares have been submitted prior to the day which is the last day for the lodging of applications under the Hong Kong Public Offering, then even if the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares."

If, for whatever reason, we and the Joint Bookrunners, on behalf of the Underwriters, are not able to agree on the Offer Price on or before Monday, September 28, 2009, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

Pursuant to certain provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Joint Bookrunners, on behalf of the Underwriters, have the right to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares first commence on The Stock Exchange of Hong Kong Limited. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this Prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the Securities Act and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. The Offer Shares are being offered and sold (1) in the United States to QIBs in reliance on Rule 144A or another exemption from registration under the Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

September 17, 2009

Application lists open[2]	11:45 a.m. on Tuesday, September 22, 2009
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Tuesday, September 22, 2009
Latest time to give electronic instructions under **White Form eIPO** service through the designated website **www.eipo.com.hk**[3]	11:30 a.m. on Tuesday, September 22, 2009
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, September 22, 2009
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Tuesday, September 22, 2009
Application lists close	12:00 noon on Tuesday, September 22, 2009
Expected Price Determination Date[5]	Wednesday, September 23, 2009

Announcement of

- the Offer Price,
- indication of the level of interest in the International Offering,
- results of the applications in respect of the Hong Kong Public Offering, and
- level of applications and the basis of allocation of the Hong Kong Public Offer Shares

expected to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Tuesday, September 29, 2009
Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (please see paragraph headed "**Publication of Results**" in the section headed "How to Apply for Hong Kong Public Offer Shares") from	Tuesday, September 29, 2009
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	Tuesday, September 29, 2009
Dispatch of share certificates in respect of wholly or partially successful applications on or before[6] and dispatch of e-Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[7]	Tuesday, September 29, 2009
Dealings in Shares on the Stock Exchange to commence on	Wednesday, September 30, 2009

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this Prospectus. If there is any change in this expected timetable, an announcement will be published in the South China Morning Post in English and in the Hong Kong Economic Times in Chinese.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, September 22, 2009, the application lists will not open on that day. Please see the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in the section headed "How to Apply for Hong Kong Public Offer Shares" in this Prospectus.

(3) You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting the applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Public Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC" in this Prospectus.

(5) The Price Determination Date is expected to be on or about Wednesday, September 23, 2009, and in any event will be no later than Monday, September 28, 2009. If, for any reason, the Offer Price is not agreed by Monday, September 28, 2009, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

(6) If you have applied on **WHITE** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more and have indicated on your Application Forms that you wish to collect share certificates (where applicable) and refund cheques (where applicable) in person, you could collect from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, September 29, 2009. If you are individuals who opt for personal collection, you must not authorize any other persons to make your collection on your behalf. If you are corporations who opt for personal collection, you must attend by your authorized representatives bearing letters of authorization from your corporations stamped with the company's chop. Identification documents and (where applicable) authorization documents acceptable to our Hong Kong Share Registrar must be produced at the time of collection.

If you apply for 1,000,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk**, you may collect your share certificates (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, September 29, 2009. If you apply through the **White Form eIPO** service by paying the application monies through a single bank account, e-Refund payment instructions (if any) will be despatched to your application payment bank account on or around Tuesday, September 29, 2009. If you apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts, refund cheque(s) will be dispatched to the address specified in your **White Form eIPO** application on or around Tuesday, September 29, 2009, by ordinary post and at your own risk.

If you have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more, you may collect your refund cheques, if any, in person but may not elect to collect your share certificates as such share certificates will be deposited into CCASS for the credit of your designated CCASS participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. If you apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC, you should refer to the section headed "How to Apply for the Hong Kong Public Offer Shares" in this Prospectus regarding deposit of share certificates into CCASS and refund of application monies.

If you have applied for less than 1,000,000 Hong Kong Public Offer Shares or have applied for 1,000,000 Hong Kong Public Offer Shares or more but have not indicated in the relevant Application Form(s) that you wish to collect share certificate(s) and/or refund cheque(s) in person, your share certificate(s) (if applying by using a **WHITE** Application Form or through **White Form eIPO**) and/or refund cheque(s) (if applying by **WHITE** or **YELLOW** Application Form) will be sent to the address on the relevant application on or around Tuesday, September 29, 2009 by ordinary post and at your own risk. For further information, you should refer to the section headed "How to Apply for Hong Kong Public Offer Shares" in this Prospectus.

(7) e-Refund payment instructions/refund cheques will be dispatched in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Hong Kong Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque.

Share certificates for the Offer Shares are expected to be issued on Tuesday, September 29, 2009 but will only become valid certificates of title at 8:00 a.m. on Wednesday, September 30, 2009 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting" in this Prospectus has not been exercised and has lapsed.

You should read carefully the sections entitled "Underwriting," "How to Apply for Hong Kong Public Offer Shares" and "Structure of the Global Offering," for details relating to the structure of the Global Offering, how to apply for Hong Kong Public Offer Shares and the expected timetable, including, among other things, conditions, effect of bad weather and the dispatch of refund cheques and share certificates.

CONTENTS

This Prospectus is issued by China South City Holdings Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstance. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by the Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees, advisers or any other person or party involved in the Global Offering.

CONTENTS

This summary is intended to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document carefully before you decide to invest in our Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set out in the section headed "Risk Factors" in this Prospectus. You should read that section carefully before you decide whether to invest in our Offer Shares.

OVERVIEW

We are one of the leading developers and operators of large-scale, integrated logistics and trade centers in the PRC, based on GFA, industry coverage and range of supporting services and facilities offered, according to Colliers International.[1]

We currently have one integrated logistics and trade center platform in operation, China South City Shenzhen, which serves five complementary light manufacturing industries: (1) textile and clothing; (2) leather and accessories; (3) electronic accessories; (4) printing, paper and packaging and (5) metals, chemicals and plastics. Upon the completion of Phase Two, China South City Shenzhen will have a total GFA of 1.9 million square meters of trade centers as well as over 720,000 square meters of supporting facilities. We sell and lease trade center units at China South City Shenzhen to domestic and international suppliers, manufacturers and distributors of raw materials and finished goods, providing superior facilities and an integrated platform from which to display and sell their 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. As of March 31, 2009, 46.8% of our Phase One trade center units in terms of GFA were sold, 6.7% were held for sale and 46.5% were held as investment properties. As of July 31, 2009, we had entered into purchase agreements for 26,872 square meters of GFA, or 24.9% of total saleable GFA in Phase Two launched for sale to date, in the textile and clothing and leather and accessories trade centers of Phase Two, at an average selling price of HK$14,641 per square meter, and had entered into letters of intent to sell 25,669 square meters of GFA, or 23.8% of total saleable GFA in Phase Two launched for sale to date, at an average selling price of HK$16,028 per square meter.

We complement our trade center operations and service the global logistics supply chain by facilitating and making available to our trade center tenants and their customers a full range of integrated logistics and trade facilities and services, including transportation services, bonded, unbonded and export supervised warehouses, logistics liaison services, on-site logistics service providers and quality testing services. The logistics services are provided by on-site joint venture and third party

(1) According to Colliers International, as of July 31, 2009, of the approximately 16 major trade center operators in China that operated trade centers with a GFA of over 100,000 square meters, only five of the trade centers exceeded a GFA of 400,000 square meters. We are currently one of the largest trade centers in China in terms of GFA, with Phase One of China South City Shenzhen providing a GFA of approximately 464,000 square meters. Upon the completion of Phase Two, China South City Shenzhen trade centers will cover a total GFA of approximately 1.9 million square meters. In addition, the majority of these major trade centers currently specialize in only one industry in contrast to the five industries that are represented in our trade centers. According to Colliers International, some of the trade centers offer limited supporting facilities and services, but none of them offer the combination of exhibition and convention facilities, logistics and warehouse services as well as hotel and residential units that we provide.

service providers in our facilities at China South City Shenzhen. In addition, we provide value-added exhibition and conference, residential, hotel and office facilities and procure other parties to provide banking and advertising services as well as restaurant services. Our business model is 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 and other customers.

Our first project, China South City Shenzhen, is strategically located in the Pearl River Delta, one of the largest manufacturing and export regions in China, according to Colliers International. This project is centered within an extensive transportation network of airports, railways, port facilities and highways that facilitate trade in the region. Phase One trade centers of China South City Shenzhen, which cover a GFA of approximately 359,000 square meters, commenced operations in December 2004. Phase Two trade centers of China South City Shenzhen, which are expected to cover a GFA of approximately 1.5 million square meters, commenced development in December 2007.

China South City Shenzhen currently has one completed Phase Two trade center, the textile and clothing trade center and expects to complete a second Phase Two trade center, the leather and accessories trade center, in the second half of 2009. Phase Two of China South City Shenzhen as a whole, including all trade centers and supporting commercial, warehouse and residential facilities, is expected to cover a GFA of approximately 2.1 million square meters when completed by the end of 2012.

As of March 31, 2009, our total investment for Phase One and Phase Two of China South City Shenzhen was approximately RMB977 million (HK$1.11 billion) and RMB2.68 billion (HK$3.04 billion), respectively. We expect our total remaining capital commitment for Phase Two of China South City Shenzhen to be approximately RMB3.51 billion (HK$3.98 billion).

We have identified two new sites for properties planned for future development in Nanchang, Jiangxi Province and Nanning, Guangxi Zhuang Autonomous Region. We have signed master agreements with local government agencies in these regions that set out each party's commitments and expectations and a proposed framework for these integrated logistics and trade center developments. However, these master agreements do not ensure that we will obtain the land-use rights for these new sites, which will be awarded only by public tender, auction or listing for sale. If we fail to obtain land-use rights for all or any portion of these new sites, we will not be able to develop our projects in Nanchang or Nanning as planned. As of March 31, 2009, we had incurred approximately HK$3.6 million in costs for our projects in Nanchang and Nanning, primarily for pre-operational and preparatory work, including staff and administrative expenses, the establishment of a new subsidiary in Nanchang and performance of feasibility studies.

China South City Nanchang is planned to be located in Nanchang, the provincial capital of Jiangxi, which is located in close proximity to the Yangtze River Delta. China South City Nanning is planned to be located in Nanning, the capital of Guangxi Zhuang Autonomous Region. Both China South City Nanchang and China South City Nanning will be strategically located within an extensive transportation network. Upon completion, we expect these projects, together with China South City Shenzhen, to service domestic and international suppliers, manufacturers and distributors in more than 10 industries and to have a combined GFA of approximately 10.6 million square meters.

We also have a project in Heyuan City, Guangdong Province, that will consist primarily of a farm-style resort community catering to domestic and international executives, including those with operations at China South City Shenzhen. On June 6, 2009, we entered into a land grant contract for approximately 487,000 square meters of land. We received the land-use rights for this land in July 2009 after paying a land grant fee of approximately RMB73 million and expect to commence development in the first half of 2010. We may, however, cooperate with other developers to develop this project or dispose of this project.

In addition, we have a proposed project in Xi'an, the capital city of Shaanxi Province. On June 20, 2009, we entered into a legally non-binding memorandum of understanding with the Xi'an International Trade and Logistics Park Management Committee for the development of a large-scale integrated logistics center in the Xi'an International Trade and Logistics Park. Pursuant to the memorandum of understanding, the Xi'an International Trade and Logistics Park Management Committee has agreed to promote this project as one of Xi'an's major projects pending further investigation by us on the feasibility of the project. As of the Latest Practicable Date, we had not entered into a formal contract to develop this project.

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. As a provider of integrated logistics and trade center services and facilities, China South International is treated as an integrated logistics enterprise by local authorities in Shenzhen. However, because China South International develops properties necessary for our integrated logistics operations, it is required to obtain a short-term (one year) qualification certificate for real estate development to develop China South City Shenzhen, which is renewed annually as necessary.

All of our revenues during the Track Record Period were derived from our operations at China South City Shenzhen. We generated most of our revenues from sales and leases of trade center units, and our remaining revenues from leases of residential units (that are treated as finance leases for accounting purposes), our hotel operations and the provision of property management and other services. Although we do not generate significant revenue from the logistics and other supporting services available at our trade centers, the supporting facilities and services available at our trade centers facilitate the operations of our trade center tenants and form an integral part of our trade center operations. In addition, the breadth of supporting facilities and services available at China South City Shenzhen distinguishes it from other trade centers in the PRC, and we believe these facilities and services are important factors in attracting trade center tenants and customers of the five industries represented in our trade centers. Pursuant to our land grant contracts at China South City Shenzhen, the saleable GFA of our Phase One and Phase Two trade center units is limited to 30% of the total GFA of properties that can be built on the land on which these trade centers are located. Please see "Business — Our Trade Center Projects — China South City Shenzhen — China South City Shenzhen Phase One — Property Sales." We have been and continue to be in full compliance with this restriction.

We offer purchasers who do not occupy their Phase One and Phase Two trade center units for self-use at China South City Shenzhen the option to enter into cooperation arrangements pursuant to which these purchasers assign us the right to lease and receive rental income from their units for a period of one to three years. Upon expiration of the cooperation arrangement, we enter into lease agreements with certain of these purchasers pursuant to which purchasers assign us the right to lease and receive rental income from their units. For further details regarding these agreements, please see "Business — Agreements with Certain Purchasers of Trade Center Units."

In addition, pursuant to the building ownership certificate granted to us for our residential facility at China South City Shenzhen, we are not permitted to sell or transfer units in this facility. Please see "Business — Our Trade Center Projects — China South City Shenzhen — Supporting Facilities and Services — Residential Services."

Changes in fair value of our investment properties were HK$601.1 million, HK$670.9 million and HK$1.15 billion in fiscal years ended March 31, 2007, 2008 and 2009, respectively. During these fiscal years, changes in fair value of investment properties represented 117.2%, 89.7% and 114.1% of our net profit for the respective fiscal years after taking into account relevant deferred income tax. Excluding the effect of gains on changes in fair value of investment properties and the deferred tax expenses in connection with such gains, we would have had a net loss of HK$29.9 million, a net profit of HK$57.2 million and a net loss of HK$106.5 million in fiscal years ended March 31, 2007, 2008 and 2009, respectively. During these same years, we had a net cash outflow from operating activities of HK$80.8 million and a net cash inflow from operating activities of HK$309.0 million and HK$71.8 million, respectively.

In Savills' property valuation report, which is included as Appendix III to this Prospectus, Savills has valued China South City Shenzhen and our properties held for future development in Heyuan at approximately RMB22.43 billion (HK$25.46 billion) and RMB0.27 billion (HK$0.31 billion) as of June 30, 2009, respectively. Savills has assigned no commercial value to our projects in Nanchang and Nanning as we have not yet obtained the land-use rights for these projects. However, based on the assumption that the land-use rights certificates for these projects are obtained, Savills has valued these projects at approximately RMB14.98 billion (HK$17.00 billion) as of June 30, 2009.

OUR COMPETITIVE STRENGTHS

We believe that we are well-positioned to take advantage of continuing strong growth in the trade of 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 unique business model provides an integrated platform for our trade center tenants and their customers to receive a comprehensive range of trade, logistics and supporting services;
- Our current and planned integrated logistics and trade centers are strategically located in fast growing manufacturing and economic centers near well-developed transportation networks;
- We enjoy strong municipal and regional government support in the locations in which we currently and plan to operate;
- Our track record demonstrates our development and operational abilities and has helped us to achieve brand name recognition;
- Our Founding Shareholders possess in-depth experience and extensive networks of contacts within their respective industries;
- We have a strong, experienced management team with a demonstrated record of success.

OUR STRATEGY

Our objective is to become the leading developer and operator of large-scale, integrated logistics and trade centers in the PRC. To achieve this objective, we intend to implement the following strategies:

- Maximize occupancy rates, rental rates and traffic flow in our existing and planned trade centers;
- Replicate the success of our existing business model in other cities in China;
- Expand our operations to increase the vertical integration of our trade centers;
- Build our market position and enhance our brand recognition;
- Achieve and maintain an optimal mix between properties for sale and investment properties.

SUMMARY FINANCIAL INFORMATION

The following tables set forth our selected income statement and other financial information for the periods presented, as derived from the Accountants' Report received from Ernst & Young, Certified Public Accountants, Hong Kong, and included in Appendix I to this Prospectus. You should read the summary historical financial information below in conjunction with our consolidated financial statements included in "Appendix I — Accountants' Report," which have been prepared in accordance with HKFRS.

Our subsidiaries' financial information is first prepared in Renminbi and then translated into Hong Kong dollars at (1) the average exchange rates for the applicable year or period for income statement data and (2) the applicable year- or period-end exchange rates for balance sheet data. For information on the exchange rates used for or as of the ends of the applicable periods, please see "Information About this Prospectus and the Global Offering — Exchange Rates."

	Fiscal Year Ended March 31,		
	2007	2008	2009
	(HK$ in thousands)		
Consolidated Income Statement Data:			
REVENUE			
Sale of properties	83,104	46,759	67,758
Finance lease income[1]	—	403,178	9,913
Rental income	39,959	77,451	100,167
Hotel income	—	19,596	25,505
Property management service income	11,258	14,267	20,426
Other fee income	1,760	1,629	630
Total revenue	136,081	562,880	224,399
Cost of sales	(38,513)	(285,976)	(153,640)
GROSS PROFIT	97,568	276,904	70,759
Other income	19,015	21,701	19,077
Change in fair value of investment properties			
Trade center units (Phase One and a portion of Phase Two of China South City Shenzhen)[2]	579,298	659,358	1,193,534
Business centers (Phase One of China South City Shenzhen)[3]	21,773	11,513	(39,631)
Total change in fair value of investment properties	601,071	670,871	1,153,903
Selling and distribution costs	(30,659)	(45,270)	(89,531)
Administrative expenses	(82,175)	(117,491)	(109,249)
Fair value change in embedded derivative financial instruments	—	(1,167)	—
Other expenses	(10,148)	(7,911)	(13,188)
Finance costs	(7,584)	(960)	(6,824)
Share of profits and losses of:			
Jointly-controlled entities	(9,778)	502	1,120
An associate	(380)	(329)	(327)
PROFIT BEFORE TAX	576,930	796,850	1,025,740
Tax	(403,091)	(241,726)	(272,170)
PROFIT FOR THE YEAR	173,839	555,124	753,570
Attributable to:			
Equity holders of the parent	174,375	556,075	754,048
Minority interests	(536)	(951)	(478)
	173,839	555,124	753,570

(1) Refers to our arrangement with tenants of units in West Garden, which are characterized as lease agreements under applicable PRC law. We treat these arrangements for accounting purposes as finance lease income because (i) the aggregate of the lease terms with each tenant is for the major part of the economic life of the units, and (ii) at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially the fair value of the units.

(2) As construction of the trade center units in Phase One of China South City Shenzhen was completed in December 2004, we recognized revaluation gains for the trade center units starting in fiscal year ended March 31, 2005. As construction of the Phase Two textile and clothing trade center units of China South City Shenzhen was completed in March 2009, we recognized revaluation gains for these trade center units in the fiscal year ended March 31, 2009.

(3) As construction of the business centers in Phase One of China South City Shenzhen was completed in June 2005, we recognized revaluation gains for the business centers starting in fiscal year ended March 31, 2006.

	As of March 31,		
	2007	2008	2009
	(HK$ in thousands)		
Consolidated Balance Sheet Data:			
Non-current assets	4,009,832	5,774,890	8,398,009
Current assets	371,089	1,531,378	923,306
Total assets	4,380,921	7,306,268	9,321,315
Non-current liabilities	1,474,084	2,728,237	3,259,712
Current liabilities	384,408	935,479	1,565,645
Total liabilities	1,858,492	3,663,716	4,825,357
Total equity	2,522,429	3,642,552	4,495,958
Total equity and liabilities	4,380,921	7,306,268	9,321,315

	Fiscal Year Ended March 31,		
	2007	2008	2009
	(HK$ in thousands)		
Consolidated Cash Flow Statement Data:			
Cash flows provided by (used in) operating activities	(80,810)	308,989	71,847
Cash flows used in investing activities	(125,602)	(524,794)	(1,087,445)
Cash provided by financing activities	361,244	1,079,863	11,394
Net increase/(decrease) in cash and cash equivalents	154,832	864,058	(1,004,204)
Effect of foreign exchange rate changes on cash and cash equivalents	5,351	72,717	21,390
Cash and cash equivalents at beginning of year	131,940	292,123	1,228,898
Cash and cash equivalents at end of year	292,123	1,228,898	246,084

SUMMARY OPERATING DATA

The following table sets forth certain information with respect to each of China South City Shenzhen's Phase One and Phase Two trade centers as of March 31, 2009, unless otherwise indicated.

	Approximate Leaseable GFA				Units						
Trade Centers	Retained[1]	Sold	Total	% of Total	Retained[1]	Sold	Total	% of Total	Rental Occupancy Rate[2]	Total Occupancy Rate[3]	Number of Tenants
	(in square meters)								(in percentages, except for number of tenants)		
Phase One											
Textile and clothing	45,000	49,300[4]	94,300	26.2	351	409	760	26.5	68.4	72.8	463
Leather and accessories	46,100	45,600[4]	91,700	25.5	364	366	730	25.4	90.4	91.7	590
Electronic accessories	32,300	11,000[4]	43,300	12.1	248	92	340[5]	11.9	64.3	64.6	287
Printing, paper and packaging	23,300	24,900[4]	48,200	13.4	193	207	400	13.9	90.4	90.6	320
Metals, chemicals and plastics	44,700	37,300[4]	82,000	22.8	324	316	640	22.3	81.0	84.2	429
Sub-total/Weighted average[6]	191,400	168,100	359,500[7]	100.0	1,480	1,390	2,870	100.0	79.2	81.6	2,089
Phase Two											
Textile and clothing	247,000	4,100	251,100	100.0	6,447	153	6,600	100.0	—	—	—
Total/Weighted average[6]	438,400	172,200	610,600	—	7,927	1,543	9,470	—	—	—	—

(1) Excludes the GFA that has been sold to purchasers and leased by us to third parties pursuant to lease agreements with the purchasers of Phase One trade center units. As of March 31, 2009, of the approximately 192,000 square meters of retained GFA of Phase One Trade center units, approximately 145,000 square meters had been leased out to tenants.

(2) Rental occupancy rate is calculated as the percentage of leaseable GFA (1) retained and leased by us and (2) sold by us to purchasers of trade center units and subsequently leased by us to third party tenants, for each of the periods.

(3) Total occupancy rate is calculated as a percentage of the total GFA (1) retained and leased by us and (2) sold by us to purchasers of trade center units, excluding vacant units, for each of the periods.

(4) We will continue to receive rental income for a GFA of approximately (i) 36,000 square meters from textile and clothing trade center; (ii) 33,000 square meters from leather and accessories trade center; (iii) 11,000 square meters from electronic accessories trade center; (iv) 23,000 square meters from printing, paper and packaging trade center; and (v) 23,000 square meters from metals, chemicals and plastics trade center that has been sold in these respective trade centers through November 2010 pursuant to lease agreements with the purchasers of these units.

(5) Approximately 110 units of the electronic accessories trade center have been subdivided into approximately 770 booths, each of which has a GFA ranging from seven to 26 square meters.

(6) Weighted average is based on the GFA of the trade center units.

(7) Includes leaseable GFA, as of March 31, 2009, of 81,000 square meters for the textile and clothing trade center, 79,000 square meters for the leather and accessories trade center, 43,000 square meters for the electronic accessories trade center, 47,000 square meters for the printing, paper and packaging trade center and 68,000 square meters for the metals, chemicals and plastics trade center, totalling 318,000 square meters of leaseable GFA for all of the trade centers.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets is prepared based on our audited consolidated net tangible assets as of March 31, 2009 as shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus, adjusted as described below. Our statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, as a result, may not give a true picture of our financial position.

Our statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared to show the effect on our audited consolidated net tangible assets as of March 31, 2009 as if the Global Offering had occurred on March 31, 2009.

	Audited Consolidated Net Tangible Assets Attributable to Equity Holders of the Company as of March 31, 2009(1)	Estimated Net Proceeds from the Global Offering(2)	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets per Share(3)(4)
	(HK$ in millions)	(HK$ in millions)	(HK$ in millions)	(HK$)
Based on the Offer Price of HK$1.40 per Offer Share	4,442	1,921	6,363	1.06
Based on the Offer Price of HK$2.10 per Offer Share	4,442	2,916	7,358	1.23

(1) The net tangible assets attributable to equity holders of the Company as of March 31, 2009 is arrived at after deducting the goodwill as of March 31, 2009 as set out in the Accountants' Report in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price of HK$1.40 or HK$2.10 per Share, being the low or high end of the stated offer price range, after deduction of the underwriting fees and related expenses payable by the Company and takes no account of any Shares that may be issued upon exercise of the Over-allotment Option or upon any exercise of any options under the Share Option Agreements or any options that have been granted or may be granted under the Share Option Scheme.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 6,000,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering without taking into account any Shares that may be issued upon exercise of the Over-allotment Option or upon any exercise of any options under the Share Option Agreements or any options that have been granted or may be granted under the Share Option Scheme.

(4) As set out in Appendix III to this Prospectus, the Group's property interests (including buildings, hotel properties, investment properties, properties under development, prepaid land premiums, deposits paid for the purchase of land, properties held for finance lease and properties held for sale) were valued at HK$25.77 billion as of June 30, 2009, representing a valuation surplus of approximately HK$16.93 billion over the Group's property interests of HK$8.84 billion as of March 31, 2009. This valuation surplus has not been included in the above net tangible assets of the Group.

Details of the valuation of our properties as of June 30, 2009 are set forth in Appendix III to this Prospectus.

GLOBAL OFFERING OFFER STATISTICS

	Based on an Offer Price of HK$1.40	Based on an Offer Price of HK$2.10
Market capitalization of our Shares(1)	HK$8,400 million	HK$12,600 million
Adjusted net tangible asset value per Share(2)	HK$1.06	HK$1.23

(1) The calculation of market capitalization is based on 6,000,000,000 Shares expected to be issued following completion of the Global Offering, assuming no exercise of the Over-allotment Option, the Share Options and the options which may be granted under the Share Option Scheme.

(2) The adjusted net tangible asset value per Share is calculated after making the adjustments referred to in the section headed "Financial Information — Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets" in this Prospectus and on the basis of a total of 6,000,000,000 Shares expected to be issued following completion of the Global Offering and assuming that the Over-allotment Option and the Share Options are not exercised.

DIVIDEND POLICY

We have not declared or paid dividends during the Track Record Period. We currently intend to declare and pay dividends of approximately 20% to 30% of our operating profits after tax for the fiscal year ending March 31, 2010 and each fiscal year thereafter. However, we will re-evaluate our dividend policy annually.

The determination to pay dividends will be based on our general business conditions, financial results, capital requirements, interests of our Shareholders, contractual restrictions and any other factors which we may deem relevant. Any declaration and payment of dividends will be subject to our Articles of Association and the Companies Ordinance, including the approval of our Shareholders. In addition, the Controlling Shareholders will be able to influence our dividend policy. The payment of dividends may also be limited by legal restrictions and by financing agreements that we have entered into or may enter into in the future. We will pay dividends in Hong Kong dollars.

USE OF PROCEEDS

We estimate that our net proceeds from the Global Offering, after deducting underwriting commissions and estimated expenses payable by us in connection with the Global Offering, will be approximately HK$2,419 million (US$312 million) (assuming (1) an Offer Price of HK$1.75 per Share, being the mid-point of the indicative Offer Price range of HK$1.40 to HK$2.10 per Share and (2) the Over-allotment Option is not exercised). If the Over-allotment Option is exercised in full, our net proceeds calculated at the assumed Offer Price above would increase by approximately HK$379 million (US$49 million).

Assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.75 per Share, we currently plan to use our net proceeds from the Global Offering as follows:

- approximately HK$608 million (representing approximately 25.2% of the net proceeds) will be used for funding a portion of construction and development costs for our development projects in Phase Two of China South City Shenzhen, including the construction of new electronic accessories, printing, paper and packaging and metals, chemicals and plastics materials trade centers and the construction of supporting commercial facilities;

- approximately HK$605 million (representing approximately 25.0% of the net proceeds) will be used for funding a portion of development costs for Phase One of China South City Nanchang, a property planned for future development, including costs associated with land acquisition for a site area of approximately 750,000 square meters to be used for the development of an integrated logistics and trade center. The cost for acquiring the relevant land is estimated to be approximately HK$275 million, which will be payable to the government of Nanchang. However, this is an estimate only and the final cost will only be determined through the public tender process;
- approximately HK$605 million (representing approximately 25.0% of the net proceeds) will be used for funding a portion of development costs for Phase One of China South City Nanning, a property planned for future development, including costs associated with land acquisition for a site area of approximately 839,000 square meters to be used for the development of an integrated logistics and trade center. The cost for acquiring the relevant land is estimated to be approximately HK$244 million, which will be payable to the government of Nanning. However, this is an estimate only and the final cost will only be determined through the public tender process;
- approximately HK$143 million (representing approximately 5.9% of the net proceeds) will be used for the development of potential new projects that will consist of integrated logistics and trade centers with supporting commercial facilities and residential units. We are invited by local governments in various PRC cities to develop new integrated logistics and trade centers. As of June 20, 2009, we had entered into a legally non-binding memorandum of understanding for potential investment in Xi'an, however, we had not yet committed to any new projects for development;
- approximately HK$238 million (representing approximately 9.8% of the net proceeds) will be used for repaying the Notes in full. For further information on the Notes, please see "Financial Information — Indebtedness and Contingent Liabilities — The Notes;" and
- approximately HK$220 million (representing approximately 9.1% of the net proceeds) will be used for repayment of bank borrowings and general working capital purposes.

If the Offer Price is set at the high end of the indicative Offer Price range, the net proceeds from the Global Offering (assuming the Over-allotment Option is not exercised) will increase by approximately HK$497 million, in which case we intend to apply the additional net proceeds to construction and development funding for Phase Two of China South City Shenzhen, China South City Nanchang and China South City Nanning, general working capital, development of potential new projects and repayment of bank borrowings on a pro rata basis. If the Offer Price is set at the low end of the indicative Offer Price range, the net proceeds from the Global Offering (assuming the Over-allotment Option is not exercised) will decrease by approximately HK$497 million, in which case we intend to reduce the net proceeds applied to construction and development funding for China South City Nanchang and China South City Nanning, repayment of bank borrowings, general working capital and the development of potential new projects on a pro rata basis.

The additional proceeds (if any) from the exercise of the Over-allotment Option will be used for construction and development funding for Phase Two of China South City Shenzhen, China South City Nanchang and China South City Nanning, repayment of bank borrowings, general working capital, and the development of potential new projects on a pro rata basis.

As indicated above, we intend to use a portion of the net proceeds from this Global Offering to finance a portion of the construction and development costs of our development projects. We intend to use our internally generated funds and bank borrowings to finance the remaining construction and development costs.

The estimated construction and development costs related to our planned use of proceeds for Phase One of China South City Nanchang and Phase One of China South City Nanning are based on, among others, terms set forth in the relevant master agreements governing the construction and development of each of these projects, including the total GFA of the buildings for the projects, estimated land costs based on discussions with officials in Nanchang and Nanning and current land prices in these locations and our experience with construction costs for China South City Shenzhen. We plan to rely on bank borrowings and internally generated funds if additional capital is required for land acquisition costs related to our properties planned for future development in Nanchang and Nanning. In the event we are unable to obtain the required land for the development of Phase One of China South City Nanchang and Phase One of China South City Nanning, we will re-allocate the proceeds from the Global Offering planned for these projects to the development of Phase Two of China South City Shenzhen and potential new projects.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong and/or the PRC.

RISK FACTORS

There are certain risks relating to an investment in our Offer Shares. These can be categorized into: (1) risks relating to our business and our industry; (2) risks relating to doing business in the PRC; and (3) risks relating to the Global Offering. A detailed discussion of the risk factors is set forth in the section entitled "Risk Factors."

Risks Relating to Our Business and Our Industry

- Our results of operations substantially depend on our ability to execute our business strategy and economic growth in the regions of our trade center projects
- We may not be able to increase our revenues from sales or leases of properties or achieve satisfactory rental rates from period to period
- We may not be able to replace or renew all of our lease agreements upon their expiration
- We currently rely on Phase One and a portion of Phase Two of China South City Shenzhen for all of our revenues
- We may not be able to complete the development of Phase Two of China South City Shenzhen, our property under development, or commence or complete our properties planned for future development in Nanchang and Nanning on time or within budget
- We may not be able to obtain adequate funding to complete the development of Phase Two of China South City Shenzhen, our property under development, or our properties planned for future development in Nanchang and Nanning
- If we are unable to obtain the land-use rights for our properties planned for future development, including Nanchang and Nanning, we will not be able to develop these planned projects

- The treatment of China South International or any of the project companies for our properties planned for future development as domestic real estate developers or foreign investment real estate enterprises may subject us to restrictions imposed on such enterprises under relevant PRC laws and regulations
- The cyclical nature of the real estate and logistics industries could adversely affect our results of operations
- We do not yet hold land-use rights certificates for approximately 1% of the total site area of and relevant building ownership certificates for China South City Shenzhen
- 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 operations are subject to extensive governmental regulation, and we are susceptible to changes in policies related to the real estate or logistics market in China
- We face competition from other industrial materials trade centers
- Demand for our trade centers may continue to be negatively affected by the recent financial market and economic crisis, which would have a material adverse effect on our business, results of operations and financial condition
- We may not be able to obtain qualification certificates, or extend or renew qualification certificates for real estate development, which could adversely affect our business
- Our Founding Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders
- We face risks associated with the use of debt to fund developments and working capital, including refinancing risk and foreclosure risk
- We may incur substantial additional indebtedness in the future
- If we are unable to comply with the restrictions and covenants in our bank loan agreements and debt instruments, there could be a default under the terms of these agreements, which could cause repayment of our debt to be accelerated
- We depend on our Founding Shareholders, who are also 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
- We depend on our senior management and other important staff members, as well as on our ability to attract and retain qualified management personnel
- The costs of the Share Options granted under the Share Option Agreements and the options to be granted under the Share Option Scheme will adversely affect our results of operations and any exercise of such options granted may result in dilution to our Shareholders
- The appraisal value of our properties may materially differ from the value we could receive in an actual sales transaction
- We may suffer losses caused by natural disasters and these losses may not be fully covered by insurance
- Potential liability for environmental problems could result in substantial costs
- In previous years, we engaged in advertising services without proper authorization, which could subject us to penalties

- In the past, we have experienced certain incidents of non-compliance with respect to statutory requirements and rules and regulations and if we are unable to effectively comply with such rules and regulations or fail to effectively manage our growth, our business, results of operations and financial condition could suffer
- We are a holding company and rely on dividends paid by our subsidiaries for our funding requirements
- Sales of our properties are subject to land appreciation tax and income tax
- The implementation of the PRC Enterprise Income Tax Law may significantly increase our income tax expenses
- Any occurrence or recurrence of severe acute respiratory syndrome, or SARS, avian influenza, influenza A H1N1 or other widespread public health problems could adversely affect our business, financial condition and results of operations
- We may have to forfeit land being developed if we do not comply with the terms of the land grant contract

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
- 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
- The PRC legal system has inherent uncertainties that could negatively impact our business
- We are subject to risks of fluctuations in the exchange rate between the Renminbi and foreign currencies
- Restrictions on foreign currency exchange may limit our ability to obtain and remit foreign currency or to utilize our revenues effectively
- We may face PRC regulatory risks relating to our Share Option Scheme

Risks Relating to the Global Offering

- An active trading market for our Shares may not develop, which could have a material and adverse effect on our Share price and on your ability to sell your Shares
- As the Offer Price is higher than the net tangible asset value per Share, you will experience immediate dilution in the value of the Shares purchased by you
- The market price and trading volume for our Shares may be volatile
- Substantial future sales or perceived sales of our Shares in the public market could cause the price of our Shares to decline
- We cannot assure you of the accuracy or comparability of official government facts and statistics contained in this Prospectus with respect to the PRC, the PRC's economy or the real estate and logistics industries
- We cannot guarantee that we will pay dividends
- It may be difficult to effect service of process upon us or our Directors or to enforce any judgments obtained from non-PRC courts

In this Prospectus, the following terms have the following meanings unless the context otherwise requires.

"2008 Noteholders"	Deutsche Bank AG, Singapore Branch, Blue Line Capital, Medley Opportunity Fund, Ltd., Medley Opportunity Fund L.P., TRG Global Opportunity Master Fund Ltd. and TRG Special Opportunity Master Fund Ltd.
"2009 Noteholders"	Prosper Port Investments Limited, Lote Investments Limited, Medley Opportunity Fund, Ltd., Medley Opportunity Fund L.P., TRG Global Opportunity Master Fund Ltd. and TRG Special Opportunity Master Fund Ltd.
"affiliate"	of a person, means any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with a specified person; in relation to a particular company, any company or other entity which is its holding company or subsidiary, or any subsidiary of its holding company or which directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under the common control with, the company specified, provided that for the purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities by contract, or otherwise
"Amended Trust Deed"	the amended and restated trust deed dated March 28, 2008 made between our Company, the Trustee and the Security Trustee
"Application Form(s)"	the **WHITE** application form(s), the **YELLOW** application form(s) and the **GREEN** application form(s) or, where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company, adopted on September 4, 2009 and as amended from time to time, a summary of which is set out in Appendix IV to this Prospectus
"ASEAN"	the Association of Southeast Asian Nations
"associated entity"	in accordance with HKFRS, an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	our board of Directors
"business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of Shares to be made upon capitalization of certain Shareholders' loans referred to in the paragraph headed "Resolutions of our Shareholders" in Appendix V to this Prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"CEIC"	CEIC Data Company Ltd, a database vendor based in Hong Kong that provides economic and multi-industry data and statistics related to Asia and the emerging markets
"China East"	China East International Material City Limited (華東國際物料城有限公司), a company incorporated under the laws of Hong Kong and held as to 72% by Earn Fame, 6% by Luk Ka International Limited, 10% by Hope Best Investment Limited, 10% by Sunford Investments Limited and 2% by Zhang Zhi Jie
"China Pearls and Jewellery HK"	China Pearls and Jewellery City Holdings Limited (中國諸暨珠寶城控股有限公司), a company incorporated under the laws of Hong Kong and held as to 55% by Man Sang International, a Connected Person of the Company

"China Pearls and Jewellery PRC"	China Pearls and Jewellery International City Co. Ltd. (諸暨華東國際珠寶城有限公司), a wholly owned subsidiary of China Pearls and Jewellery HK and incorporated under the laws of China
"China South City Enterprise"	China South City Enterprise (Heyuan) Co. Ltd. (華南城實業(河源)有限公司), our subsidiary held 70% by China South International, 10% by Yan Sau Man Amy (甄秀雯), who holds a 4% interest in Proficient Success Limited and is a director of Man Sang International, and 10% each by two Independent Third Parties, Excellence Group Holdings Limited and First Traders Limited, and incorporated as a Sino-foreign equity joint venture under the laws of China on April 24, 2006
"China South City Nanchang"	our property planned for future development in Nanchang, Jiangxi Province (for which we have not yet obtained land-use rights)
"China South City Nanning"	our property planned for future development in Nanning, Guangxi Zhuang Autonomous Region (for which we have not yet obtained land-use rights)
"China South City Shenzhen"	our property located in Shenzhen, Guangdong Province. Phase One trade centers commenced operations in December 2004. Phase One was completed in September 2005 (with the exception of the electronic accessories trade center) and Phase Two is currently under development
"China South International"	China South International Industrial Materials City (Shenzhen) Co. Ltd. (華南國際工業原料城(深圳)有限公司), our wholly owned subsidiary incorporated as a limited liability company under the laws of China on December 18, 2002
"China South Intimex"	China South Intimex Technology (Shenzhen) Co. Ltd. (華南泰美科技(深圳)有限公司), an associated entity held 30% by China South International and 70% by Intimex (China) Technology Holdings Ltd., an Independent Third Party, and incorporated as a Sino-foreign equity joint venture under the laws of China on January 18, 2004
"China South NEL"	China South National Express Logistics (Shenzhen) Co. Ltd. (深圳市華南城新國線物流有限公司), a jointly controlled entity held 51% indirectly by the Company, 10% by National Express Group Co. Ltd. (新國線運輸集團有限公司) and 39% by Xu Yan (徐燕), both Independent Third Parties, and incorporated as a limited liability company under the laws of China on July 2, 2004

"China South Royal Restaurant (Shenzhen)"	China South Royal Restaurant (Shenzhen) Co. Ltd. (華南富豪酒樓(深圳)有限公司), a jointly controlled entity held 50.5% by the Company and 49.5% by Globe Honest International Ltd., an Independent Third Party, and incorporated as a Sino-foreign equity joint venture under the laws of China on June 16, 2005
"PRC Government" or "the State"	the government of the PRC, including the central government and all governmental and political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, as the context requires, any one or more of them
"Clearing House"	a recognized clearing house under the SFO or any other ordinance substituted therefor
"Colliers International"	Colliers International Property Services (Guangzhou) Co. Ltd., a global provider of sales, leasing, property management, research and consultancy services for commercial, industrial, retail and residential properties
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules, namely, Cheng Chung Hing, Cheng Tai Po, Accurate Gain Developments Limited and Proficient Success Limited
"Director(s)"	the directors of our Company or any one of them
"equity joint venture"	means a Sino-foreign equity joint venture enterprise with limited liability established in the PRC under the relevant PRC laws and regulations which provide, among other things, that the parties share their profits and bear risks and losses in proportion to their respective contributions to the registered capital of the joint venture
"Earn Fame"	Earn Fame Group Ltd., a company incorporated under the laws of BVI and is a wholly owned subsidiary of Tak Sing
"Existing Shareholders"	Accurate Gain Developments Limited, Proficient Success Limited, Carrianna Development Limited, Kings Faith International Limited, Kinox Holdings Limited and Luk Ka International Limited
"fiscal year"	a year we book our accounting records, starting from April 1 of a year and ending at March 31 of the following year

"Founding Shareholders"	Cheng Chung Hing, Leung Moon Lam, Ma Kai Cheung, Sun Kai Lit Cliff and Ma Wai Mo, all of whom are co-founders of our Group and are independent of, and not related to, each other
"GDP"	nominal gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Grand City Hotel (Shenzhen)"	Grand City Hotel (Shenzhen) Co. Ltd. (華麗城酒店(深圳)有限公司), our indirectly wholly owned subsidiary held 65% by China South International and 35% by Grand City Hotel Investment Limited, both wholly owned subsidiaries of the Company, and incorporated as a limited liability company under the laws of China on June 16, 2005
"Grantee(s)"	any Participant(s) who accepted the grant of any option in accordance with the terms of the Share Option Scheme or (where the context so permits) person(s) entitled under the Share Option Scheme to exercise any such option in consequence of the death of the original Grantee(s)
"Greater Pearl River Delta"	Hong Kong, the Macau Special Administrative Region of the PRC and the Pearl River Delta Economic Zone portion of Guangdong Province, including the cities of Guangzhou, Shenzhen, Dongguan, Foshan, Jiangmen, Zhongshan, Zhuhai, Huizhou and Zhaoqing
"GREEN application form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider designated by our Company
"HKFRS"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollar," "HK dollar" or "HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong Public Offer Shares"	the shares offered by us for subscription under the Hong Kong Public Offering

"Hong Kong Public Offering"	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this Prospectus and in the Application Forms relating thereto
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the several underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this Prospectus
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated September 16, 2009, relating to the Hong Kong Public Offering and entered into by Merrill Lynch Far East Limited, Merrill Lynch International, BOCI Asia Limited, the Hong Kong Underwriters, the Controlling Shareholders, the Founding Shareholders and us, as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses" in this Prospectus
"Independent Third Party(ies)"	parties not being Connected Persons of the Company
"International Offering"	the conditional offering of the International Offering Shares (a) in the United States to qualified institutional buyers (as such term is defined in Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act or another exemption from the registration requirement under the Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act, including to professional investors in Hong Kong, as further described in the section headed "Structure of the Global Offering" in this Prospectus
"International Offering Shares"	1,350,000,000 new Shares initially being offered by us for subscription as part of the International Offering, subject to any adjustment as mentioned in the section headed "Structure of the Global Offering" in this Prospectus together, where relevant, with any additional new Shares which may be issued pursuant to any exercise of the Over-allotment Option
"International Placing Agreement"	the international placing agreement relating to the International Offering, to be entered into on or about September 23, 2009 by, among others, the Joint Bookrunners, the International Underwriters and us, as further described in the section headed "Underwriting — The International Offering" in this Prospectus
"International Underwriters"	the several underwriters of the International Offering

"Joint Lead Managers"	Merrill Lynch Far East Limited and BOCI Asia Limited for the Hong Kong Public Offering; Merrill Lynch International and BOCI Asia Limited for the International Offering
"Joint Bookrunners"	Merrill Lynch International and BOCI Asia Limited
"jointly controlled entity"	in accordance with HKFRS, a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity
"Landlords"	the landlords of certain trade center units of Phase One of China South City Shenzhen sold subject to a three-year cooperation agreement, namely Sun Kai Lit Cliff, Xu Yang, Guo Chang Jie, Ma Ka Wai, Cheng Hoi Man, Liang Zhi Hao, Chen Wei Guo, Xu Zhu Qi, Huang Wei Sheng and Wetter (China) Limited. For more information, please see the section headed "Connected Transactions — Exempt Continuing Connected Transactions — Leasing of Phase One Trade Center Units from our Directors and their Associates" in this Prospectus
"Latest Practicable Date"	September 7, 2009, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information in this Prospectus
"Lease Agreements"	the lease agreements entered into between China South International and the Landlords between August 2007 and November 2007 pursuant to which China South International agreed to pay a fixed annual rental, minus tax and expenses paid by China South International to the Landlords, for the right to lease out certain trade center units of Phase One of China South City Shenzhen. For more information, please see the section headed "Connected Transactions — Exempt Continuing Connected Transactions — Leasing of Phase One Trade Center Units from our Directors and their Associates" in this Prospectus
"Lianyungang"	Huadong International Trendy Material City Development (Lianyungang) Limited (華東國際時尚物料城開發(連雲港)有限公司), a company incorporated under the laws of the PRC, further particulars of which are set out under the section headed "Relationship with our Controlling Shareholders and Directors — Relationship with Our Directors" in this Prospectus
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange

"Listing Date"	the date, expected to be on or about September 30, 2009, on which our Shares are first listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Luk Ka Packaging"	Luk Ka Packaging (Shenzhen) Co., Ltd (力嘉包裝(深圳)有限公司), a company incorporated under the laws of the PRC and wholly owned by Luk Ka (China) Group Limited, which in turn is wholly owned beneficially by Luk Ka Overseas. It is a Connected Person of the Company
"Luk Ka Overseas"	Luk Ka Overseas Investments Limited, a company incorporated under the laws of BVI and held as to 50% by Ma Wai Mo and 50% by Ma Yu Hung
"Man Sang BVI"	Man Sang International (B.V.I.) Limited, a company listed on the NYSE Amex, formerly known as the American Stock Exchange (stock code: MHJ), in which Cheng Chung Hing and Cheng Tai Po indirectly hold (through a number of intermediaries) 100,000 preferred shares and 3,437,501 ordinary shares, representing approximately 69.24% of the total voting rights, with the remaining voting rights being held by public shareholders
"Man Sang International"	Man Sang International Limited (民生國際有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 938), further particulars of which are set out under the section headed "Relationship with Our Controlling Shareholders and Directors — Relationship with Our Controlling Shareholders — China Pearls and Jewellery City" in this Prospectus. It is a Connected Person of the Company
"Man Sang Jewellery"	Man Sang Jewellery Company Limited (民生珠寶有限公司), an indirectly owned subsidiary of Man Sang International, a Connected Person of the Company
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company
"MPF Scheme"	Mandatory Provident Fund retirement benefits scheme, established under the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong)

"Nanchang China South City"	Nanchang China South City Company Limited (南昌華南城有限公司), formerly known as China Central Logistics City (Nanchang) Co. Ltd. (南昌華中國際工業原料商品物流城有限公司), the project company for China South City Nanchang and our indirectly wholly owned subsidiary held 100% by China South International, incorporated as a limited liability company under the laws of China on November 16, 2007
"Nanning China South City"	Nanning China South City Company Limited (南寧華南城有限公司), the project company for China South City Nanning and our indirectly wholly owned subsidiary held 100% by China South International, incorporated as a limited liability company under the laws of China on August 28, 2009
"NE Logistics"	China Northeast Logistics City Co., Ltd. (鐵嶺東北物流城有限公司), a company incorporated under the laws of the PRC, in which Cheng Chung Hing and Leung Moon Lam together control 65% of its equity interests (with the remaining interests being controlled by Independent Third Parties), further particulars of which are set out in the section headed "Relationship with Our Controlling Shareholders and Directors — Northeast Logistics City" in this Prospectus
"Northeast Logistics City"	a property planned for development in Liaoning Province in China, by Cheng Chung Hing, one of our Controlling Shareholders, and Leung Moon Lam, who is not our Controlling Shareholder but an executive Director, and other Independent Third Parties, further particulars of which are set out in the section headed "Relationship with Our Controlling Shareholders and Directors — Northeast Logistics City" in this Prospectus
"Note Amendment Agreement"	the note amendment agreement dated March 28, 2008 entered into between the 2008 Noteholders, the Existing Shareholders and the Company
"Noteholder(s)"	the beneficial holders of the Notes as of the Latest Practicable Date, or any one of them, being Medley Opportunity Fund, Ltd., Medley Opportunity Fund L.P. and TRG Special Opportunity Master Fund Ltd.
"Notes"	the secured convertible notes due 2012 in an initial principal amount of US$125 million issued by the Company on July 11, 2007, the terms of which have been subsequently amended

"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of brokerage fee, Stock Exchange trading fee and SFC transaction levy) at which Hong Kong Public Offer Shares are to be subscribed pursuant to the Hong Kong Public Offering and International Offering Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed "Structure of the Global Offering — Pricing and Allocation" in this Prospectus
"Offer Share(s)"	the Hong Kong Public Offer Shares and the International Offering Shares
"Over-allotment Option"	the option to be granted by us to the International Underwriters, exercisable by the Joint Bookrunners on behalf of the International Underwriters, pursuant to the International Placing Agreement, to require us to allot and issue up to an aggregate of 225,000,000 additional Shares, representing approximately 15% of the Offer Shares, at the Offer Price solely to cover over-allocations in the International Offering, if any, exercisable at any time from the date of the International Placing Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering
"Participant"	an individual being an employee, officer, agent, consultant or representative of any member of the Group (including any executive or non-executive director of any member of the Group) who, as the Board may from time to time determine in its absolute discretion, has made valuable contribution to the business of the Group based on his or her performance and/or years of service, or is regarded as a valuable human resource of the Group based on his or her work experience, knowledge in the industry and other relevant factors, and is eligible under the Share Option Scheme
"PDPO"	the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)
"Pearl River Delta"	the Pearl River Delta Economic Zone portion of Guangdong Province, excluding the Hong Kong and the Macau Special Administrative Region of the PRC
"PRC," "China" or "Mainland China"	the People's Republic of China excluding, for the purpose of this Prospectus only, Hong Kong, Macau and Taiwan, Republic of China

"Price Determination Date"	the date, expected to be on or about September 23, 2009, on which the Offer Price is fixed for the purpose of the Global Offering, and in any event no later than September 28, 2009
"Prospectus"	the prospectus of this Global Offering
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Registrar of Companies"	the Registrar of Companies in Hong Kong
"Regulation S"	Regulation S under the Securities Act
"Restricted Business"	the business engaged or operated by the Group in the PRC as of the Listing Date or from time to time
"RMB" and "Renminbi"	Renminbi, the lawful currency of China
"Rule 144A"	Rule 144A under the Securities Act
"Second Amended Trust Deed"	the second amended and restated trust deed dated June 26, 2009 made between our Company, the Trustee and the Security Trustee
"Second Note Amendment Agreement"	the second note amendment agreement dated June 26, 2009 entered into between the 2009 Noteholders, the Existing Shareholders and the Company
"Securities Act"	United States Securities Act of 1933, as amended
"Security Trustee"	The Hongkong and Shanghai Banking Corporation Limited
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of our Company
"Share Option Agreements"	the share option agreements, a summary of the principal terms of which is set out under the paragraph headed "Share Option Agreements" in Appendix V to this Prospectus
"Share Option Grantees"	certain employees of our Group who have been granted Share Options, namely Cheng Chung Hing, Leung Moon Lam, Fung Sing Hong Stephen and Tse Man Yu
"Share Option Period"	in respect of the period within which the Share Options can be exercised, up to two years commencing from the Listing Date for Fung Sing Hong Stephen and Tse Man Yu and up to three years for Cheng Chung Hing and Leung Moon Lam

"Share Option Scheme"	our share option scheme conditionally adopted on September 4, 2009, the principal terms of which are set forth in the paragraph headed "Share Option Scheme" in Appendix V to this Prospectus
"Share Options"	options conditionally granted by our Company to the Share Option Grantees under the Share Option Agreements
"Share Transfer"	the transfer of certain number of Transfer Shares by the Existing Shareholders to the Noteholders at nil consideration on the Listing Date based on the pre-agreed formula under the Share Transfer Agreements
"Share Transfer Agreements"	the share transfer agreements dated March 28, 2008 between the Existing Shareholders and each of the 2008 Noteholders and as supplemented by the Supplemental Agreements
"Shareholder(s)"	holder(s) of our Share(s) from time to time
"Shenzhen China South City Advertising"	Shenzhen China South City Advertising Co., Ltd. (深圳市華南城廣告有限公司), our indirectly wholly owned subsidiary held 100% by China South International and incorporated as a limited liability company under the laws of China on July 20, 2004
"Shenzhen China South City Convention and Exhibition"	Shenzhen China South International Convention and Exhibition Centre Co., Ltd. (深圳市華南城國際會展中心有限公司), our indirectly wholly owned subsidiary held 100% by China South International and incorporated as a limited liability company under the laws of China on February 10, 2006
"Shenzhen First Asia Pacific"	Shenzhen First Asia Pacific Property Management Co., Ltd. (深圳第一亞太物業管理有限公司), our indirectly wholly owned subsidiary held 25% by the Company and 75% by China South International and incorporated as a limited liability company under the laws of China on December 31, 2003
"Shenzhen Longgang Pinghu Logistics Base Development Services Center"	an administrative entity authorized by the Shenzhen Longgang District Government to carry out planning, management and development of the Shenzhen Longgang Pinghu Logistics Base and dissolved in November 2005
"Sole Global Coordinator"	Merrill Lynch International
"Sole Sponsor" and "Stabilizing Manager"	Merrill Lynch Far East Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiary"	has the meaning ascribed to it under section 2 of the Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Supplemental Agreements"	the supplemental agreements to the Share Transfer Agreements dated June 26, 2009 between the Existing Shareholders and each of the 2009 Noteholders
"Tak Sing"	Tak Sing Alliance Holdings Limited, a company incorporated in Bermuda, listed on the Stock Exchange (stock code: 126) and held approximately 43.58% by Ma Kai Cheung, a Founding Shareholder and a Director, as beneficial owner and beneficiary of a trust and through interests of his spouse
"Takeovers Code"	Hong Kong Code on Takeovers and Mergers
"Tieling First Asia Pacific"	Tieling First Asia Pacific Property Management Co., Ltd. (鐵嶺第一亞太物業管理有限公司), our indirectly wholly owned subsidiary held 100% by Shenzhen First Asia Pacific and incorporated as a limited liability company under the laws of China on December 26, 2007
"Track Record Period"	the period comprising the three financial years ended March 31, 2009
"Transfer Shares"	a certain number of Shares to be transferred by the Existing Shareholders to the Noteholders at nil consideration on the Listing Date based on the pre-agreed formula under the Share Transfer Agreements
"Trendy Center"	Lianyungang Trendy Materials Trading Center (連雲港時尚物料交易城), a property planned for future development in Jiangsu Province in China by Ma Kai Cheung and Ma Wai Mo, our non-executive Directors, further particulars of which are set out in the section headed "Relationship with Our Controlling Shareholders and Directors — Relationship with Our Directors" in this Prospectus
"Trust Deed"	the trust deed by which the Notes were constituted under the original arrangement dated July 11, 2007 and made between our Company, the Existing Shareholders, the Trustee and the Security Trustee
"Trustee"	The Hongkong and Shanghai Banking Corporation Limited
"Unconditional Date"	the date on which the Global Offering becomes unconditional

"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Placing Agreement
"United States" or "U.S."	United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar" or "US$"	United States dollar, the lawful currency of the United States
"we," "us," "our," "our Company," "the Company," "our Group," or "the Group"	China South City Holdings Limited 華南城控股有限公司, a company incorporated under the laws of Hong Kong with limited liability and, except where the context otherwise requires, all of its subsidiaries from time to time
"White Form eIPO"	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"wholly foreign-owned enterprise"	an enterprise established in the PRC in accordance with the relevant PRC laws, with capital provided solely by foreign investors. Such enterprises do not include branches and offices established in China by foreign enterprises and other economic entities
"Zhuji Pan-Asia"	Zhuji Pan-Asia Property Management Enterprise Ltd. (諸暨泛亞物業管理有限公司), our subsidiary held 80% by Shenzhen First Asia Pacific and 20% by China Pearls and Jewellery PRC and incorporated as a limited liability company under the laws of China on November 8, 2007

In this Prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.

This glossary of technical terms contains terms used in this Prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meanings or usage of these terms.

"bonded warehouse"	is a warehouse authorized by customs officials for storing imported goods until removal, without the payment of duties, and pending customs inspection and the completion of other customs procedures. Such warehouses must be secure, with dutiable goods segregated from non-dutiable goods
"commodity properties"	residential properties, commercial properties and other buildings that are developed by property developers
"effective rental rate"	the total contractual base rent, after adjusting to amortize the effect of any discounts and rent-free periods, divided by the leased GFA
"export supervised warehouse"	is a warehouse authorized by customs officials for storing goods that have already obtained export permits, been settled in foreign exchange with overseas firms and cleared all customs export formalities
"GFA"	gross floor area, which comprises the above-ground area contained within the external walls of a building excluding non-leaseable and non-saleable area
"land grant confirmation agreement"	a confirmation given by a PRC land authority that a property developer has won the bid for the land-use rights of a parcel of land in the government-organized public tender, auction or listing for sale process
"land grant contract"	an agreement between a property developer and a PRC land authority in respect of the grant of the state-owned land-use rights of a parcel of land to such property developer
"land grant"	a land grant contract, land grant confirmation agreement or land-use right transfer agreement
"land-use right transfer agreement"	an agreement in respect of the transfer of the land-use rights of a parcel of land by the previous grantee of the land-use rights in the secondary market
"leaseable gross floor area"	comprises the gross floor area designated by us for lease to tenants, including, with respect to our trade center units, the gross floor area sold by us to purchasers of trade center units and leased by us to third parties pursuant to cooperation and lease agreements with the purchasers of these trade center units

"Phase One," "Phase Two," or "Phase Three"	phases of development, as provided in the master agreements, for the construction and development of our trade center projects
"rental occupancy rate"	percentage of leaseable gross floor area (1) retained and leased out by us and (2) sold by us to purchasers of trade center units and subsequently leased by us to third party tenants
"saleable GFA"	comprises the area of our trade centers designated by us for sale to purchasers of trade center units
"total occupancy rate"	percentage of total gross floor area (1) retained and leased out by us and (2) sold by us to purchasers of trade center units, excluding vacant units
"weighted average rental occupancy rate"	weighted average of the rental occupancy rate of the five trade centers in China South City Shenzhen by leaseable gross floor area

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our dividend distribution plans;
- our operations and business prospects, including our new project development plans;
- our ability and expected timetable to complete our project developments;
- our ability to attract more tenants for our trade centers and purchasers of trade center units;
- our ability to raise rental rates;
- our capital expenditure plans and our expectations of the cost of development of our new projects;
- the regulatory environment in the PRC; and
- future developments and the competitive environment in the trade center and industrial materials industries.

The words "anticipate," "believe," "could," "expect," "intend," "may," "plan," "potential," "project," "seek," "should," "will," "would" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance and are subject to risks, uncertainties and assumptions, including the risk factors as disclosed in this Prospectus. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, among others, the following:

- any changes in the regulatory policies of the PRC Government, the Guangdong, Jiangxi and Shaanxi provincial governments and the government of the Guangxi Zhuang Autonomous Region, and other relevant government authorities relating to, among other things, the real estate, logistics and industrial materials industries;
- our inability to acquire land-use rights for our project developments;
- the effects of competition in the trade center and industrial materials industries;
- restrictions on foreign currency convertibility and remittance abroad;
- exchange rate fluctuations and developing legal system, in each case pertaining to the PRC;
- higher than expected losses or financing costs, or lower than expected returns on our investments;
- changes in the availability of, or our requirements, for financing;
- regulations and restrictions;

- governmental approval processes;
- our inability to accurately predict our future results of operations;
- our ability to expand and manage our business;
- changes in political, economic, legal and social conditions in China, the provinces of Guangdong, Jiangxi and Shaanxi, the Guangxi Zhuang Autonomous Region and the Pearl River Delta, including the governments' specific policies with respect to economic growth, inflation, foreign exchange, lending, the availability of credit, trade center development and manufacturing and exports;
- changes in population growth and GDP growth and the impact of these changes on demand for trade centers and industrial materials;
- accidents and natural disasters; and
- other operating risks and factors referenced in this Prospectus.

The forward-looking statements contained in this Prospectus may not turn out to be true. Accordingly, you should not place undue reliance on such forward-looking information. We undertake no obligation to publicly update or revise any forward-looking statements contained in this Prospectus, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this Prospectus are qualified by reference to this cautionary statement.

You should carefully consider all of the information in this Prospectus including the risks and uncertainties described below before making an investment in our Shares. Our operations involve certain risks, many of which are beyond our control. You should pay particular attention to the fact that our business is located almost exclusively in the PRC and governed by the legal and regulatory environment which may differ in various respects from that which prevails in other countries. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties that are not presently known to us, that are not expressed or implied below, or that we currently deem to be immaterial, could also have a material adverse effect on our business, financial condition and operating results.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

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

Our results of operations substantially depend on the successful execution of our business strategy to attract and retain high quality tenants, achieve market rental rates and improve the surrounding infrastructure. Our success will also depend upon continuing growth in the manufacturing and export industries in the Greater Pearl River Delta region, as well as the regions surrounding Nanchang and Nanning, the location of our 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, or if our other expectations do not arise, our business, results of operations and financial condition will be materially and adversely affected.

We may not be able to increase our revenues from sales or leases of properties or achieve satisfactory rental rates from period to period

Our revenues from sales and leases of trade center units and other properties have fluctuated during the Track Record Period as a result of variations in the proportion and GFA of trade center units that were sold or leased, and when our projects were completed. Our revenues from the sales of trade center units in fiscal years 2007, 2008 and 2009 were HK$83.1 million, HK$46.8 million and HK$67.8 million, respectively, representing 61.1%, 8.3% and 30.2% of our revenues during these periods. Our revenues from finance lease income in fiscal years 2007, 2008 and 2009 were zero, HK$403.2 million and HK$9.9 million, respectively, representing 0%, 71.6% and 4.4% of our revenues during these periods. Our revenues from the leasing of trade center units and other properties in fiscal years 2007, 2008 and 2009 were HK$40.0 million, HK$77.5 million and HK$100.2 million, respectively, representing 29.3%, 13.8% and 44.6% of our revenues during these periods. We cannot assure you that we will be able to increase our revenues from either sales or leases of properties from period to period. Our sales of trade center units in Phase One and Phase Two of China South City Shenzhen is limited to 30% of the GFA of the properties located on the parcels of land on which these trade centers are located. In addition, we will not be able to recognize revenue from the pre-sale of Phase Two trade center units until these units are delivered to purchasers.

Under the cooperation arrangements with certain purchasers of trade center units, we provide the purchasers a discounted purchase price of between 7% and 26% of the original purchase price of the trade center units. In addition, under subsequent three-year lease arrangements with purchasers of trade center units, we provide a fixed annual rental, which is equal to approximately 8% of the original purchase price, minus tax and expenses paid by us. We are not obligated to pay any fixed annual rental prior to entering into any subsequent lease arrangements.

Both the cooperation and lease arrangements provide us the right to lease out to, and receive rental income from, third parties for the trade center units sold to the purchasers of these units. However, if we are unable to lease out the trade center units for which we have entered into cooperation or lease arrangements, we will not receive any rental income from these units but will still need to provide purchasers with the discounts and fixed annual rental. For further information on the accounting treatment of our cooperation and lease arrangements, please see "Financial Information — Payments Made under Agreements with Certain Purchasers of Trade Center Units."

The lease arrangements allow us to lease out the trade center units to third parties at rental rates higher than the amount of the fixed annual rental due to the purchasers of the units. However, during the Track Record Period, we have not been able to consistently lease out all trade center units to third parties at rental rates higher than the fixed annual rental we pay to the purchasers of the units. In addition, we cannot assure you that, in the future, we will be able to charge sufficiently high rental rates for us to receive rental income in amounts that exceed the amount of the annual rental. As a result, failure to lease out the trade center units or to lease the units at satisfactory rental rates would adversely affect our profits for the applicable period.

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

In November 2007, 1,453 lease agreements (including lease agreements for units leased by us to third parties pursuant to cooperation agreements with the purchasers of such units), representing approximately 49.5% of the lease agreements of our Phase One trade centers (in terms of GFA), were due to expire, of which 19.4% (in terms of GFA) were retained by purchasers of the units for self-use. Of the remaining expiring lease agreements, 66.7% (in terms of GFA) were renewed and 33.3% (in terms of GFA) were not renewed. As of July 31, 2009, 114 units, representing approximately 13,900 square meters, or 7.8% of the expiring leases (in terms of GFA) remained vacant.

The renewed lease agreements are for periods of two years, all of which will expire in November 2009. These agreements, combined with other lease agreements set to expire in 2009, will result in lease expirations during 2009 representing 55.4% of the leased GFA of our Phase One trade centers. We cannot assure you that we will be able to replace or renew all of the lease agreements upon their expiration, that we will maintain our existing occupancy rates, or that we will be able to increase rental rates. If we are unable to renew or replace these lease agreements at higher rental rates as we expect, our results of operations, financial condition and cash flows could be materially adversely affected.

We currently rely on Phase One and a portion of Phase Two of China South City Shenzhen for all of our revenues

Although we have properties under development and planned for future development, we currently rely on Phase One of China South City Shenzhen and the Phase Two textile and clothing and leather and accessories trade centers, the West Garden residential facility and a portion of the warehouse facilities of China South City Shenzhen for all of our revenues. This single location revenue source 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 South City Shenzhen, or its attractiveness to tenants, we will not have income from other properties to mitigate any ensuing loss. A concentration of investments in a single location will cause China South City Shenzhen to be highly susceptible to a downturn in the Shenzhen property market. In addition, any property damage at China South City Shenzhen, resulting from fire or other causes, or a downturn in the industrial materials and finished goods or manufacturing industries in the Greater Pearl River Delta, may have a material adverse effect on our business, financial condition and results of operations. Further, we cannot assure you that China South City Shenzhen will continue to attract tenants and generate rental income at historical rates, or that it will be successful in the future. Although we have projects planned for future development in Nanchang and Nanning, we cannot assure you that we will be able to successfully obtain 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.

We may not be able to complete the development of Phase Two of China South City Shenzhen, our property under development, or commence or complete our properties planned for future development in Nanchang and Nanning on time or within budget

Our integrated logistics and trade center development activities planned in Nanchang and Nanning will 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 involves significant risks. Before an integrated logistics and trade center development generates any revenue, we must make a variety of material expenditures, including to acquire the development rights and construct the integrated logistics and trade center development infrastructure. In this regard, we anticipate using approximately 50% of the expected proceeds of the Global Offering for the development of our properties planned for future development in Nanchang and Nanning. As of the Latest Practicable Date, we had not paid any deposits to relevant government authorities to participate in land tender processes. However, as of March 31, 2009, we had incurred approximately HK$3.6 million in development costs for these properties, primarily for pre-operational and preparatory work, including staff and administrative expenses, the establishment of a new subsidiary in Nanchang and performance of feasibility studies.

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

- we engage independent contractors to provide construction, elevator installation, fitting-out and interior decoration services. The services rendered by any of these independent 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;
- we may incur construction and other development costs for a development project which exceed our original estimates due to increases in interest rates and increased material, labor, leasing or other costs, which could make completion of the project uneconomical because market rents or sales prices may not increase sufficiently to compensate for the increase in construction and other development costs. In addition, in recent years, construction costs in China have been increasing due to increases in the prices of steel and other construction materials. Although our construction contracts typically provide for fixed or capped payments, in the long run increases in construction costs could be passed on to us by our construction contractors. Since it normally takes several years for us to complete a trade center development, we expect that we will be affected by increases in the costs of construction materials, other goods and services and labor. Any cost increases could reduce our profits if we are unable to pass these increased costs on to our customers;
- we may delay, or change the structure of, integrated logistics trade center development opportunities after we begin to explore them and as a result we may lose deposits paid to participate in the land tender process or fail to recover expenses already incurred;
- we may be unable to complete construction of a property on schedule, or on budget, due to a variety of factors including shortages 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;
- we may be unable to obtain, or face delays in obtaining, required zoning, land-use, building, occupancy, and other governmental permits, rights and authorizations, which could result in increased costs and could require us to abandon our activities in part or as a whole with respect to a project;
- we may be involved in legal, governmental or administrative proceedings or disagreements with regulatory bodies arising out of our operations and may face significant liabilities as a result;
- we may lease or sell developed properties at below expected rental rates or sales prices, and we may experience delays in the sale or leasing of developed properties;
- occupancy rates, rents and sales prices at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in our investments being less profitable than we expected or not profitable at all.

The occurrence of any of these circumstances, most of which are beyond our control, could delay the completion or affect the profitability of Phase Two of China South City Shenzhen and delay the commencement, completion and profitability of our properties planned for future development in Nanchang and Nanning and increase our costs, which could adversely affect our business, financial condition and results of operations.

In addition, many of the assumptions on which we have based the timetables for our properties under development and planned for future development are also outside of our control. If the actual economic conditions or other facts turn out to be materially different from these assumptions, our actual timetable could differ materially from that described in this Prospectus. For example, the recent global economic downturn and the deterioration in the global credit markets have already adversely affected business and consumer confidence in China and could impair our ability to borrow funds, which could delay the completion of our developments.

We may not be able to obtain adequate funding to complete the development of Phase Two of China South City Shenzhen, our property under development, or our properties planned for future development in Nanchang and Nanning

We require substantial capital resources to develop Phase Two of China South City Shenzhen and our properties planned for future development in Nanchang and Nanning. The total estimated cost for the remaining portion of Phase Two of China South City Shenzhen and our properties planned for future development in Nanchang and Nanning is approximately RMB22.95 billion (HK$26.05 billion). Each of these projects is a large-scale project consisting of multiple phases that (1) will take several years to complete; (2) do not require full completion of all phases to be operational; (3) will be completed on a phase-by-phase basis; and (4) can be financed from a variety of funding sources, including project financing, other bank borrowings, pre-sales, rental income, and other cash flow from operations.

Phase Two of China South City Shenzhen commenced development in December 2007 and is expected to be completed in stages by the end of 2012. As of March 31, 2009, we had incurred development costs (including land grant costs, construction costs and capitalized finance costs) of RMB2.68 billion (HK$3.04 billion) for Phase Two of China South City Shenzhen, including the textile and clothing trade center, leather and accessories trade center, supporting commercial facilities, the West Garden residential facility, and warehouse facilities. We estimate that we will incur additional development costs of approximately RMB3.51 billion (HK$3.98 billion) to complete the remaining stages of Phase Two of China South City Shenzhen. We expect to develop our properties planned for future development in Nanchang and Nanning in stages commencing in the first half of 2010. We estimate that we will incur approximately RMB9.33 billion (HK$10.59 billion) and RMB10.11 billion (HK$11.48 billion), respectively, to complete all stages of these properties. Please see "Business — Our Trade Center Projects."

To date, for investment activities, we have relied primarily on bank borrowings, offerings of the Notes and shareholders' 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 "Financial Information — Liquidity and Capital Resources." As of March 31, 2009, we had net current liabilities of HK$642.3 million and the outstanding balance of our total indebtedness amounted to approximately HK$2.53 billion, which included primarily bank borrowings in the amount of HK$1.61

billion and the Notes with a carrying value of HK$915.8 million. Of our total borrowings, approximately HK$708.0 million were due within one year and approximately HK$898.8 million were due within a period of more than one year but not exceeding five years.

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, we may from time to time experience periods of net cash outflows, when imbalances may arise between the timing of cash inflows from rentals and sales of trade center units and our cash outflows relating to the construction of properties and purchases of land-use rights. For example, as of March 31, 2009, we had a net current liability position because during fiscal year 2009 we had net cash provided by operating activities of HK$71.8 million and net cash outflows from investing activities of HK$1.09 billion, primarily due to capital expenditures associated with the construction and development of our Phase Two properties at China South City Shenzhen.

After Listing, we expect to use a portion of the net proceeds of the Global Offering for the development of these projects. 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 you 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, as a consequence of the on-going global financial crisis affecting the banking system and financial markets. If we are unable to obtain necessary additional financing or renew existing loan facilities, we will not be able to complete Phase Two of China South City Shenzhen, or develop the additional properties planned for future development, including Nanchang and Nanning, and our business development could be severely disrupted. For further information regarding potential impact on our operations and the financial markets due to the current financial crisis, please see "— Demand for our trade centers may continue to be negatively affected by the recent financial market and economic crisis, which would have a material adverse effect on our business, results of operations and financial condition."

As a result, we cannot assure you that we will be able to obtain sufficient funding to finance intended purchases of land use rights, develop future projects or meet other capital needs as and when required at a commercially reasonable cost or at all. Failure to obtain adequate funding at a commercially reasonable cost may limit our ability to commence new projects or to continue the development of existing projects or may increase our borrowing costs.

In previous years, the PRC Government had introduced a number of measures and regulations to restrict the ability of property developers to raise capital through external financing and other methods. Because the local authorities in Shenzhen treat our subsidiary, China South International as an integrated logistics enterprise, we have not been subject to these measures and regulations with respect to China South City Shenzhen. However, if local regulatory authorities were to change their current approach and treat China South International as a property developer, or if central regulatory authorities were to override the decision of the local regulatory authorities, it would be subject to these measures and regulations with respect to China South City Shenzhen. We have not received any formal assurance or comfort letter from any higher authorities that such a change will not occur. In addition, although we intend to apply for treatment for the project companies for our properties planned for future development in Nanchang and Nanning as integrated logistics companies, the final treatment of these companies as property developers or integrated logistics companies is at the discretion of local government authorities. For further discussion on the restrictions imposed on property developers, please see "Regulation — Regulations on Foreign Investment Real Estate Enterprises" and "Regulation — Regulations on Real Estate Financing." Any application of new or existing restrictions on our ability to raise capital or borrow from PRC banks would have a material adverse effect on our business, financial condition and results of operations.

If we are unable to obtain the land-use rights for our properties planned for future development, including Nanchang and Nanning, we will not be able to develop these planned projects

We signed master agreements with the Jiangxi Nanchang Honggutan District Management Committee and Nanning City Jiangnan District People's Government in February and December 2007, respectively. Pursuant to these master agreements, the municipal governments have identified land which is suitable for our development strategy in these locations. However, the signing of the master agreements does 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 you 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 you that we will be successful in our bidding for the plots of land in Nanchang and Nanning 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 Nanchang and Nanning or fail to obtain land-use rights for all or any portion of such land, we will not be able to develop our projects in Nanchang or Nanning as planned.

In addition, our experience in Shenzhen may not be applicable to Nanchang, Nanning and other provinces and cities where we may expand. These cities may differ from Shenzhen in terms of the level of economic development, transportation infrastructure, regulatory practices, level of familiarity with contractors and business practices and customs and customer tastes, behavior and preferences. If we are not able to adapt our business model to other geographical locations, our business and growth prospects would be materially and adversely affected.

The treatment of China South International or any of the project companies for our properties planned for future development as domestic real estate developers or foreign investment real estate enterprises may subject us to restrictions imposed on such enterprises under relevant PRC laws and regulations

China South International is treated as an integrated logistics enterprise by local authorities in Shenzhen and, as such, it is not subject to rules and regulations in the PRC applicable to foreign investment real estate enterprises. If regulatory authorities were to treat China South International as a foreign investment real estate enterprise, as opposed to an integrated logistics enterprise, we would become subject to these rules and regulations. Whether to treat our project companies as foreign investment real estate development enterprises is at the discretion of local governmental authorities in accordance with central government laws, regulations and policies. Currently China South Enterprise, our project company for our property planned for future development in Heyuan, is our only subsidiary categorized as a foreign investment real estate enterprise. However, we cannot assure you that local authorities will not treat China South International or our project companies for our properties planned for future development in Nanchang (Nanchang China South City) and Nanning (Nanning China South City) as foreign investment real estate enterprises in the future. If the regulatory authorities were to treat us as a foreign investment real estate enterprise, we would need to file with the local commerce authorities for verification, and be recorded as such with the Ministry of Commerce and would be subject to regulations and restrictions applicable to foreign investment real estate enterprises, including, but not limited to, restrictions on our ability to obtain loans within and outside of the PRC, as well as restrictions on the conversion and sale of foreign exchange into the capital account. For further discussion on the regulations and restrictions to which we would be subject if regulatory authorities were to treat us as a foreign investment real estate enterprise, please see "Regulation — Regulations on Foreign Investment Real Estate Enterprises." For further information on our treatment as an integrated logistics enterprise as opposed to a foreign investment real estate enterprise, please see "Regulation — Overview — Our Treatment as an Integrated Logistics Enterprise."

As China South International is not treated as a foreign investment real estate enterprise, we are able to distribute funds downstream in the form of shareholders' loans rather than capital contributions and China South International is not subject to certain approval and registered capital requirements applicable to foreign investment real estate enterprises. If there is a change of policy resulting in our treatment as a foreign investment real estate enterprise, we will become subject to registered capital ratio restrictions requiring us to maintain registered capital levels at 50% or more of our total investment. As of the Latest Practicable Date, our registered total investment in China South International was HK$1.16 billion, including registered capital of approximately HK$400 million, or approximately 35.0% of our total investment, and total shareholders' loans of approximately HK$452 million. If China South International were treated as a foreign investment real estate enterprise, we would be required to either increase its registered capital by HK$180 million in the form of additional capital contributions or convert at least HK$180 million of existing shareholders' loans into registered capital. Although, as of the Latest Practicable Date, we had sufficient shareholders' loans to convert HK$180 million of that amount into registered capital, we cannot assure you that if we were treated as a foreign investment real estate enterprise in the future, we would have sufficient shareholders' loans to convert the relevant amount.

In addition, if any of our subsidiaries were treated as a real estate enterprise or developer, that subsidiary could also be required to invest, at a minimum, 35% of the total project investment of their own capital and accumulated reserves in order to obtain foreign and PRC loan financing. If China South International were treated as a foreign real estate enterprise and our project companies in Nanchang and Nanning were to be treated as domestic real estate developers, we may be required to further increase the equity investment in these three subsidiaries depending on our future capital expenditures in order to meet the 35% threshold to obtain foreign and PRC loan financing. We expect the funding of the equity investment to come from a combination of sources, including proceeds from the Global Offering, the conversion of existing shareholders' loans and retained profits and other accumulated reserves of the relevant subsidiaries, but we cannot assure you that we would have sufficient funds for the relevant amount from these sources in the future.

Because Nanchang China South City and Nanning China South City, our project companies in Nanchang and Nanning, respectively, are subsidiaries of China South International without any direct foreign investment, they will not be treated as foreign investment real estate enterprises. However, we cannot assure you that local authorities will not treat these project companies as domestic real estate developers, in which case they would be subject to the rules and regulations applicable to domestic real estate developers. If China South International or any of the project companies for our properties planned for future development are treated as domestic real estate developers or foreign investment real estate enterprises, such treatment could have a material adverse effect on our business, financial condition and results of operations.

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

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

We do not yet hold land-use rights certificates for approximately 1% of the total site area of and relevant building ownership certificates for China South City Shenzhen

Although we have paid for and signed a land grant contract with the government for approximately 10,800 square meters of land, or approximately 1% of total site area, for use in Phase One of China South City Shenzhen and have signed a supplementary land grant contract with the local government to combine this plot of land to the adjacent plot of land, we may be unable to obtain building ownership certificates for a 4,000 square meter portion of our Phase One textile and clothing trade center located on this land. Prior to obtaining these building ownership certificates, purchasers of units in the affected area of our Phase One textile and clothing trade center may request a refund of their deposit for these units. As of March 31, 2009, one purchaser of a 101 square meter unit had requested a refund on their deposit. We cannot assure you, however, that other purchasers will not request a refund in the future before we obtain the building ownership certificates for these buildings.

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

Pursuant to pre-sale permits issued by and land-use contracts entered into with the Shenzhen Municipal Bureau of Land Resources and Housing Management, our sales of trade center units in Phase One and Phase Two of China South City Shenzhen are limited to 30% of the GFA of the properties located on the parcels of land on which these trade centers are located. While we do not face any sales restrictions under our master agreements for our properties planned for future development in Nanchang and Nanning (for which we have not yet obtained land-use rights), our policy will be to maintain an optimal mix between trade center units for sale and trade center units held as investment properties. Accordingly, our results of operations tend to fluctuate from period to period depending upon the proportion and GFA of trade center units that are sold or leased, and when our projects in various stages of development are completed. We generally sell trade center units in the initial stages following completion of a project subject to the then-current market conditions and restrictions. 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, 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 in newly completed trade center units preferential rental rates and rent-free periods in order to promote 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. We reassess the fair value of our investment properties every year. Property valuation typically requires the use of certain bases and assumptions with respect to a variety of factors, including supply and demand of comparable properties, the rate of economic growth in the location of the property, interest rates, inflation and political and economic developments in the PRC. For fiscal years 2007, 2008 and 2009, we had fair value gains on our investment properties of HK$601.1 million, HK$670.9 million and HK$1.15 billion, respectively, representing 117.2%, 89.7% and 114.1% of the net profit for the respective periods after taking into account relevant deferred income tax. These fair value gains reflect unrealized capital gains on our investment properties at the relevant balance sheet dates and did not generate any actual cash inflow to us. Excluding the effect of gains on changes in fair value of investment properties and the deferred tax expenses in connection with such gains, we would have had a net loss of HK$29.9 million, a net profit of HK$57.2 million and a net loss of HK$106.5 million in fiscal years ended March 31, 2007, 2008 and 2009, respectively. During these same years, we had a net cash outflow from operating activities of HK$80.8 million and a net cash inflow from operating activities of HK$309.0 million and HK$71.8 million, respectively. The change in fair value of our investment properties has been, and will continue to be, significantly affected by the prevailing property markets and is subject to market fluctuations. We cannot assure you that we will continue to record similar levels of revaluation gains or that the fair value of our investment properties will not decrease in the future, in which case, we may incur a fair value loss. In addition, we cannot assure you that we will be able to realize all or any of these fair value gains. In the event there is a material negative change in the value of our investment properties in the future, our results of operations and profits will be materially and adversely affected.

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

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.

We cannot assure you that we will be able to fulfill the pre-conditions necessary to obtain required governmental approvals, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the real estate or logistics industries in general or the particular processes with respect to the grant of approvals in China. There may 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 we operate or plan to operate. If we are unable to obtain, or experience material delays in obtaining, the requisite governmental approvals, or if a building moratorium is implemented at one or more of our project sites, the development and sale of our projects could be substantially disrupted, which would result in a material adverse effect on our business, financial condition and results of operations. Further, we cannot assure you that the implementation of laws and regulations by relevant authorities, or the interpretation or enforcement of such laws and regulations, will not cause us to incur additional costs, which could have a material adverse effect on our business, financial condition and results of operations. For example, the majority of our land used for China South City Shenzhen is designated by the local government in Shenzhen for integrated logistics uses. Under applicable PRC laws and regulations, however, "integrated logistics" is not a designated category for land use. Therefore, the land-use rights certificates and building ownership certificates for China South City Shenzhen's trade centers (which are combined into one certificate) indicate that our land and buildings are for "warehousing (integrated logistics)" purposes. Relevant government agencies of the Shenzhen Municipal Government have concluded that our use of land primarily for the wholesale of industrial materials is consistent with regulations of the Shenzhen government governing the "integrated logistics" industry. Since there are not national laws and regulations and policies governing the "integrated logistics" industry in the PRC, we rely on regulations and policies in Shenzhen for the legality of our current land use. However, we cannot assure you that PRC governmental agencies will not issue regulations on the integrated logistics industry or that we will not be required to change the characterization of our land use.

We face competition from other industrial materials trade centers

We face competition from other industrial materials trade centers in China, particularly in Guangdong Province with regard to China South City Shenzhen. The greatest concentration of industrial materials trade centers in China is in the Greater Pearl River Delta, the Yangtze River Delta and the Bohai-Ring region around Beijing. The industrial materials and finished goods featured at these competing trade centers include textile and clothing, leather and accessories, electronic accessories, printing and finished goods, paper and packaging and metals, chemicals and plastics that compete with the industrial materials and finished goods featured at China South City Shenzhen. In addition, there may be an increase in supply of industrial materials trade centers in the Greater Pearl River Delta and elsewhere in China, such as Nanchang and Nanning, 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 you 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 continue to be negatively affected by the recent financial market and economic crisis, which would have a material adverse effect on our business, results of operations and financial condition

The recent global financial crisis has adversely affected the United States and other world economies. Although the PRC Government has adopted increasingly flexible macroeconomic policies, including an announced fiscal stimulus package, aimed at offsetting the slowdown resulting from the financial crisis, as the financial crisis has broadened and intensified, the growth of China's overall economy, and in particular the growth of the economy of the Greater Pearl River Delta region, has been negatively impacted. In particular, the financial crisis has had a negative impact on the manufacturing activities and exports by manufacturers, including suppliers of industrial materials, which are our principal tenants. Current and potential tenants and purchasers of our trade center units may continue to be affected by the economic crisis and, as a result, may be unable to sustain their business operations or make agreed upon rental or purchase payments for trade center units, all of which could lead to a reduced demand for our trade center units, reduce our profit margins and delay our receipt of rentals and purchase payments. In fiscal year 2009, we experienced an increase in early lease terminations, which affected the textile and clothing trade center in Phase One of China South City Shenzhen, and an increase in delinquencies by trade center tenants generally in the amount of approximately HK$3.6 million, from HK$0.7 million as of March 31, 2008 to HK$4.3 million as of March 31, 2009, resulting from the impact of the global economic downturn. Although we do not believe these delinquencies by tenants of rental payments during the Track Record Period were material, we cannot assure you that we will not experience material tenant defaults or delinquencies in the future.

In addition, the ongoing global financial crisis affecting the banking system and financial markets has resulted in a severe tightening in credit markets, a low level of liquidity in many financial markets and increased volatility in credit and equity markets. If these conditions continue or worsen, they may adversely affect the availability, terms and cost of borrowings in the future, including financings necessary to complete our properties planned for future development in Nanchang and Nanning. Because our operations are capital intensive, and rely principally on cash flows from operations and bank borrowings, we cannot assure you that the global financial crisis 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 financial market and economy remain uncertain, and there can be no assurance that market conditions will improve in the near future or that our results will not continue to be adversely affected. Furthermore, if economic conditions turn out to be materially worse than currently projected, the development of our properties could be adversely affected and materially delayed from the timetable described in this Prospectus.

We may not be able to obtain qualification certificates, or extend or renew qualification certificates for real estate development, which could adversely affect our business

As our subsidiary, China South International, is not treated as a real estate developer, it does not require a long-term (two year) qualification certificate, which is normally granted to domestic real estate developers. The Shenzhen Municipal Bureau of Land Resources and Housing Management has, in the past, granted a short-term qualification certificate to China South International confirming that China South International is allowed to undertake the development of properties necessary for its integrated logistics and trade center operations, provided that such property development operations occur within the site area of China South City Shenzhen. On July 28, 2009, China South International obtained an annual renewal of the short-term qualification certificate.

Although we have successfully renewed this qualification certificate in the past, the final decision with respect to future applications is at the discretion of the local authority. As a result, we cannot assure you that China South International will be able to renew the qualification certificate in a timely manner, or at all. Nor can we assure you that project companies for our other properties planned for future development in Nanchang and Nanning will be able to obtain or renew a short-term qualification certificate for real estate development for these projects. If China South International or other project companies for our projects in Nanchang and Nanning are unable to obtain or renew qualification certificates, they may not be permitted by the PRC Government to continue to engage in property development activities associated with the development of their integrated logistics trade center business, which would materially and adversely affect our business, results of operations and financial condition.

Our Founding Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders

Our Founding Shareholders have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This influence may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to sell their Shares at a premium and might reduce the price of our Shares. These actions may be taken even if they are opposed by our other Shareholders. In addition, the interests of our Founding Shareholders may differ from the interests of our other Shareholders.

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

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

We may incur substantial additional indebtedness in the future

As of March 31, 2009, our gearing ratio was approximately 27.1%. Please see "— We may not be able to obtain adequate funding to complete the development of Phase Two of China South City Shenzhen, our property under development, or our properties planned for future development in Nanchang and Nanning" for further information on our indebtedness. In the future, we expect to incur additional indebtedness to complete Phase Two of China South City Shenzhen and our projects planned for future development in Nanchang and Nanning 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 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 carried out on satisfactory terms, if at all.

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

Our bank loan agreements and debt instruments require us to maintain certain financial ratios and contain a number of significant restrictive covenants. These covenants restrict, among other things, our ability and the ability of our subsidiaries to incur additional debt or make guarantees, incur liens, pay dividends or distributions on our or our subsidiaries' capital stock, repurchase our or our subsidiaries' capital stock, prepay certain indebtedness, sell or transfer property or assets, make investments, merge or consolidate with another company, and engage in any business other than related businesses. Please see "Financial Information — Indebtedness and Contingent Liabilities — The Notes" and "Financial Information — Indebtedness and Contingent Liabilities — Bank Borrowings."

If we are unable to comply with the restrictions and covenants in our 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 us, accelerate the outstanding debt and/or terminate the agreements, as the case may be. If the underlying obligation relates to our secured borrowings, the lender can take possession of the property securing the defaulted loan. Furthermore, some of our debt agreements contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of debt or result in a default under our other debt agreements. If any of these events occur, we cannot assure you that our assets and cash flow 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 depend on our Founding Shareholders, who are also 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 our Founding Shareholders, two of whom are also our executive Directors. Our Founding Shareholders are critical to our success because of their vision for our Company and their industry knowledge and relationships. If we were to lose their support, our relationships with lenders, government officials, potential tenants and industry personnel could be adversely affected. We may not be able to replace a Founding Shareholder easily or at all. As a result, the loss of any of our Founding Shareholders, whether because any one or more of them become unwilling to continue in their present capacities with us, develop disagreements 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. For a description of our senior management and other important staff members, please see "Directors, Senior Management and Employees." 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.

The costs of the Share Options granted under the Share Option Agreements and the options to be granted under the Share Option Scheme will adversely affect our results of operations and any exercise of such options granted may result in dilution to our Shareholders

On July 31, 2008, we entered into the Share Option Agreements and granted to two Directors and two employees Share Options to subscribe for an aggregate of 186,750,000 Shares (if fully exercised, representing approximately 3% of our total issued share capital after completion of the Global Offering assuming the exercise in full of the Over-allotment Option and the completion of the Capitalization Issue) under the Share Option Agreements. No further grants of Share Options will be made under the Share Option Agreements. The Share Options can only be exercised after the Global Offering. In addition, on September 4, 2009, we conditionally adopted the Share Option Scheme. Under the Share Option Scheme, we may issue options to purchase our Shares to our Directors, officers, employees and/

or consultants to the extent that the total number of Shares that may be issued upon exercise of all options to be granted does not in aggregate exceed 10% of the issued share capital of our Company immediately after the completion of the Global Offering assuming the exercise in full of the Over-allotment Option and the completion of the Capitalization Issue. As of the Latest Practicable Date, we had not granted any options under the Share Option Scheme. Together, the Share Options granted under the Share Option Agreements and the options to be granted under the Share Option Scheme may not in the aggregate exceed 13% of the issued share capital of our Company immediately after completion of the Global Offering assuming the Over-allotment Option is exercised in full and the Capitalization Issue is completed.

We have adopted "HKFRS 2 — Share-Based Payment" for the accounting treatment of our share-based compensation, which requires us to account for all stock-based compensation as compensation costs using a fair-value based method under which the fair value of the options granted to our Directors, officers and employees is recognized as an expense on the income statement and amortized on a straight line basis over a period from the date of the grant to the end of the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, determined by taking into account the terms and conditions under which the options were granted. In the fiscal years ended March 31, 2007, 2008 and 2009, we recognized HK$18.1 million, HK$39.5 million and HK$6.6 million of expenses in relation to options granted under the Share Option Agreements. We expect to grant options under our Share Option Scheme and to incur additional share-based compensation expenses in future periods with respect to options previously granted under the Share Option Agreements and to be granted under the Share Option Scheme, which will reduce our net income. In this regard, we expect that we will recognize HK$3.3 million of expenses in relation to options granted under the Share Option Agreements, although we are not able to currently provide an estimate of expenses in relation to options that may be granted under the Share Option Scheme. This is only an estimate, however, and the actual share-based compensation expenses in relation to the Share Option Agreements may be materially different from our current expectations. Please see "Forward-Looking Statements" for information regarding the various risks and uncertainties inherent in estimates of this type. We may also adopt additional equity incentive plans in the future, and our results of operations will be adversely affected if we grant options under such plans.

In addition, issuances of Shares with respect to awards under the Share Option Agreements and the Share Option Scheme, and other incentive plans which may be adopted in the future, will result in dilution of the percentage ownership of our Shareholders, as well as our earnings per Share and our net asset value per Share.

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

The property valuation report on our properties prepared by Savills Valuation and Professional Services Limited, or Savills, and providing a valuation of our properties as of June 30, 2009, is included as Appendix III to this Prospectus. The valuation was based on certain assumptions, which, by their nature are subjective and uncertain and therefore, the valuation may differ materially from the price we could receive in an actual sale of the properties in the market place. In addition, property valuations generally, and the valuation conducted by Savills in particular 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.

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

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

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

Potential liability for environmental problems could result in substantial costs

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

As required by PRC law, independent environmental consultants have conducted environmental impact assessments at all of our construction projects. Although the environmental investigations conducted to date have not revealed any 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. In the past, we experienced delays in completing environmental inspections for our hotel and restaurant at China South City Shenzhen. For further information, please see "Business — Environmental Matters." In order to comply with applicable environmental laws, rules and regulations, we have adopted certain measures to improve our internal control procedures. Please see "Business — Compliance — Internal Control Procedures." However, we cannot assure you 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, we may be subject to suspension of a portion of our operations as well as fines and penalties.

In previous years, we engaged in advertising services without proper authorization, which could subject us to penalties

In fiscal years 2007, 2008 and 2009, we had an advertising subsidiary, Shenzhen China South City Advertising, that provided advertising services at China South City Shenzhen for our tenants, including the rental of advertising space on billboards and the sale of advertising space in newsletters. However, we did not properly obtain the required registration certificates for the billboards from the Longgang District Management Department and the State Administration for Industry and Commerce. In April 2008, we ceased to enter into new contracts for the rental of advertising space on billboards but continued to provide advertising space under existing contracts until the expiration of these contracts in May 2009. We currently outsource these advertising services to an independent third party.

During the Track Record Period, we also generated revenue through our advertising subsidiary from sales of advertising space in our newsletters. Our advertising subsidiary did not possess the necessary license to conduct advertising services, such as the sales of advertising space in newsletters, and discontinued these activities as of April 1, 2008. Although we still publish newsletters, we no longer charge a fee to tenants to place advertisements in the publications.

In fiscal years 2007, 2008 and 2009, our revenues from billboard rental and newsletter activities were HK$0.8 million, HK$1.6 million and HK$0.3 million, respectively. If the relevant regulatory authorities were to take the position that our previous operations were in violation of existing rules and regulations, we could be subject to penalties, including confiscation of earnings, an order to cease operation of such activities, and monetary fines in the range of RMB30,000 to RMB9.8 million. We have adopted certain measures to improve our internal control procedures. Please see "Business — Compliance — Internal Control Procedures." However, we cannot assure you that such internal control procedures will be effective in preventing non-compliance with relevant statutory requirements and other rules and regulations in the future.

In the past, we have experienced certain incidents of non-compliance with respect to statutory requirements and rules and regulations and if we are unable to effectively comply with such rules and regulations or fail to effectively manage our growth, our business, results of operations and financial condition could suffer

We have experienced certain incidents of non-compliance with respect to statutory requirements and rules and regulations, including those with respect to pre-sale permits, lease registrations, temporary trade center certificates and advertising registrations. Although we have implemented certain measures to improve our internal controls, any failure to manage our operations effectively in the future could adversely affect our business, results of operations and financial condition. For additional information on the measures we have implemented to improve our internal controls, please see "Business — Compliance — Internal Control Procedures."

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

- train, manage and appropriately expand our human resources and other components of our business on a timely and effective basis; and
- implement and maintain adequate management controls.

We cannot assure you that we will be able to manage our expanding operations effectively or that we will be able to continue to grow.

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. For example, certain loan agreements of our subsidiaries contain certain covenants that limit their ability to pay dividends to us until the loans are repaid, or unless certain net profit thresholds are satisfied, or, in certain cases, limit their ability to pay dividends to us if the amount of the dividends exceed 30% of their after-tax profits.

In addition, 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 maintained for their employees, consisting of pension benefits, personal injury insurance and medical and unemployment benefits. In addition, each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the cumulative amount of such reserves and fund reaches 50% of its registered capital. As of March 31, 2009, our statutory reserves for China South International amounted to RMB18.7 million, and our accumulated profits that were unrestricted and were available for distribution amounted to RMB3.00 billion. Our statutory reserves are not distributable as cash dividends.

At present, our PRC subsidiaries are also required to pay a 7% withholding tax on the interest paid under any shareholder loans and to provide evidence of this and other documents before they can make payments of interest and principal on shareholder loans in foreign currency. Please see "— Risks Relating to Doing Business in the PRC — Restrictions on foreign currency exchange may limit our ability to obtain and remit foreign currency or to utilize our revenues effectively."

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

Our sales of trade center units are subject to land appreciation tax in the PRC. In addition, sales of residential properties in our properties planned for future development may be subject to land appreciation tax. Land appreciation tax is payable on the gain, representing the balance of the proceeds received on such sale, after deducting various prescribed items, including sums paid for acquisition of land-use rights, the direct costs and expenses of the development of the land and construction of buildings and supplementary facilities or the appraised price of any previous buildings and structures existing on the land and taxes related to the assignment of the real property. Under applicable PRC laws and regulations, land appreciation tax is chargeable on the gain at progressive rates ranging from 30% to 60%. Property developers enjoy an additional deduction which is equal to 20% of the sums paid for acquisition of land-use rights and the direct costs of land development and construction of new buildings and supplementary facilities.

The Shenzhen municipal tax authority did not impose the land appreciation tax until November 2005. Since November 2005, it has levied the land appreciation tax at the rate of 0.5% against the total sales proceeds of our commercial properties. Accordingly, starting in November 2005, we have paid such land appreciation tax expenses based on the total sales amount of the contracts we entered into with purchasers of trade center units for each fiscal year at the rate of 0.5% set by the Shenzhen municipal tax authority. In fiscal years ended March 31, 2007, 2008 and 2009, we paid land appreciation tax to the Shenzhen municipal tax authority in the amounts of HK$0.3 million, HK$0.3 million and HK$0.3 million, respectively. 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. Since February 2007, the date of the LAT Notice's implementation, we have accrued all land appreciation tax payable on our property sales and transfers since November 2005 in accordance with the progressive rates specified in relevant tax laws. 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 us, and, therefore, we have not made the additional payments of land appreciation tax during the Track Record Period. In fiscal years ended March 31, 2007, 2008 and 2009, we made provisions for land appreciation tax in the amount of HK$7.4 million, HK$20.4 million and HK$17.7 million, respectively. 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.

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

On March 16, 2007, the PRC National People's Congress, the PRC legislature, adopted a new tax law, the *Enterprise Income Tax Law of the People's Republic of China* (中華人民共和國企業所得稅法) (the "Enterprise Income Tax Law"), which became effective January 1, 2008. On December 6, 2007, the State Council issued the *Implementation Regulations of the Enterprise Income Tax Law* (the "Implementation Regulations"), which also became effective January l, 2008. The Enterprise Income Tax Law imposes a uniform tax rate of 25% 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. However, the Enterprise Income Tax Law grandfathers preferential tax treatments for foreign investment enterprises established before March 16, 2007. For foreign investment enterprises that are currently enjoying the preferential tax rate of 15%, their applicable tax rate will be gradually phased into the new 25% tax rate during a five-year transitional period. Although seven of our PRC subsidiaries located in Shenzhen, which accounted for substantially all of our revenue and operating profit during the Track Record Period, enjoyed the preferential enterprise income tax rate of 15% on their taxable income for the years prior to 2008, since they are located outside of the Shenzhen Special Economic Zone, we cannot assure you that their tax rate increase will continue to be gradual over a matter of five years as prescribed by the Enterprise Income Tax Law. In addition, since our seven subsidiaries are located outside of the Shenzhen Special Economic Zone, the preferential tax rate imposed by the Shenzhen tax authority prior to 2008 is not recognized under national laws and regulations governing enterprise income tax and may be subject to challenge by higher tax authorities. Our corporate income tax would have increased by zero, zero and HK$5.6 million for the fiscal years ended March 31, 2007, 2008 and 2009, respectively, if our seven subsidiaries did not enjoy a preferential tax rate during the Track Record Period. A sudden increase in tax rates on our PRC subsidiaries or a demand by the relevant tax authority for retroactive payment of taxes may materially adversely affect our financial condition and results of operations.

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

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

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

We may have to forfeit land being developed if we do not comply with the terms of the land grant contract

Under PRC law, if a developer fails to develop land according to the terms of the 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. 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 you that circumstances leading to possible forfeiture of land or delays in the completion of an integrated logistics and trade center development will not occur in the future. For example, we have one parcel of land at China South City Shenzhen with a site area of approximately 54,600 square meters which we have not developed according to the schedule set forth in the related land grant contract. We are currently awaiting the Shenzhen Municipal Bureau of Land Resources and Housing Management to sign a supplementary land grant contract to extend this development schedule. However, we cannot assure you that we will be able to do so or that we will not receive a warning or face forfeiture in relation to this parcel land in the future. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, if we are unable to extend the development schedule for this parcel of land and it is classified as idle land, the maximum possible idle fees will be less than RMB3.3 million and, if we are unable to enter into a supplementary land grant contract, this land may be subject to forfeiture. If we cannot extend the development schedule of this land before the Listing, the Founding Shareholders will indemnify the Company for any payment of idle fees or other losses as a result of forfeiture. For further information, please see "Business — Land-Use Rights and Building Ownership Rights — China South City Shenzhen."

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 our properties planned for future development in Nanchang and Nanning. With respect to our properties planned for future development in Nanchang and Nanning, we will be responsible for land payments only following the successful relocation of existing residents by and at the cost of the local government.

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 business is conducted in, and all of our 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 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 overinvestment 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 2008, China's real GDP grew by a rate of an estimated 9.8% as compared to a rate of 11.9% in 2007. In response to the current 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: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 substantially all of our revenues, expenses and bank loans are denominated in Renminbi, we do have loans from our Shareholders that are denominated in Hong Kong dollars, and the Notes that are denominated in U.S. 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 our 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.

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 South City Shenzhen. However, certain of our expenses, including labor costs for our employees in Hong Kong, rental expenses for our office space in Hong Kong and advertising expenses for advertising in Hong Kong and overseas media are denominated in foreign currencies, mostly Hong Kong dollars and U.S. dollars. 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 State Administration for Foreign Exchange). We cannot assure you 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 may face PRC regulatory risks relating to our Share Option Scheme

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

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

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

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for our Shares may not develop, which could have a material and adverse effect on our Share price and on your ability to sell your Shares

Prior to the Global Offering, there has been no public market for the Shares. The initial public offering price range per Share was the result of negotiations among us and the Joint Bookrunners, on behalf of the Underwriters, and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to list and trade the Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active, liquid public trading market for the Shares will develop following the Global Offering or in the future. If an active public market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares may be adversely affected. Investors may not be able to resell their Shares at or above the Offer Price or at all.

As the Offer Price is higher than the net tangible asset value per Share, you will experience immediate dilution in the value of the Shares purchased by you

The Offer Price will be higher than the net tangible asset value per Share of the outstanding Shares issued to the existing Shareholders. Therefore, subscribers and purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value per Share as of March 31, 2009 to HK$1.23 (based on the maximum Offer Price of HK$2.10, and assuming the Over-allotment Option is not exercised), and the existing Shareholders will receive an increase in the pro forma net tangible asset value per share of their Shares. If the Underwriters exercise their Over-allotment Option or if the Share Options are exercised or we issue additional Shares in the future, you may experience further dilution.

The market price and trading volume for our Shares may be volatile

The price and trading volume of our Shares may be highly volatile and may not always accurately reflect the underlying value of our business. Factors such as variations in our revenues, net profit and cash flows and announcements of new investments, strategic alliances and/or acquisitions, could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade and investors may realise less than the original sum invested. We cannot assure you that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange have experienced substantial price volatility in the past, and it is possible that our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

Substantial future sales or perceived sales of our Shares in the public market could cause the price of our Shares to decline

Sales of our Shares in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our Shares to decline. Upon completion of this Global Offering, we will have 6,000,000,000 Shares outstanding, or 6,411,750,000 Shares outstanding if the Underwriters exercise their Over-allotment Option and if the Share Options are exercised in full. Holders of our Shares, including holders of Share Options, will be able to sell their Shares upon the expiration of certain lock-up periods. Please see "Underwriting." We cannot predict what effect, if any, market sales of securities held by our significant Shareholders or any other Shareholders or the availability of these securities for future sale will have on the market price of our Shares.

We cannot assure you of the accuracy or comparability of official government facts and statistics contained in this Prospectus with respect to the PRC, the PRC's economy or the real estate and logistics industries

Some of the facts and statistics in this Prospectus relating to the PRC, the PRC economy and the real estate and logistics industry sectors in the PRC are derived from various official government publications and obtained in communications with various official government agencies that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials from official government sources. Such facts and statistics from official government sources have not been independently verified by us, the Underwriters nor any of their or our affiliates or advisors and, therefore, we make no representation as to the accuracy of such official government facts and statistics, which may not be consistent with other information compiled within or outside the PRC.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the official government statistics in this Prospectus relating to the PRC economy and the real estate and logistics industry sectors in the PRC may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case in other countries. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such official government facts or statistics.

We cannot guarantee that we will pay dividends

Any declaration of dividends will be proposed by our 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 the Directors deem significant from time to time. For further details of our dividend policy, please see "Financial Information — Dividend Policy." We have not declared or paid a dividend since our incorporation. We cannot guarantee if and when we will pay dividends in the future.

It may be difficult to effect service of process upon us or our Directors or to enforce any judgments obtained from non-PRC courts

Our operations are 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, Commerce & Finance Law Offices, 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.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this Prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this Prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters. The International Offering is managed by the Joint Bookrunners. The International Placing Agreement is expected to be entered into on or about September 23, 2009 subject to agreement on the Offer Price between us and the Joint Bookrunners, on behalf of the Underwriters. If, for any reason, the Offer Price is not agreed upon between us and the Joint Bookrunners, on behalf of the Underwriters, the Global Offering will not proceed and will lapse. For further details of the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this Prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Joint Bookrunners, on behalf of the Underwriters, and us on the Price Determination Date.

If we and the Joint Bookrunners, on behalf of the Underwriters, are unable to reach an agreement on the Offer Price on or before Monday, September 28, 2009, the Global Offering will not become unconditional and will lapse.

SELLING RESTRICTIONS

No action has been taken in any jurisdiction other than Hong Kong to permit any public offering of the Offer Shares or the distribution of this Prospectus. Accordingly, without limitation to the following, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such offer or invitation.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this Prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may fall to be issued under the Over-allotment Option), the Capitalization Issue and any Shares which may fall to be issued pursuant to the exercise of the Share Options or the options which may be granted under the Share Option Scheme. Save as disclosed in this Prospectus, no part of our Shares or loan capital is listed on or dealt in on any other stock exchange. At present, we are not seeking or proposing to seek such listing of, or permission to deal in, our Shares or loan capital on any other stock exchange.

HONG KONG REGISTER AND STAMP DUTY

All of the Shares issued and sold pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on our register of members in Hong Kong.

No stamp duty is payable by applicants in the Global Offering.

Dealings in the Shares will be subject to stamp duty in Hong Kong.

Unless we determine otherwise, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on our Share register, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisors for details of the settlement arrangements that may affect their rights and interests. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or exercising any rights in relation to, our Shares. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, our Shares.

PROCEDURE FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The procedure for applying for Hong Kong Public Offer Shares is set out in the section headed "How to Apply for Hong Kong Public Offer Shares" and on the relevant Applications Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering."

ROUNDING

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments, or have been rounded to one decimal place. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATES

Our subsidiaries' financial information is first prepared in Renminbi and then translated into Hong Kong dollars at (1) the following year-end exchange rates for balance sheet data and (2) the following average exchange rates for income statement data.

	As of and for the Fiscal Year Ended March 31,		
	2007	**2008**	**2009**
Period-end RMB : HK$ exchange rate	1.0115	1.1099	1.1341
Period average RMB : HK$ exchange rate	0.9852	1.0466	1.1323

Translations of Renminbi into Hong Kong dollars over the entire Track Record Period are translated at a rate of RMB1.00 : HK$1.1323. Translations of Renminbi into Hong Kong dollars after March 31, 2009 are translated at a rate of RMB1.00 : HK$1.1351.

Unless otherwise specified, amounts denominated in RMB and HK$ have been translated, for illustration purposes only, into US$ at RMB6.85 : US$1.00 and HK$7.75 : US$1.00. No representation is made that any amounts in RMB, HK$ or US$ can be, or could have been at the relevant dates, converted at the above rates or any other rates, or at all.

DIRECTORS

Executive Directors

Name	Address	Nationality
Mr. CHENG Chung Hing	20B, The Mayfair 1 May Road Hong Kong	Chinese
Mr. LEUNG Moon Lam	Flat A, 4/F, Block 6 Julimount Garden 1–5 Hin Tai Street Shatin New Territories Hong Kong	Chinese
Professor XU Yang	14D, Block 8 Xiangyu City Garden No. 66 Nongyuan Road Futian, Shenzhen Guangdong China	Chinese

Non-executive Directors

Name	Address	Nationality
Dr. MA Kai Cheung *SBS, BBS*	Duplex D, 2/F Emperor Place 7 Oxford Road Kowloon Tong Kowloon Hong Kong	Chinese
Mr. SUN Kai Lit Cliff *BBS, JP*	Flat A & B, 20/F Block E Wylie Court 21 Wylie Path Kowloon Hong Kong	Chinese

Name	Address	Nationality
Dr. MA Wai Mo	House No. 11 Deerhill Avenue Deerhill Bay No. 4699 Tai Po Road Tai Po Kau Tai Po New Territories Hong Kong	Chinese

Independent Non-executive Directors

Name	Address	Nationality
Mr. SHI Wan Peng	801, Block 8 Cuiwei West Lane Wanshou Road Haidian District Beijing China	Chinese
Mr. LEUNG Kwan Yuen Andrew *SBS, JP*	No. 52 La Salle Road Kowloon Tong Hong Kong	Chinese
Mr. LI Wai Keung.	Flat 1, 11/F, Block C Beverly Hill, 6 Broadwood Road Happy Valley, Hong Kong	Chinese

PARTIES INVOLVED

Sole Global Coordinator	Merrill Lynch International Merrill Lynch Financial Centre 2 King Edward Street London EC1A 1HQ England
Sole Sponsor	Merrill Lynch Far East Limited 15/F, Citibank Tower 3 Garden Road Central Hong Kong
Joint Bookrunners	Merrill Lynch International Merrill Lynch Financial Centre 2 King Edward Street London EC1A 1HQ England BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central Hong Kong
Joint Lead Managers	*Hong Kong Public Offering* Merrill Lynch Far East Limited 15/F, Citibank Tower 3 Garden Road Central Hong Kong BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central Hong Kong

International Offering
Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London
EC1A 1HQ
England

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

Legal Advisors to the Company

As to Hong Kong and United States laws
Baker & McKenzie
14/F, Hutchison House
10 Harcourt Road
Central
Hong Kong

23/F, One Pacific Place
88 Queensway
Hong Kong

As to PRC law
Commerce & Finance Law Offices
27C Shenzhen Te Qu Bao Ye Building
Shenzhen, PRC

Legal Advisors to the Sole Sponsor and Underwriters

As to Hong Kong law
Morrison & Foerster
33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to United States law
Simpson Thacher & Bartlett LLP
35/F, ICBC Tower
3 Garden Road
Central
Hong Kong

	As to PRC law Jun He Law Offices 20/F, China Resources Building Beijing 100005 China
Auditors and Reporting Accountants	Ernst & Young *Certified Public Accountants* Two International Finance Centre 18/F, 8 Finance Street Central Hong Kong
Property Valuer	Savills Valuation and Professional Services Limited 23/F, Two Exchange Square 8 Connaught Place Central Hong Kong
Receiving Banks	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong Bank of Communications Co., Ltd. Hong Kong Branch Hong Kong Branch 20 Pedder Street Central Hong Kong
Nominee	HSBC Nominees (Hong Kong) Limited Level 30 1 Queen's Road Central Hong Kong

Registered Office and Headquarters	Room 2205 22/F, Sun Life Tower The Gateway 15 Canton Road Tsimshatsui Kowloon Hong Kong
Company's Website	www.chinasouthcity.com (the information contained on this website does not form part of this Prospectus)
Company Secretary	Ms. TSE Man Yu (FCPA)
Compliance Advisor	Taifook Capital Limited
Authorized Representatives	Mr. CHENG Chung Hing 20B, The Mayfair 1 May Road Hong Kong Ms. TSE Man Yu (FCPA) Flat E, 19/F., Tower 9 Ocean Shores II 8 O King Road Tseung Kwan O N.T., Hong Kong
Audit Committee	Mr. LI Wai Keung *(Chairman)* Mr. SHI Wan Peng Mr. LEUNG Kwan Yuen Andrew
Nomination Committee	Mr. LEUNG Kwan Yuen Andrew *(Chairman)* Mr. CHENG Chung Hing Mr. LI Wai Keung
Remuneration Committee	Mr. LI Wai Keung *(Chairman)* Mr. CHENG Chung Hing Mr. LEUNG Kwan Yuen Andrew
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hong Kong Branch
HSBC Main Building Plaza
1 Queen's Road Central
Central District
Hong Kong

Shenzhen Branch
8/F China Resources Building
No 5001, Shennan Road East
Luohu District, Shenzhen
Guangdong
China

Industrial and Commercial Bank of China Limited
Shenzhen Branch
North Block, Financial Centre
Shennan Road East
Shenzhen
China

Agricultural Bank of China
Shenzhen Branch
5008 Shennan Road East
Shenzhen
China

China Construction Bank Corporation
Shenzhen Branch
East Section, Financial Center
South Hongling Road
Shenzhen
China

Bank of China Limited
Shenzhen Branch
International Financial Building
2022 Jianshe Road
Shenzhen
China

Bank of China (Hong Kong) Limited
Shenzhen Branch
G/F The Kwangtung Provincial Bank Building
1013 Renmin South Road
Shenzhen
China

This section contains information and statistics relating to China, the Chinese economy and the industries in which we operate. The information and statistics set out in this section have been extracted from various published sources and have not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters or any of their respective affiliates or advisors. We make no representation as to the correctness or accuracy of such information.

OVERVIEW OF THE PRC ECONOMY

Over the last decade, China has experienced significant economic growth, largely as a result of the government's post-1978 economic reforms. China's accession to the World Trade Organization, or the WTO, in 2001 has further accelerated the reform of the PRC economy. In the past five years, China's GDP has increased from approximately RMB15,987.8 billion in 2004 to approximately RMB30,067.0 billion in 2008 at a compound average growth rate, or CAGR, of approximately 17.1%. In 2008, China's real GDP grew by 9.8% as compared to a growth rate of 11.9% in 2007.

The following table sets forth selected annual data relating to the PRC economy for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	15,987.8	18,322.7	21,192.4	24,953.0	30,067.0
Real GDP growth rate	10.1%	10.4%	11.6%	11.9%	9.8%
Per capita GDP (RMB)	12,336	14,053	16,165	18,934	22,640
Foreign direct investment (US$ in billions)	60.6	60.3	63.0	74.8	92.4
Fixed asset investment (RMB in billions)	7,047.7	8,877.4	11,000.0	13,732.3	17,229.1
Consumer price index	103.9	101.8	101.5	104.8	105.9
Unemployment rate	4.2%	4.2%	4.1%	4.0%	4.2%

Source: China Statistical Yearbook, National Bureau of Statistics of China, Central Intelligence Agency The World Factbook.

REGIONAL GROWTH IN THE PRC ECONOMY

Guangdong Province

Guangdong Province is located in the heart of the Pearl River Delta, adjacent to Hong Kong to its south. It covers a total area of approximately 179,757 square kilometers and had a population of approximately 95.4 million as of December 31, 2008. The Pearl River Delta has been an important economic region in China with significant development and growth over the past decades. In line with the economic growth in Guangdong Province, the purchasing power of Guangdong residents has increased significantly over the years, which has supported the growth of the real estate market in Guangdong Province. In 2008, the per capita GDP growth rate of Guangdong Province increased by approximately 13.4% as compared to 2007. The table below sets forth selected economic statistics for Guangdong Province for the years indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	1,886.5	2,236.7	2,616.0	3,108.4	3,569.6
As % of PRC GDP	11.8	12.2	12.3	12.5	11.9
Per capita GDP (RMB)	20,876	24,438	28,332	33,151	37,588
Per capita GDP growth rate	17.3%	17.1%	15.9%	17.0%	13.4%
Consumer price index	103.0	102.3	101.8	103.7	105.6
Unemployment rate	2.7%	2.6%	2.6%	2.5%	2.6%

Sources: Guangdong Statistical Yearbook, Statistics Bureau of Guangdong Province.

Jiangxi Province

Jiangxi Province, located in the southern part of China with the Yangtze River as its northern border, comprises approximately 167,000 square kilometers in area. According to China Statistical Yearbook, by year end 2008, Jiangxi Province had a population of approximately 44.0 million. In 2008, the per capita GDP growth rate of Jiangxi Province increased by approximately 16.6% as compared to 2007. The table below sets forth selected economic statistics of Jiangxi Province for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	345.7	405.7	467.1	550.0	648.0
As % of PRC GDP	2.2	2.2	2.2	2.2	2.2
Per capita GDP (RMB)	8,189	9,440	10,798	12,633	14,727
Per capita GDP growth rate	22.6%	15.3%	14.4%	17.0%	16.6%
Consumer price index	103.5	101.7	101.2	104.8	106.0
Unemployment rate	3.6%	3.5%	3.6%	3.4%	3.4%

Source: China Statistical Yearbook, Statistics Bureau of Jiangxi Province, CEIC.

Guangxi Zhuang Autonomous Region

Guangxi Zhuang Autonomous Region, located in Southwest China, comprises approximately 236,700 square kilometers in area. Because of its shared border with Vietnam and its proximity to Guangzhou and Hong Kong, Guangxi Zhuang Autonomous Region is an important commercial center that provides China strategic access to Southeast Asia. According to the Statistics Bureau of Guangxi Zhuang Autonomous Region, by December 31, 2008, Guangxi Zhuang Autonomous Region had a population of approximately 50.5 million. In 2008, the per capita GDP growth rate of Guangxi Zhuang Autonomous Region increased by approximately 19.2%. The table below sets forth selected economic statistics of Guangxi Zhuang Autonomous Region for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	343.4	407.6	482.9	595.6	717.2
As % of PRC GDP	2.1	2.2	2.3	2.4	2.4
Per capita GDP (RMB)	7,196	8,788	10,296	12,555	14,966
Per capita GDP growth rate	20.6%	22.1%	17.2%	21.9%	19.2%
Consumer price index	104.4	102.4	101.3	106.1	107.8
Unemployment rate	4.1%	4.2%	4.1%	3.8%	3.8%

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

THE TRADE CENTER MARKET IN THE PRC

Overview

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

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

The following table sets forth the total output and annual growth in output in 2007 compared to 2006 for selected industries in China.

Type of Industry	Total Output of Industry	Growth in Total Output of Industry
	(RMB in billions)	(%)
Electronics[(1)]	3,922.4	18.6
Chemicals[(2)]	3,092.0	30.7
Textile and clothing[(3)]	2,633.4	22.6
Metal products	1,144.7	34.2
Printing and paper products[(4)]	844.3	25.2
Plastics	812.0	27.3
Leather and accessories	515.3	24.2
Total	12,964.1	24.6

Source: China Statistical Yearbook.

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

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

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

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

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

Trade Center	Province	Commencement Date	Industry	Approximate GFA
				(in square meters)
Huaqiangbei	Guangdong	1988	Electronics	280,000
Keqiao Textile Cities	Zhejiang	1993	Textile	800,000
Shishi Clothing Base	Fujian	1995	Textile	550,000
Zhongda Textile Market	Guangdong	1982	Textile	500,000
Humen Clothing Market	Guangdong	1995	Textile	450,000
Qianqing Light Textile Raw Material Market	Zhejiang	1993	Textile	300,000
Zhanqian Road Clothing Wholesale Center	Guangdong	1985	Textile	260,000
Guangdong Hardware City	Guangdong	2003	Metal	900,000
Yongkang Hardware City Zhejiang	Zhejiang	1992	Metal	600,000
Zhongshan Hardware and Electrical Center	Guangdong	2006	Metal	200,000
Guangdong International Packaging & Printing City	Guangdong	2005	Printing	200,000
China Printing City	Zhejiang	2002	Printing	200,000
Huadu Shiling	Guangdong	1983	Leather	500,000
Zhejiang Haining Leather Clothing Center	Zhejiang	1993	Leather	160,000

Source: Colliers International.

The Trade Center Industry in Guangdong Province

Guangdong Province has become a major center of manufacturing in China. According to China Statistical Yearbook, in 2008, Guangdong Province had a GDP of approximately RMB3,569.6 billion and exports with a value of US$404.1 billion, which accounted for 11.9% and 28.3%, respectively, of China's total GDP and exports.

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

The following table sets forth the total output in 2007 and annual growth in output in 2007 compared to 2006 for selected industries in Guangdong Province covered by our existing trade centers.

Type of Industry	Total Output of Industry	Growth in Total Output of Industry
	(RMB in billions)	(%)
Electronics[1]	1,337.7	12.5
Textiles and clothing[2]	287.6	20.1
Chemicals[3]	274.6	26.9
Metal products	262.1	34.1
Plastics	202.4	29.3
Printing and paper products[4]	151.8	23.6
Leather and accessories	97.9	20.6
Total	2,614.0	18.8

Source: China City Statistical Yearbook.

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

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

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

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

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

According to Colliers International, there are six trade center projects in Shenzhen, each of which specialize in one industry sector, and with GFA ranging from 45,000 square meters to over 300,000 square meters. The majority of these trade center projects had rental occupancy rates of over 90% as of July 2009.

The Trade Center Industry in Jiangxi Province

In 2008, Jiangxi Province had a GDP of RMB648.0 billion, which accounted for approximately 2.2% of China's total GDP.

The following table sets forth the total output in 2007 and annual growth in output in 2007 compared to 2006 for selected industries in Jiangxi Province that we may focus on in our planned trade center project in Nanchang.

Type of Industry	Total Output of Industry	Growth in Total Output of Industry
	(RMB in billions)	(%)
Processing of metals and minerals[1]	222.3	59.0
Chemicals[2]	38.2	55.6
Textile and clothing[3]	35.7	46.6
Manufacture of food and agricultural products	33.6	43.9
Electrical machinery and equipment	21.8	25.1
Medical and pharmaceutical products	30.5	96.0
Leather	6.3	68.9
Plastics	5.8	68.7
Total	394.3	56.3

Source: China City Statistical Yearbook.

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

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

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

There are a variety of trade centers located in Nanchang, the capital city of Jiangxi Province. Currently, the majority of trade centers in Nanchang are specialized, rather than comprehensive, in their industry focus, and most of the trade centers focus on selling finished goods. According to the Nanchang Municipal Statistical Bureau, as of the end of 2008, there were 30 markets in Nanchang with a total annual transaction volume of RMB100 million.

The Nanchang trade center market is fragmented, with numerous small trade centers and, as of July 2009, approximately seven larger trade centers with total GFA of over 100,000 square meters and a rental occupancy rate of approximately 90%. Several trade centers also provide logistics services. Many of the trade centers in Nanchang are often limited to one industry sector. There are currently no large-scale integrated trade centers in Nanchang.

The Trade Center Industry in Guangxi Zhuang Autonomous Region

Guangxi Zhuang Autonomous Region is developing into a regional trade center due to its proximity to ASEAN countries. In 2008, Guangxi Zhuang Autonomous Region had a GDP of RMB717.2 billion and exports with a value of US$7.4 billion, which accounted for 2.4% and 0.5%, respectively, of China's total GDP and exports.

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

The following table sets forth the total output in 2007 and annual growth in output in 2007 compared to 2006 for selected industries in Guangxi that we may focus on in our planned trade center project in Nanning.

Type of Industry	Total Output of Industry	Growth in Total Output of Industry
	(RMB in billions)	(%)
Automobile and transport equipment	107.4	29.6
Plastics and chemicals(1)	36.1	30.9
Electrical machinery and equipment	11.6	60.1
Medical and pharmaceutical products	9.6	20.8
Textile and clothing(2)	7.3	20.2
Electronics	6.5	29.8
Leather	3.8	16.2
Metal products	3.3	44.1
	185.6	30.4

Source: Guangxi Statistical Yearbook.

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

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

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

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

The Nanning trade center market is currently fragmented with a range of trade centers varying in size and type of industries represented. The 26 largest trade centers with a total transaction volume of RMB100 million each have total GFA of over 10,000 square meters. According to Colliers International, of the seven more established trade centers in Nanning, the average occupancy rate was approximately 90% as of July 31, 2009 and total GFA of the trade centers range from 18,200 square meters to over 100,000 square meters. Logistics services are also available on-site at many of the trade centers. Most of the trade centers in Nanning are focused on one industry, with a lack of integrated, multi-industry trade centers with supporting logistics and auxiliary services.

THE TRANSPORTATION AND LOGISTICS INDUSTRY IN CHINA

Overview

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

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

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

Drivers for Growth

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

China has taken advantage of its lower production costs and a plentiful supply of inexpensive labor compared with more developed countries, and an increasingly sophisticated transportation infrastructure, to become a manufacturing and export center. As exports from China grow as a result of increased outsourcing of manufacturing to China, the number of manufacturing facilities in China and the amount of foreign direct investment, particularly in the manufacturing industry, in China will continue to grow. In 2008, the PRC was one of the major foreign trading nations in terms of trade volume, with total foreign trade volume of approximately US$2,561.6 billion, representing a 17.8% increase compared to 2007. According to China Statistical Yearbook 2008, in 2007, China ranked third in the world in terms of the amount of exports and imports, after the United States and Germany. Between 2004 and 2008, China's exports and imports volumes grew at compounded annual growth rates of 24.6% and 19.2%, respectively. China's exports and imports in 2008 reached US$1,428.5 billion and US$1,133.1 billion, respectively, representing increases of 17.3% and 18.5% compared to 2007. As exports and imports from and into China continue to grow, logistics throughput in China is expected to increase.

The following table presents information relating to China's foreign trade for the periods indicated.

	2004	2005	2006	2007	2008
	(in billions of US$, except for percentages)				
Exports	593.3	762.0	968.9	1,217.8	1,428.5
Imports	561.2	660.0	791.5	956.0	1,133.1
Balance of trade	32.1	102.0	177.5	261.8	295.4
Exports as percentage of imports	105.7%	115.5%	122.4%	127.4%	126.1%
Exports as percentage of GDP	30.7%	34.2%	36.6%	37.5%	32.5%

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

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

Further, the recent WTO accession agreement has allowed the logistics industry in the PRC to be fully opened to foreign companies, which should increase demand for warehouses and logistics facilities throughout China. Also driving demand for warehouses and logistics facilities is the increase in trade and exports between China and Hong Kong resulting from the Closer Economic Partnership Arrangement ("CEPA") signed in 2003. Under CEPA, all goods made in Hong Kong (except certain prohibited articles) can be exported to China and enjoy zero tariffs, and all goods made in China can be exported to Hong Kong and enjoy zero tariffs. According to the Census and Statistics Department of the Government of the Hong Kong Special Administrative Region, exports from Hong Kong to China increased 4.8% in 2008 compared to 2007, and exports from China to Hong Kong increased 6.1% in 2008 compared to 2007.

Transportation

Freight is transported in China by means of rail, roadways, air and waterways and sea.

Rail. As a developing country, China relies heavily on rail for long-distance transportation. In 2007, 3,142.4 million tons of freight were transported by rail, an increase of 9.0% from 2,882.2 million tons in 2006, and representing 13.8% of total cargo transportation. At the end of 2007, the PRC had approximately 78,000 kilometers of railways. China's Minister of Railways Liu Zhijun has stated that from 2005 to 2010, China will build 19,800 kilometers of new railway lines and modernize 15,000 kilometers of existing railway lines.

Roadways. Trucking is an important mode of short and long distance transportation in China. In 2007, 16,394.3 million tons of freight were transported by highways, an increase of 11.8% from 14,663.5 million tons in 2006, and representing 72.0% of total cargo transportation. At the end of 2007, there were approximately 3.6 million kilometers of highways.

Air. In 2007, 4.0 million tons of freight were transported by air, an increase of 15.0% from 3.5 million tons in 2006, representing less than 0.02% of total cargo transportation.

Waterways and sea transportation. In 2007, 2,812.0 million tons of freight were transported by waterways and the sea, an increase of 13.1% from 2,487.0 million tons in 2006, and representing 12.4% of total cargo transportation. There are four principal waterway systems in China: the Yellow River in the north, the Yangtze River in central China, the Pearl River in the south and Beijing-Hangzhou Grand Canal.

REAL ESTATE MARKET IN THE PRC

Overview

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

The PRC property market continues to grow as evidenced by the increase in prices for property in China from 2004 to 2008. The average price per square meter for the overall property market, including residential and commercial property, was approximately RMB3,877 in 2008, compared to approximately RMB2,778 in 2004. The increase in land prices in the PRC is due to the limited supply of land in favorable locations and competition among developers for the land. The transaction price indices of land decreased from RMB110.1 in 2004 to RMB105.8 in 2006 as more land outside the center of major cities were sold, which were usually lower in price compared with land in the center of major cities. The transaction price indices of land decreased slightly in 2008 because of the macroeconomic measures introduced by the PRC Government to control perceived overinvestment in the property market. In response to the recent global economic downturn, the PRC Government has adopted increasingly flexible macroeconomic policies to ease the economic downturn pressure. According to Colliers International, the prices of property and land are expected to continue to increase in the mid to long term.

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

	2004	2005	2006	2007	2008
Supply indicators:					
Investment in real estate (RMB in billions)	1,315.8	1,590.9	1,942.3	2,528.9	3,521.8
GFA of commercial properties sold (square meters in millions)	382.3	554.9	618.6	773.5	620.9
GFA of projects under construction (square meters in millions)	1,404.5	1,660.5	1,947.9	2,363.2	2,741.0
GFA of new developments (square meters in millions)	604.1	680.6	792.5	954.0	975.7
Demand indicators:					
Average sales price of residential commodity properties (RMB per square meter)	2,608	2,937	3,119	3,645	3,882
Average sales price of all properties, including residential, commercial, office and other properties (RMB per square meter)	2,778	3,168	3,367	3,864	3,877
Transaction price indices of land	110.1	109.1	105.8	112.3	109.5

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

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

In response to the current global economic downturn and corresponding decline in the rate of growth of the PRC economy, the PRC Government has increasingly reversed its policies with respect to the domestic property market, including the announcement and adoption of new measures specifically designed to encourage development of the domestic property market. For further information with respect to new measures adopted by the PRC Government in response to the global economic downturn, please see "— Recent Developments — State Council Fiscal Stimulus Measures."

Real Estate Market in Guangdong Province and Shenzhen

Guangdong Province

According to the Statistics Bureau of Guangdong Province, a total GFA of approximately 43.6 million square meters of commercial properties was completed in Guangdong Province in 2008, representing an increase of approximately 2.3% compared to 2007, and a total GFA of approximately 48.2 million square meters of commercial properties was sold in Guangdong Province in 2008, a decrease of approximately 21.9% from 61.7 million square meters sold in 2007. In 2008, the average price of commercial property in Guangdong Province was RMB5,914 per square meter, compared to RMB5,891 in 2007, and total sales revenue from commercial properties was RMB288.0 billion in 2008, compared to RMB366.4 billion in 2007. The table below sets forth certain information relating to the property market in Guangdong Province for the periods indicated.

	2004	2005	2006	2007	2008
GFA completed (square meters in millions)	34.1	43.9	43.1	42.6	43.6
GFA sold (square meters in millions)	33.5	50.4	51.8	61.7	48.2
% of total GFA sold in the PRC	8.8	9.1	8.4	8.0	7.8

Source: China Statistical Yearbook, Statistics Bureau of Guangdong Province, Colliers International.

Shenzhen

Shenzhen, which is the second largest city in Guangdong Province by developed land area, is located in the southern region of Guangdong Province. Highways, railways and waterways connect Shenzhen to nearby Hong Kong and Macau. According to the Statistics Bureau of Shenzhen, as of December 31, 2008, Shenzhen had a population of approximately 8.8 million. In 2008, Shenzhen's GDP reached approximately RMB780.7 billion, representing a per capita GDP of approximately RMB89,814. The table below sets forth selected economic statistics of Shenzhen for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	428.2	495.1	581.4	616.5	780.7
Per capita GDP (in RMB)	54,236	60,801	69,450	79,644	89,814
Consumer price index	101.3	101.6	102.2	104.1	106.0
Unemployment rate	2.5%	2.4%	2.3%	2.3%	2.3%

Source: Guangdong Statistical Yearbook, Statistics Bureau of Shenzhen.

According to Colliers International, as of December 31, 2007, there was a GFA of approximately 102.0 million square meters of industrial factories and a GFA of approximately 2.1 million square meters of warehouses under management in Shenzhen. Demand for land from manufacturing enterprises, trade enterprises and other exporters has resulted in a shortage of available supply of land for industrial factories and warehouses. According to Colliers International, rental rates are expected to continue to remain at current levels in the short-term and to increase in the medium- to long-term for both factories and warehouses in the near future.

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

	2004	2005	2006	2007	2008
Investment in real estate (RMB in billions)	43.2	42.4	46.2	46.1	44.0
GFA of new developments (square meters in millions)	12.5	10.5	7.9	8.8	7.5
Average sales price of commercial properties (RMB per square meter)	6,756	7,852	9,385	14,050	12,909

Source: China Real Estate Statistics Yearbook, CEIC, Statistics Bureau of Shenzhen.

Real Estate Market in Jiangxi Province and Nanchang

Jiangxi Province

According to China Statistical Yearbook, a total GFA of approximately 12.5 million square meters of commercial properties was completed in Jiangxi Province in 2008, and a total GFA of approximately 14.6 million square meters of commercial properties was sold in Jiangxi Province in 2008, a decrease of approximately 33.0% from 21.8 million square meters sold in 2007. The table below sets forth certain information relating to the property market in Jiangxi Province for the periods indicated.

	2004	2005	2006	2007	2008
GFA completed (square meters in millions)	11.6	15.6	16.2	16.3	12.5
GFA sold (square meters in millions)	11.7	16.5	17.8	21.8	14.6
% of total GFA sold in the PRC	3.1	3.0	2.9	2.8	2.4

Source: China Statistical Yearbook, CEIC.

Nanchang

Nanchang, the capital of Jiangxi Province, is located in the northern region of Jiangxi Province. Located on the Gan River and near the intersection of the Jingjiu and Zhegan Railways, Nanchang serves as an important transportation hub for Southern China. According to the Jiangxi Statistics Yearbook 2007, as of December 31, 2007, Nanchang had a population of approximately 4.5 million. In 2008, Nanchang's GDP reached approximately RMB166.0 billion, representing a per capita GDP of approximately RMB36,105. The table below sets forth selected economic statistics of Nanchang for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	77.0	100.7	118.4	139.0	166.0
Per capita GDP (in RMB).	19,042	22,390	26,131	30,464	36,105
Consumer price index	103.2	101.0	101.9	104.3	106.2
Unemployment rate	3.4%	3.4%	3.0%	3.2%	N/A(1)

Source: China City Statistical Yearbook, CEIC, The People's Government of Nanchang City, Nanchang, China.

(1) Not available.

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

	2004	2005	2006	2007	2008
Investment in real estate (RMB in billions)	8.5	11.0	11.1	12.6	16.3
GFA of new developments (square meters in millions) . .	3.8	5.3	6.2	6.4	5.2
Average sales price of commercial properties (RMB per square meter)	2,430	3,015	3,126	3,558	4,806

Source: China Real Estate Statistics Yearbook, CEIC, Colliers International, The People's Government of Nanchang City, Nanchang, China.

Real Estate Market in Guangxi Zhuang Autonomous Region and Nanning

Guangxi Zhuang Autonomous Region

According to the China Statistical Yearbook, a total GFA of approximately 12.1 million square meters of commercial properties was completed in Guangxi Zhuang Autonomous Region in 2008, and a total GFA of approximately 17.3 million square meters of commercial properties was sold in Guangxi Zhuang Autonomous Region in 2008, a decrease of approximately 14.3% from 20.2 million square meters sold in 2007. The table below sets forth certain information relating to the property market in Guangxi Zhuang Autonomous Region for the periods indicated.

	2004	2005	2006	2007	2008
GFA completed (square meters in millions)	8.8	13.3	11.3	13.1	12.1
GFA sold (square meters in millions)	8.2	14.4	15.0	20.2	17.3
% of total GFA sold in the PRC	2.1	2.6	2.4	2.6	2.8

Source: China Statistical Yearbook, Colliers Internationals, CEIC.

Nanning

Nanning, the capital of Guangxi Zhuang Autonomous Region, is located in the southern region of Guangxi Zhuang Autonomous Region. According to the Guangxi Statistical Yearbook, as of December 31, 2007, Nanning had a population of approximately 6.7 million. In 2008, Nanning's GDP reached approximately RMB131.6 billion, representing a per capita GDP of RMB19,142. The table below sets forth selected economic statistics of Nanning for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB in billions)	58.9	72.3	87.0	106.3	131.6
Per capita GDP (in RMB)	9,126	11,057	13,071	15,685	19,142
Consumer price index	104.2	101.1	102.5	104.4	108.4
Unemployment rate	4.4%	4.4%	4.5%	3.72%	3.57%

Source: China City Statistical Yearbook; CEIC; Nanning Statistical Yearbook.

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

	2004	2005	2006	2007	2008
Investment in real estate (RMB in billions)	6.6	10.5	13.9	18.7	19.9
GFA of new developments (square meters in millions)	4.4	6.6	6.5	6.7	5.4
Average sales price of commercial properties (RMB per square meter)	2,761	2,638	2,872	3,404	3,946

Source: China Real Estate Statistics Yearbook; CEIC.

RECENT DEVELOPMENTS

Impact of the Financial Crisis on the Trade Center Industry

According to Colliers International, while the economic crisis has limited the growth and development of many industries in Guangdong Province in 2008 and early 2009, including those that rely on trade centers for their operations, the negative impact on the trade center industry itself has been less pronounced by comparison. In addition, according to Colliers International:

- the negative impact on the trade center industry is expected to remain less pronounced than for other industries, given its traditional function as a circulation channel for domestic trade and basic consumer and industrial goods as opposed to export-oriented, high-end or discretionary items;
- the trade center industry is expected to benefit from new PRC Government policies implemented in response to the economic crisis and favorable to the trade center industry;
- the continued growth of the Pearl River Delta's economy, in conjunction with the announcement and implementation of recent PRC Government policies favorable to the region, including the 2008–2020 Pearl River Delta Region Reform and Development Plan, issued by the National Development and Reform Commission, should continue to support the growth and development of the local trade center industry in Guangdong.

PRC Government Policy in Relation to the Logistics Industry

On March 10, 2009 the State Council issued the *Circular of the State Council on Releasing the Plans for Adjusting and Accelerating the Logistics Industry* (國務院關於印發物流業調整和振興規劃的通知), or the Logistics Industry Circular. The Logistics Industry Circular acknowledges the impact of the recent financial crisis on the logistics industry and reiterates the policy, as laid out in the PRC's Eleventh Five-year Development Plan, that the PRC's logistics industry should be actively developed. The Logistics Industry Circular further clarifies the policy of the PRC Government towards the logistics industry, which includes:

- encouraging the further consolidation and reorganization of the logistics industry, with an emphasis on the specialization and long-term development of large-scale logistics enterprises;
- focusing on certain key geographic regions for the development of the logistics industry, including the Pearl River Delta;
- supporting the construction and development of large-scale logistics infrastructure projects;
- supporting increased cooperation among administrative departments and provinces to create a more competitive environment for the logistics industry;
- sustaining the stable development and confronting existing difficulties faced by the logistics industry throughout 2009, as well as cultivating large-scale, internationally competitive logistics enterprises by 2011;
- strengthening the legal and regulatory framework governing the logistics industry;
- diversifying channels of investment for logistics infrastructure projects, including encouraging the use of bank loans, capital markets transactions, mergers and acquisitions and the establishment of sino-foreign joint ventures; and
- utilization of world trade organizations, free trade zones and other mechanisms for economic cooperation to promote and strengthen cooperation in the logistics industry among the PRC and other countries and regions, including Korea, Japan, ASEAN nations and the Middle East.

State Council Fiscal Stimulus Measures

In response to the current global economic downturn and corresponding decline in the rate of growth of the PRC economy, the PRC Government has adopted increasingly flexible macroeconomic policies, including an announced fiscal stimulus package, aimed at offsetting the slowdown resulting from the global economic downturn and deterioration in the global credit markets. These policies include measures specifically designed to encourage development of the domestic property market. This represents a reversal of policies implemented since 2003 which were designed to control perceived overinvestment in the real property market.

Beginning in November 2008, the State Council has announced a series of measures to stimulate the economy. These include the following:

- On November 9, 2008, the State Council announced a RMB4 trillion (US$584 billion) economic stimulus plan, RMB120 billion (US$17.5 billion) of which was to be spent by year-end.
- On November 10, 2008, the State Council announced a value-added tax reform, shifting the basis from production to consumption, and effectively reducing the value-added tax rates, effective January 1, 2009.

- On November 26, 2008, the State Council announced six policies for economic stimulus, including plans to support the rail, auto, shipbuilding, logistics, petrochemical, light industry, textile, nonferrous metals, equipment manufacturing, and electronics and information technology industries.
- On December 3, 2008, the State Council announced an additional RMB100 billion (US$14.6 billion) of lending by PRC policy banks prior to year-end.
- On December 13, 2008, the State Council announced 30 measures to support the financial industry, including raising China's total money supply by 17% in 2009.
- On December 21, 2008, the State Council announced an exemption on real estate sales taxes to homeowners selling homes after an ownership period of two years, lowered from a previous minimum of five years.

Easing of Lending Policies

Beginning in October 2008, the People's Bank of China has also announced a series of measures to ease conditions in the credit markets and support the residential housing market. These include the following:

- reducing housing down-payment requirements from 30% to 20% and reducing mortgage rates to bolster the residential property market;
- reducing (1) one-year lending and deposit rates by 1.08%, to 5.58% and 2.52%, respectively, effective November 27, 2008 and (2) large and small to medium bank deposit ratios by 1% and 2%, respectively, effective December 1, 2008;
- setting new preferential lending rates for low-cost housing projects that are 10% below the benchmark rates; and
- reducing base lending and deposit rates by 0.27 percentage points, effective December 23, 2008.

Easing of Trade and Tax Policies

Beginning in October 2008, the Ministry of Commerce and the Ministry of Finance have also announced a series of measures to promote imports and exports, as well as measures to reduce taxes on businesses. These include the following:

- easing processing trade restrictions, effective December 1, 2008;
- increasing export VAT rebates for approximately 3,500 goods ranging from textiles to high technology products, effective November 1, 2008;
- reducing export tariff rates for a range of products, including certain metals, chemicals, grains and fertilizers;
- increasing export VAT rebates for approximately 3,800 items, including labor-intensive and mechanical and electrical products, effective December 1, 2008; and
- abolishing 100 business administration charges and fees, effective January 1, 2009.

INFORMATION FROM COLLIERS INTERNATIONAL

We commissioned Colliers International, a global provider of sales, leasing, property management, research and consultancy services for commercial, industrial, retail and residential properties, to prepare an independent market consultancy report on the trade center industry in the PRC. Colliers International is an affiliation of independently-owned commercial real estate firms and has approximately 290 offices worldwide, including offices in Beijing, Shanghai, Chengdu, Nanjing, Hangzhou, Guangzhou and site offices in more than 40 cities across China. The market consultancy report prepared by Colliers International, dated March 31, 2009, consists of an overview and economic analysis of China and the city of Shenzhen, an overview and market analysis of the trade center markets in China as well as the city of Shenzhen and a positioning analysis of our Company. We also commissioned Colliers International to provide an overview of the trade center markets in the cities of Nanchang and Nanning. Selected information and statistics from the market consultancy report have been included in this Prospectus. We were charged a total of RMB307,700 for services provided by Colliers International. The amount of fees payable to Colliers International is not contingent on our approval of its work.

The market consultancy report was prepared by the Research and Consultancy service group of Colliers International primarily based on historical data from national and local government sources of the PRC, such as the National Bureau of Statistics and the Guangdong Provincial Statistics Bureau. In addition, Colliers International compiled market information and market trend data for the report from its proprietary databases of key market indicators and from interviews with trade center developers and operators, trade center tenants and potential tenants, buyers and potential buyers of trade centers units, and local observers in the relevant markets. Forecasts for the growing demand in trade centers that are well-managed, integrated and large-scale with a single owner were based on the following parameters and assumptions: (1) market experience indicates that successful trade centers in the market are often operated and managed by a single owner, and those trade centers with single operators can achieve relatively better operation and higher occupancy rates, leading to higher rental rates in the market; (2) specialized trade centers play an important role in driving economic growth as many city governments have publicized urban planning schemes for the development of retail facilities, which include specialized trade markets, and the relocation of small, randomly scattered specialized markets in downtown areas to suburban areas to allow growth; and (3) increased competition in the market with many trade centers planned for development in the near future has resulted in a growing trend for small, randomly scattered specialized markets to aggregate and gain economies of scale in order to attain a competitive advantage.

CORPORATE HISTORY

The Group's business concept was initially developed by Cheng Chung Hing and Leung Moon Lam. Following various discussions among the Founding Shareholders, the business plan of the Group was formalized and carried out. In 2002, our Company was established in Hong Kong. Xu Yang was a senior consultant of the Company at that time. Our Board initially consisted of the Founding Shareholders, and in February 2008, Xu Yang became a Director.

As of the Latest Practicable Date, our Company was owned 30% by Accurate Gain Developments Limited, 25% by Proficient Success Limited, 20% by Carrianna Development Limited, 15% by Kings Faith International Limited, 5% by Kinox Holdings Limited and 5% by Luk Ka International Limited. Our Founding Shareholders hold interests in our Company through their respective shareholdings in the Existing Shareholders. Save for certain share transfer among our Founding Shareholders' respective companies in December 2004, which resulted in our current shareholding structure, there has been no change to our shareholding structure since April 1, 2004. These share transfer and certain additional changes to the shareholding structures of our Existing Shareholders are discussed below under "— Change of Shareholdings of Existing Shareholders."

Apart from Cheng Chung Hing together with his brother, Cheng Tai Po (who is not a Founding Shareholder), none of the other Founding Shareholders will be entitled to, whether directly or indirectly, exercise or control the exercise of 30% or more of the voting power at general meetings of our Company or be in a position to control the composition of a majority of the Board. Therefore, they will not be regarded as Controlling Shareholders of the Company.

On December 18, 2002, China South International was established, with our Company as its sole shareholder. The development and management of our business are conducted primarily through China South International and its subsidiaries, jointly controlled entities and an associated entity established in the PRC, as shown in the corporate structure chart below under "— Corporate Structure."

China South City Shenzhen

On December 24, 2002, China South International entered into a master agreement with the Shenzhen Longgang Pinghu Logistics Base Development Services Center, an administrative entity authorized by the Shenzhen Longgang District Government to attract investment and carry out planning, management and development of the Shenzhen Longgang Pinghu Logistics Base, for the development of our first, large-scale integrated trade center project, China South City Shenzhen. The master agreement was supplemented by an agreement dated the same date and another agreement dated September 25, 2003 among the same parties. Under the master agreement (as supplemented), the Shenzhen Longgang Pinghu Logistics Base Development Services Center agreed, among other things, to provide parcels of land having an aggregate area of 1.5 million square meters comprising the development site (including roads) of China South City Shenzhen, and we agreed, among other things, to develop China South City Shenzhen as an integrated logistics center for the trading of industrial materials.

The Shenzhen Longgang Pinghu Logistics Base Development Services Center was dissolved in November 2005. With respect to the remaining duties and obligations owed to us under the master agreement, we currently rely instead on separate agreements entered into between China South International and relevant government agencies (including land grant contracts entered into with the Shenzhen Municipal Bureau of Land Resources and Housing Management) as well as related licenses and permits issued by these agencies (including the qualification certificate for real estate development issued by the Shenzhen Municipal Bureau of Land Resources and Housing Management). While there is no successor to the Shenzhen Longgang Pinghu Logistics Base Development Services Center as a party to the master agreement, we have not encountered any impediments in the construction or development of China South City Shenzhen as a result of its dissolution and we do not believe that the dissolution of the Shenzhen Longgang Pinghu Logistics Base Development Services Center will have any material impact on the operations of China South City Shenzhen.

A brief chronology of the major events in the development of China South City Shenzhen is set forth below.

- December 2002 — Review of feasibility study and approval of development proposal by Shenzhen Longgang District Government.
- July 2003 — First parcel of land for China South City Shenzhen Phase One acquired from Shenzhen Longgang District Government.
- October 2003 — Construction of China South City Shenzhen Phase One trade centers commences.
- December 2004 — Operations of China South City Shenzhen Phase One trade centers (with the exception of the electronic accessories trade center), including leasing and sales of trade center units, commence.
- September 2005 — Construction of China South City Shenzhen Phase One commercial facilities completed.
- August 2006 — Construction of West Garden residential facility commences.
- August 2007 — Leasing of West Garden residential units and one warehouse commences.
- December 2007 — Construction of China South City Shenzhen Phase Two textile and clothing trade center, leather and accessories trade center and one office building commences.
- February 2008 — Construction of West Garden residential units completed.
- June 2008 — Topping up of China South City Shenzhen Phase Two textile and clothing and leather and accessories trade centers.
- September 2008 — Pre-sale permits of China South City Shenzhen Phase Two textile and clothing and leather and accessories trade centers obtained.
- March 2009 — Construction of China South City Shenzhen Phase Two textile and clothing trade center completed.

China South City Nanchang

On February 11, 2007, China Metro-Rural Exchange Limited (formerly known as China South City Group Limited) entered into the master agreement with the Nanchang City Honggutan New District Administrative Committee, an administrative agency engaged by the People's Government of Honggutan New District, Nanchang to plan and manage the development of Honggutan New District, in respect of the development of our second large-scale integrated trade center project, China South City Nanchang. The agreement was supplemented by a supplemental agreement among the same parties on the same date. On March 21, 2008, a second supplemental agreement was entered into, pursuant to which all of the rights and obligations of, and undertakings and warranties given by, China Metro-Rural Exchange Limited were transferred to our Company. The development and management of the business of China

South City Nanchang will be conducted through a project company, Nanchang China South City. As of the Latest Practicable Date, we had not obtained land-use rights for this project. For more information on our China South City Nanchang project, please see "Business — Our Trade Center Projects — Properties Planned for Future Development — China South City Nanchang."

China South City Nanning

On December 29, 2007, we entered into a master agreement with the Nanning City Jiangnan District People's Government, on the authority and with the approval of the Nanning City People's Government, for the development of our third large-scale integrated trade center project, China South City Nanning. The development and management of the business of China South City Nanning will be conducted through a project company, Nanning China South City. As of the Latest Practicable Date, we had not obtained land-use rights for this project. For more information on our China South City Nanning project, please see "Business — Our Trade Center Projects — Properties Planned for Future Development — China South City Nanning."

The Notes

On July 11, 2007, we issued the Notes to the 2008 Noteholders in return for gross proceeds of the principal amount of US$125 million. When issued, the Notes were convertible into Shares and constituted by the Trust Deed. We used the proceeds of the Notes primarily for the construction and development of Phase Two of China South City Shenzhen.

The Notes contained a conversion option that allowed the 2008 Noteholders to convert the Notes into Shares. We were required under accounting rules to record the option to convert as an embedded derivative liability, which was stated at fair value on the issuance date and each balance sheet date thereafter. Upon initial recognition, the fair value of the embedded derivative liability was assigned as the derivative component, representing the conversion option, of the Notes and the change in fair value at each balance sheet date is included in the income statement. For a further description of the accounting treatment, please see "Financial Information — Description of Components of Results of Operations — Fair Value Change in Embedded Derivative Financial Instruments." In order for our financial statements to better reflect our financial condition and results of operations, the 2008 Noteholders agreed to an amendment to remove the conversion option. As a result, on March 28, 2008, we entered into the Note Amendment Agreement with the Existing Shareholders and the 2008 Noteholders for the purpose of removing the conversion feature attached to the Notes under their original terms and restructuring the Notes into a straight debt of the Company. Following the restructuring, the Notes are no longer convertible into Shares, but all the other substantive terms and conditions of the Notes remain unchanged. To compensate the 2008 Noteholders for the loss of the conversion feature originally attached to the Notes and in recognition of their contributions as pre-IPO investors, the Existing Shareholders entered into the Share Transfer Agreements, pursuant to which the Existing Shareholders agreed to transfer the Transfer Shares to the 2008 Noteholders at nil consideration on the Listing Date. The terms of the Share Transfer Agreements were negotiated at arm's length and were agreed on March 28, 2008.

As part of the restructuring of the Notes, on March 28, 2008, we have entered into the Amended Trust Deed with the Existing Shareholders and the Trustee, pursuant to which the Trust Deed and ancillary documents were amended to give effect to these changes.

The terms of the Notes as amended on March 28, 2008 are effectively the same as those prior to the amendments except that (1) the Notes will be fully redeemed by us upon Listing and (2) the Transfer Shares to be received by the 2008 Noteholders under the new arrangement on the Listing Date will be less in number when compared to the Shares that they would be entitled to receive prior to the amendments. This is because under the original arrangement, the number of conversion shares to which the 2008 Noteholders were entitled was based on the outstanding principal amount of the Notes, equivalent to 11.75% of the enlarged share capital (including the conversion shares) of the Company as of July 11, 2007, whereas under the new arrangement, the number of Transfer Shares to which the 2008 Noteholders are entitled is based on the agreed value of return net of coupon interest accrued, paid or payable and the outstanding principal amount of the Notes immediately prior to the completion of the Global Offering. However, the economic returns to be realized by a 2008 Noteholder upon Listing are intended to be the same under each arrangement. In addition, although the total number of Shares to be received by the 2008 Noteholders after the restructuring will be less than the total number which would have been received prior to the restructuring, the relative proportions of the Shares to be allocated among the 2008 Noteholders will not change.

The Notes originally held by Deutsche Bank AG, Singapore Branch (in the outstanding principal amount of US$40 million) and Blue Line Capital (in the outstanding principal amount of US$45 million) beneficially, being two of the 2008 Noteholders, were entirely sold to Prosper Port Investments Limited on October 30, 2008 and January 8, 2009, respectively. The rights, benefits and obligations of Deutsche Bank AG, Singapore Branch and Blue Line Capital under the relevant Share Transfer Agreements were also assigned and transferred to Prosper Port Investments Limited on the said respective dates. In addition, on June 22, 2009, Prosper Port Investments Limited transferred part of the Notes beneficially held by it (in the outstanding principal amount of US$1.2 million) to Lote Investments Limited, a subsidiary of Prosper Port Investments Limited. The rights, benefits and obligations of Prosper Port Investments Limited under the relevant Share Transfer Agreement to the extent that they relate or are attributable to the Notes concerned were also assigned and transferred to Lote Investments Limited on the same date.

On June 26, 2009, we entered into the Second Note Amendment Agreement with the 2009 Noteholders for the purpose of amending certain terms of the Notes in order to enhance the Company's liquidity position and to support the Company's growth. The 2009 Noteholders agreed to reduce the coupon interest and to remove the put option feature that was previously granted to them to require the Company to redeem the Notes. On the same date, the Existing Shareholders entered into the Supplemental Agreements pursuant to which the Existing Shareholders agreed to change certain terms in the Share Transfer Agreements. On the same date, we also entered into the Second Amended Trust Deed with the Existing Shareholders and the Trustee, pursuant to which the Amended Trust Deed and the ancillary documents were amended to give effect to these changes.

On July 6, 2009, we entered into two agreements with Prosper Port Investments Limited and Lote Investments Limited, two of the 2009 Noteholders, to buy back the Notes beneficially held by them (relating to the aggregate outstanding principal amount of US$85 million and all accrued and unpaid interest) at a consideration of US$70.55 million.

On July 22, 2009, we entered into a letter agreement with TRG Global Opportunities Master Fund Ltd., one of the 2009 Noteholders, to buy back some of the Notes beneficially held by it (relating to the outstanding principal amount of US$9.5 million and all accrued and unpaid interest) at a consideration of US$7.98 million. Subsequently, TRG Global Opportunities Master Fund Ltd. has transferred the remaining Notes it beneficially held, in the outstanding principal amount of US$500,000, to TRG Special Opportunity Master Fund Ltd..

As of the Latest Practicable Date, the Notes which we have bought back had been cancelled and the outstanding principal amount of the Notes had been reduced from US$125 million to US$30.5 million.

Pursuant to the Share Transfer Agreements, on the Listing Date, each of the Existing Shareholders will, on a pro rata basis, transfer a certain number of the Transfer Shares to the Noteholders. The number of Transfer Shares is calculated based on the following pre-agreed formula:

$$\{(A \text{ x } B) - C - D\} \div \text{Offer Price}$$

where:

A = Number of issued Shares at the time immediately prior to the Global Offering x Offer Price;

B = 11.75% x the outstanding principal amount of the Notes immediately prior to the Global Offering ÷ US$125 million;

C = The HK$ Equivalent (as defined under the Share Transfer Agreements) of the aggregate amount of all coupon interest accrued, paid or payable to the Noteholders under the Notes on or prior to the completion of the Share Transfer; and

D = The HK$ Equivalent (as defined under the Share Transfer Agreements) of the outstanding principal amount of the Notes immediately prior to the Global Offering.

Pursuant to the Share Transfer Agreements, if the pre-agreed guarantee value of return of the Notes cannot be achieved by the Listing Date, the number of the Transfer Shares to be transferred to each Noteholder by the Existing Shareholders will be increased to make up for such shortfall. Alternatively, the Existing Shareholders may elect to pay to the Noteholders an amount in cash representing such shortfall. Such adjustment rights will only be triggered if the pre-agreed guarantee value of return of the Notes cannot be achieved.

Assuming the Offer Price is at the low end of the indicative Offer Price range of HK$1.40 or the high end of the indicative Offer Price range of HK$2.10 and the Existing Shareholders have elected to transfer more Transfer Shares to make up the above mentioned shortfall, pursuant to the Share Transfer Agreements, the maximum number of the Transfer Shares to be transferred from the Existing Shareholders to the Noteholders will be approximately 1.14% and 0.56%, respectively, of the total number of the Shares upon completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option, the Share Options and the options which may be granted under the Share Option Scheme have not been exercised).

We are not a party to the Share Transfer Agreements. As of the Latest Practicable Date, we did not, and will not upon Listing, have any obligation to the Noteholders or the Existing Shareholders thereunder. We confirm that the Share Transfer will not have any impact on the results of operations or the financial condition of the Group.

Each of the Existing Shareholders has severally undertaken to each of the Noteholders that, until 210 days have elapsed after the Listing Date, it shall not, and shall procure that none of its nominees or companies controlled by it (whether individually or together, directly or indirectly) shall deal with the Shares which are beneficially owned by such Existing Shareholders immediately after the Global Offering in the manner stated under the heading "Indebtedness and Contingent Liabilities — The Notes — Undertaking by each of the Existing Shareholders" in the "Financial Information" section of the Prospectus.

Each of the Noteholders has also given an undertaking to the Existing Shareholders that, until the date which is 180 calendar days after the Listing Date, it shall not and shall procure that none of its nominees and companies controlled by it (whether individually or together with other persons and whether directly or indirectly) shall deal with the Transfer Shares or any interests therein in the manner stated under the heading "Indebtedness and Contingent Liabilities — The Notes — Undertaking by each of the Noteholders" in the "Financial Information" section of the Prospectus.

The following table sets forth the background of, and the principal amount of the Notes held by, each of the Noteholders as of the Latest Practicable Date:

Name of Noteholder	Background of Noteholder	Principal Amount of Notes Held
Medley Opportunity Fund, Ltd.[(1)]	Investment fund	US$18,000,000
Medley Opportunity Fund L.P.[(1)]	Investment fund	US$2,000,000
TRG Special Opportunity Master Fund Ltd.[(2)]	Investment fund	US$10,500,000
Total		US$30,500,000

(1) Medley Opportunity Fund, Ltd. and Medley Opportunity Fund L.P. are investment funds, both launched in 2006 and managed by Medley Capital, LLC which had aggregate funds under management of approximately US$850 million as of June 30, 2009. Medley Capital, LLC is a private investment management firm with offices in New York, San Francisco and Hong Kong and has a team of investment professionals with experience in asset, credit, real estate and equity investing globally.

(2) TRG Special Opportunity Master Fund Ltd. is an investment fund managed by TRG Management L.P. which had aggregate funds under management of approximately US$2.4 billion as of May 31, 2009. TRG Special Opportunity Master Fund Ltd. was launched in March 2006 and invests in less liquid and illiquid assets in emerging markets.

To the best of our knowledge after making all reasonable inquiries, the Noteholders are not, and are Independent Third Parties to the, Connected Persons of the Company.

To the best of our knowledge, when deciding whether to invest in the Group, the Noteholders considered, among other things, factors such as our operational and financial performance, our business strategies and directions, the prevailing market and general macroeconomic conditions, and the terms of the Notes.

Upon issuance of the Notes, the total investment cost by the 2008 Noteholders was US$125 million, being the initial principal amount of the Notes. As disclosed above, the number of the Transfer Shares is determined with reference to the agreed value of return to the Noteholders (net of coupon interest accrued, paid or payable and the outstanding principal amount of the Notes immediately prior to the completion of the Global Offering) divided by the Offer Price. Hence, there is no discount or premium to the Offer Price on the Transfer Shares as such.

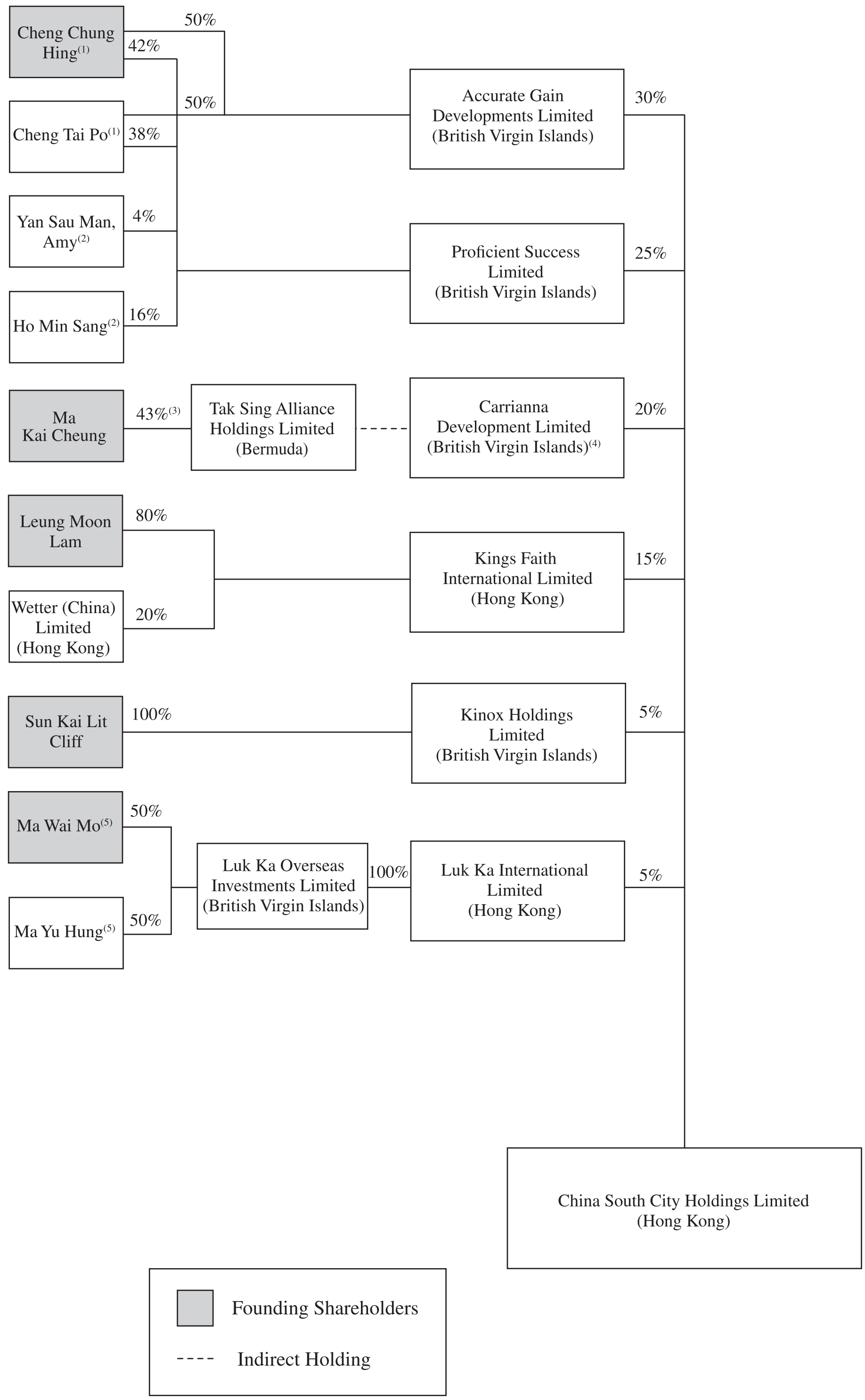
Under the terms and conditions of the Notes, the Noteholders have preemptive rights in relation to the issue of any securities by us to third parties (other than in a qualifying public offering such as this Global Offering) and tag-along rights to require us to redeem a portion of the Notes in the event an Existing Shareholder sells or transfers any Shares to a third party (other than a Noteholder). As of the Latest Practicable Date, no event that would trigger any of such rights had occurred and therefore none of such rights had been exercised by the Noteholders. We have no intention of issuing any new Shares to third parties (other than in the Global Offering which constitutes a qualifying public offering and pursuant to the Over-allotment Option) and the Existing Shareholders have confirmed to us that they will not sell or transfer any of their Shares to third parties (other than to the Noteholders pursuant to the Share Transfer Agreements) prior to the Listing Date. Therefore, we are not aware of any circumstances which would trigger the Noteholders' entitlement to exercise any of such rights after the Latest Practicable Date and prior to the Listing Date, which is when the Notes will be fully redeemed. Upon redemption of the Notes on the Listing Date, all of such rights attached to the Notes (including the preemptive rights and tag-along rights) will no longer exist.

The terms and conditions of the Notes and the Second Amended Trust Deed provide certain financial ratios and restrictive and affirmative covenants. We were in compliance with all relevant covenants and financial ratios pertaining to the Notes as of the Latest Practicable Date. These financial ratios and restrictive and affirmative covenants, other than with respect to preemptive rights, restrictions on affiliate transactions and limitations on business activities, will no longer apply following a change of control, and all financial ratios and restrictive and affirmative covenants will no longer apply following a qualifying public offering. None of these financial ratios and restrictive and affirmative covenants will continue to exist on or after the Listing Date.

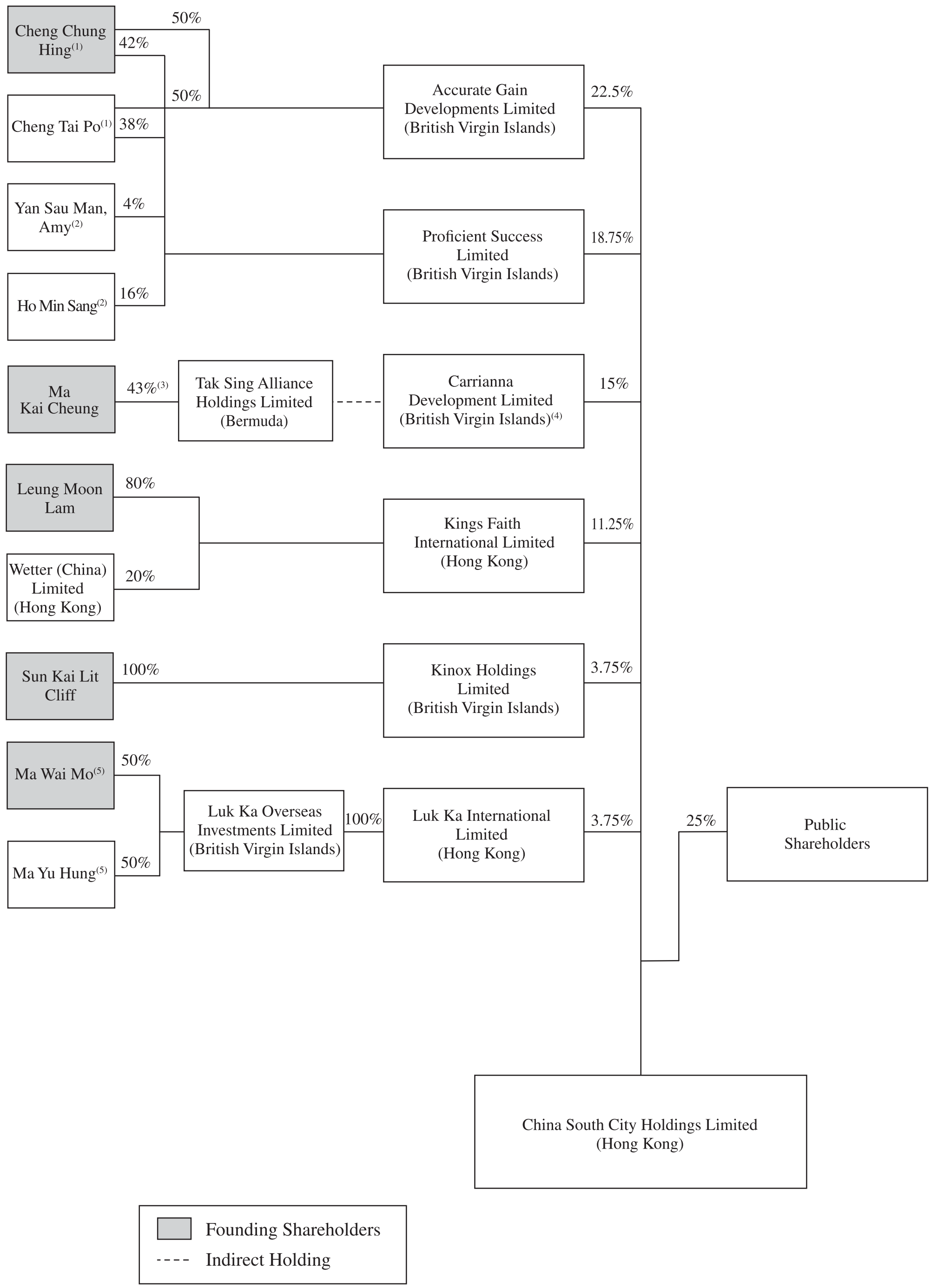
For more information, please see the paragraph headed "Indebtedness and Contingent Liabilities — The Notes" in the "Financial Information" section of this Prospectus.

CORPORATE STRUCTURE

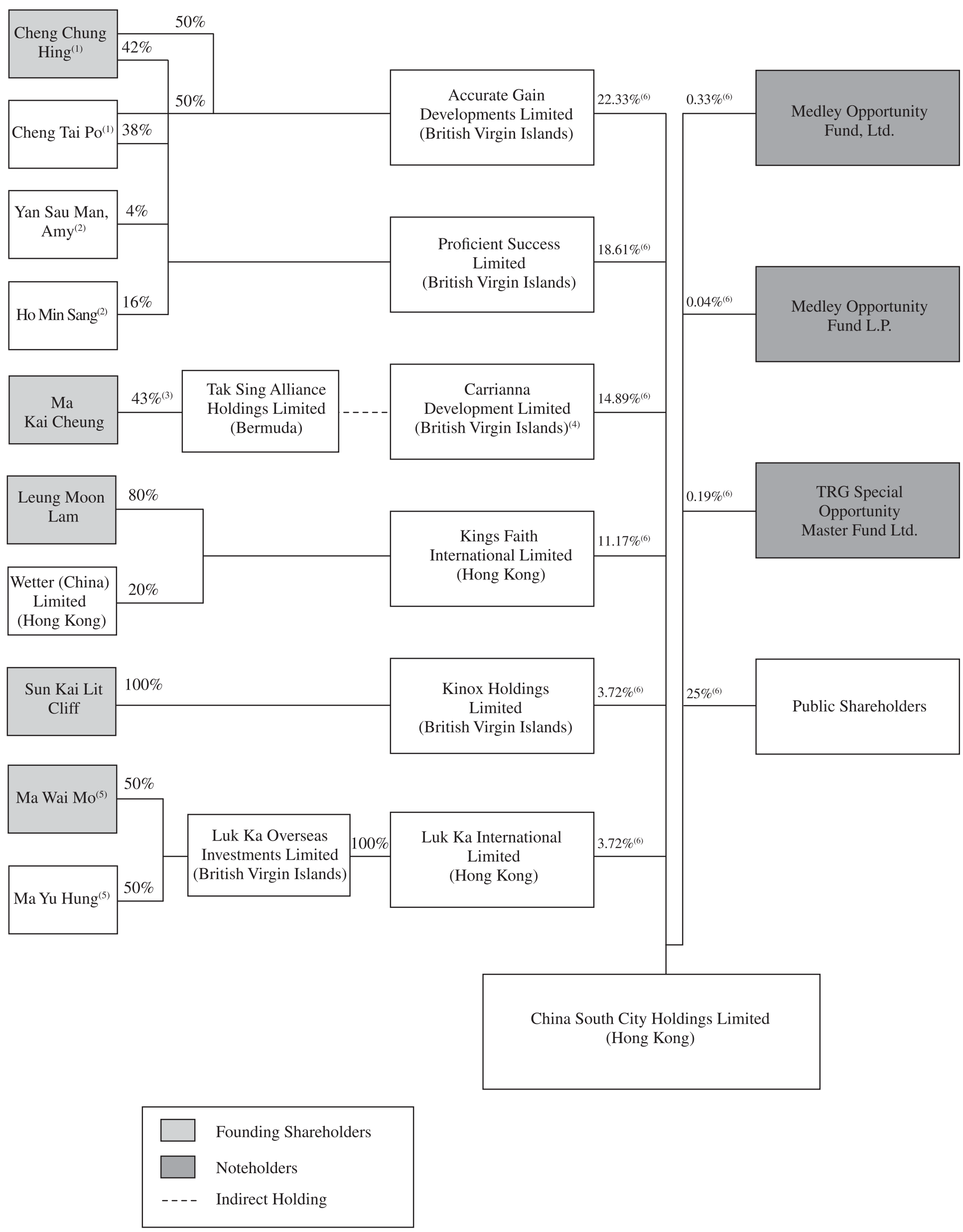
The following chart sets forth our shareholding structure as of the Latest Practicable Date.



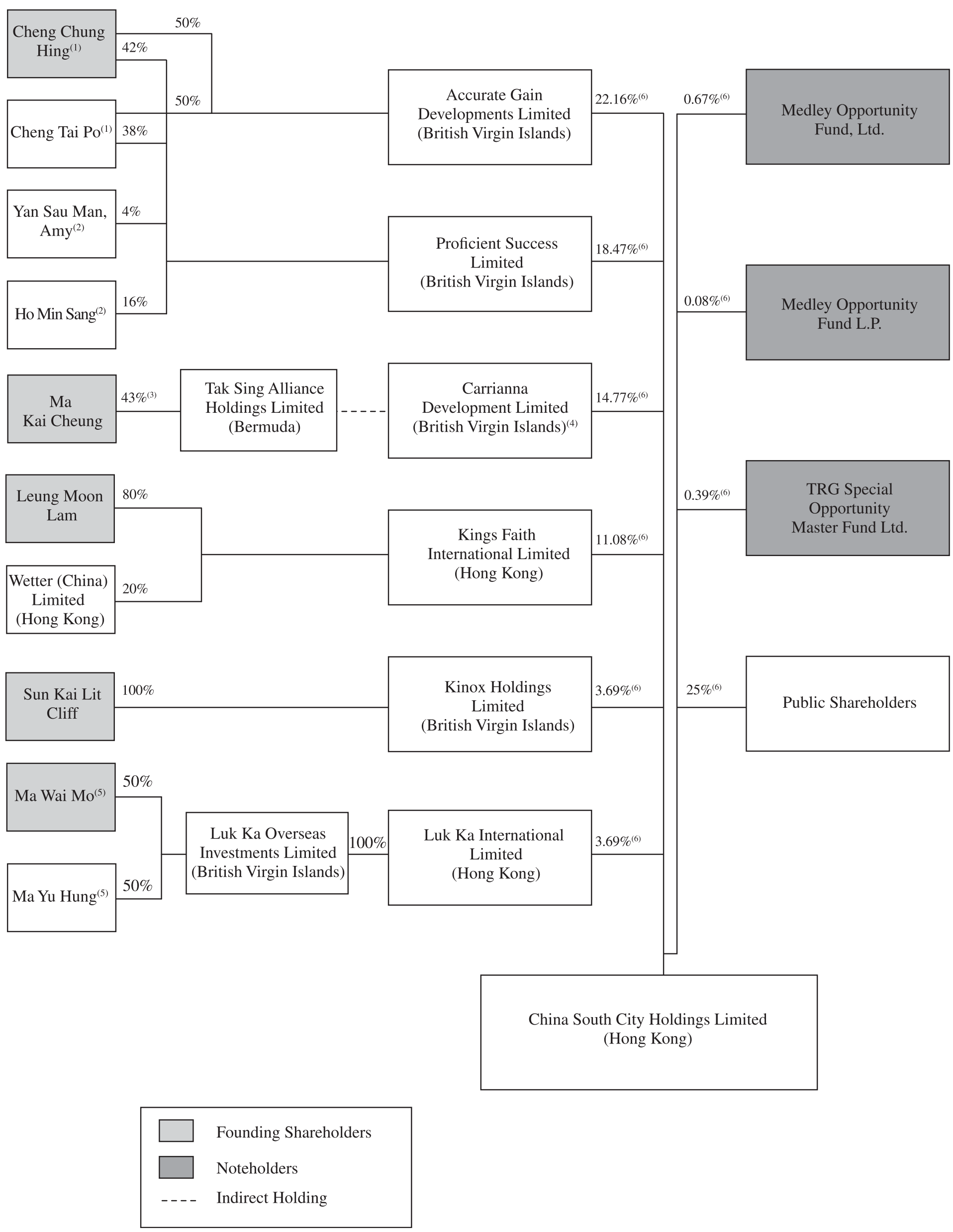
The following chart sets forth our shareholding structure immediately after the Global Offering and the Capitalization Issue, assuming the Over-allotment Option, the Share Options and options which may be granted under the Share Option Scheme have not been exercised, and without taking into account the Share Transfer.



The following table sets forth our shareholding structure immediately after the Global Offering and the Capitalization Issue, assuming the Share Transfer has been completed (and that the Offer Price is HK$2.10 per Share, being the high end of the indicative Offer Price range and the Existing Shareholders have elected to transfer more Transfer Shares to the Noteholders to make up the shortfall as described in this section, if any), the Over-allotment Option, Share Options and options which may be granted under the Share Option Scheme have not been exercised.



The following table sets forth our shareholding structure immediately after the Global Offering and the Capitalization Issue, assuming the Share Transfer has been completed (and that the Offer Price is HK$1.40 per Share, being the low end of the indicative Offer Price range and the Existing Shareholders have elected to transfer more Transfer Shares to the Noteholders to make up the shortfall as described in this section, if any), the Over-allotment Option, Share Options and options which may be granted under the Share Option Scheme have not been exercised.



(1) Cheng Chung Hing is the brother of Cheng Tai Po.

(2) Save as being shareholder of Proficient Success Limited, Ho Min Sang is an Independent Third Party. Yan Sau Man, Amy is a Connected Person of the Company as she is a substantial shareholder of China South City Enterprise (Heyuan) Co. Ltd., a subsidiary of the Company.

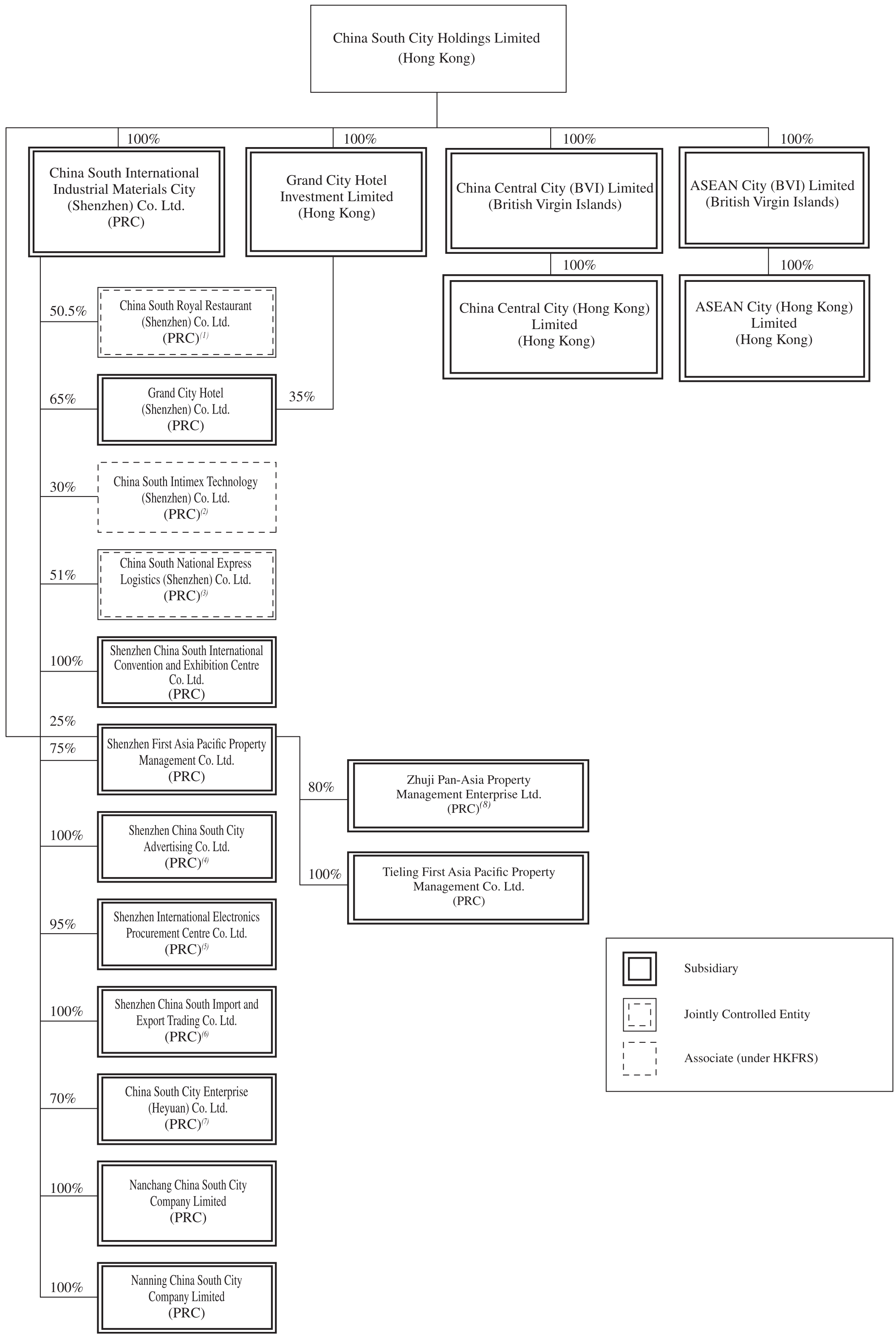
(3) Ma Kai Cheung, as a beneficial owner and a beneficiary of a trust and through the interest of his spouse, holds 43.58% in the issued share capital of Tak Sing.

(4) Carrianna Development Limited is wholly owned by Sincere United Holdings Limited, which in turn is wholly owned by Carrianna Holdings Limited. Carrianna Holdings Limited is wholly owned beneficially by Gartrend Development Limited with Ma Kai Cheung holding one share on trust for Gartrend Development Limited. Gartrend Development Limited has two classes of issued shares: ordinary shares and non-voting deferred shares. Ma Kai Cheung and his brother Ma Kai Yum each holds 50% of the non-voting deferred shares of Gartrend Development Limited, which (a) carry no right to attend or vote at, or to receive notice of, general meetings, (b) do not entitle its holders to receive dividends until (i) after the holders of ordinary shares have been paid, (ii) the company's profits available for distribution as dividends exceed HK$100,000,000,000,000.00 and (iii) the company determines to make such distribution to the holders of non-voting deferred shares, and (c) rank after the claims of the ordinary shareholders as regards to repayment of capital in the event of insolvency in that only one half of the balance of HK$100,000,000,000,000.00 in the assets of the company (if any) is distributable among the holders of non-voting deferred shares. All of the ordinary shares are beneficially held by Carrianna (BVI) Ltd, with one share held by Ma Kai Cheung on trust for Carrianna (BVI) Ltd. Carrianna (BVI) Ltd is wholly owned by Tak Sing.

(5) Ma Wai Mo is the brother of Ma Yu Hung.

(6) The percentages have been rounded to the nearest two decimal places.

The following chart sets out the corporate structure of our Group as of the Latest Practicable Date and immediately following the Global Offering.



(1) The remaining 49.5% interest is held by Globe Honest International Ltd., which is an Independent Third Party. The primary business operations of China South Royal Restaurant (Shenzhen) include the operation of the China South Royal Restaurant in Shenzhen.
(2) The remaining 70% interest is held by Intimex (China) Technology Holdings Ltd., which is an Independent Third Party. The primary business operations of China South Intimex include website development, construction, maintenance and exploration of software, provision of consultancy services and trading of e-commerce hardware and software.
(3) The remaining 10% interest and 39% interest are held by Independent Third Parties, namely National Express Group Co. Ltd. and Xu Yan, respectively. The primary business operations of China South NEL include the leasing of warehouses at China South City Shenzhen.
(4) The primary business operations of Shenzhen China South Advertising include the provision of advertising services, through an agent, Shenzhen Xiangbo Digital Technology Company Limited, to trade center tenants, pursuant to a cooperation agreement made between this agent and China South International dated March 24, 2008.
(5) The remaining 5% interest is held by Shenzhen Electronics Chamber of Commerce, which is an Independent Third Party. Shenzhen International Electronics Procurement Centre Co. Ltd. is currently a dormant company.
(6) Shenzhen China South Import and Export Trading Co. Ltd. is currently a dormant company.
(7) The remaining 30% interest is held as to 10% by Excellence Group Holdings Limited, 10% by First Traders Limited and 10% by Yan Sau Man, Amy. Yan Sau Man, Amy holds a 4% interest in Proficient Success Limited and is a director of Man Sang International. The primary business operations of China South City Enterprise include the development of a potential project in Heyuan City of Guangdong Province.
(8) The remaining 20% interest is held by China Pearls and Jewellery PRC, which is wholly owned by China Pearls and Jewellery HK, which in turn is a 55% owned subsidiary of Man Sang International. The primary business operations of China Pearls and Jewellery PRC is to develop trade centers for trading of pearls and jewelry.

Change of Shareholdings of Existing Shareholders

On December 20, 2004, Carrianna Holdings Limited, a company wholly owned by Tak Sing, a company listed on the Stock Exchange in which Ma Kai Cheung (as beneficial owner and beneficiary of a trust and through interests of his spouse) owns approximately 40.18%, transferred 40,000 shares, representing 20% of the then issued shares of the Company, to Carrianna Development Limited; and Kinox Enterprises Ltd., a company then owned as to 24% by Sun Kai Lit Cliff, transferred 10,000 shares, representing 5% of the then issued shares of the Company, to Kinox Holdings Limited.

As a result of these transactions, our Existing Shareholders are Accurate Gain Developments Limited, Proficient Success Limited, Carrianna Development Limited, Kings Faith International Limited, Kinox Holdings Limited and Luk Ka International Limited.

The following is a description of other changes to the shareholding structures of the Existing Shareholders since April 1, 2004:

Proficient Success Limited

On January 15, 2005, each of Cheng Chung Hing and Cheng Tai Po transferred eight shares to Ho Min Sang, which in total represented 16% of the then issued shares of Proficient Success Limited. On the same day, Cheng Tai Po transferred four shares to Yan Sau Man, Amy, which represented 4% of the then issued shares of Proficient Success Limited.

Accurate Gain Developments Limited

On September 8, 2006, Man Sang Holdings Limited, a private Hong Kong company held by Cheng Chung Hing and Cheng Tai Po, transferred 50 shares, representing 50% of the then issued shares of Accurate Gain Developments Limited to each of Cheng Chung Hing and Cheng Tai Po.

Kings Faith International Limited

On September 18, 2006, Kings Faith International Limited allotted 7,999 shares to Leung Moon Lam and 1,999 shares to Wetter (China) Limited.

Luk Ka International Limited

On October 30, 2008, each of Ma Wai Mo and Ma Yu Hung transferred 30,000 shares, which in total represented 30% of the then issued shares of Luk Ka International Limited, to Luk Ka Overseas.

Formation of our Group

The Company was initially acquired by Leung Moon Lam, a Founding Shareholder and a Director, and an Independent Third Party on June 1, 2002 through the transfer of two subscribers' shares at nominal value. On August 2, 2002, a series of share transfer and share allotments took place, as a result of which each of the Founding Shareholders then held equity interests in our Company through their respective companies.

All our subsidiaries and jointly controlled entities were established by our Company, either alone or jointly with other parties.

OVERVIEW

We are one of the leading developers and operators of large-scale, integrated logistics and trade centers in the PRC, based on GFA, industry coverage and range of supporting services and facilities offered, according to Colliers International.

We currently have one integrated logistics and trade center platform in operation, China South City Shenzhen, which serves five complementary light manufacturing industries: (1) textile and clothing; (2) leather and accessories; (3) electronic accessories; (4) printing, paper and packaging and (5) metals, chemicals and plastics. Upon the completion of Phase Two, China South City Shenzhen will have a total GFA of 1.9 million square meters of trade centers as well as over 720,000 square meters of supporting facilities. We sell and lease trade center units at China South City Shenzhen to domestic and international suppliers, manufacturers and distributors of raw materials and finished goods, providing superior facilities and an integrated platform from which to display and sell their 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. As of March 31, 2009, 46.8% of our Phase One trade center units in terms of GFA were sold, 6.7% were held for sale and 46.5% were held as investment properties. As of July 31, 2009, we had entered into purchase agreements for 26,872 square meters of GFA, or 24.9% of total saleable GFA in Phase Two launched for sale to date, in the textile and clothing and leather and accessories trade centers of Phase Two, at an average selling price of HK$14,641 per square meter, and had entered into letters of intent to sell 25,669 square meters of GFA, or 23.8% of total saleable GFA in Phase Two launched for sale to date, at an average selling price of HK$16,028 per square meter.

We complement our trade center operations and service the global logistics supply chain by facilitating and making available to our trade center tenants and their customers a full range of integrated logistics and trade facilities and services, including transportation services, bonded, unbonded and export supervised warehouses, logistics liaison services, on-site logistics service providers and quality testing services. The logistics services are provided by on-site joint venture and third party service providers in our facilities at China South City Shenzhen. In addition, we provide value-added exhibition and conference, residential, hotel and office facilities and procure other parties to provide banking and advertising services as well as restaurant services. Our business model is 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 and other customers.

Our first project, China South City Shenzhen, is strategically located in the Pearl River Delta, one of the largest manufacturing and export regions in China, according to Colliers International. This project is centered within an extensive transportation network of airports, railways, port facilities and highways that facilitate trade in the region. Phase One trade centers of China South City Shenzhen commenced operations in December 2004. Phase Two trade centers of China South City Shenzhen commenced development in December 2007.

China South City Shenzhen currently has one completed Phase Two trade center, the textile and clothing trade center, and expects to complete a second Phase Two trade center, the leather and accessories trade center, in the second half of 2009. Phase Two of China South City Shenzhen as a whole, including all trade centers and supporting commercial, warehouse and residential facilities, is expected to cover a GFA of approximately 2.1 million square meters when completed by the end of 2012.

As of March 31, 2009, our total investment for Phase One and Phase Two of China South City Shenzhen was approximately RMB977 million (HK$1.11 billion) and RMB2.68 billion (HK$3.04 billion), respectively. We expect our total remaining capital commitment for Phase Two of China South City Shenzhen to be approximately RMB3.51 billion (HK$3.98 billion).

We have identified two new sites for properties planned for future development in Nanchang, Jiangxi Province and Nanning, Guangxi Zhuang Autonomous Region. We have signed master agreements with local government agencies in these regions that set out each party's commitments and expectations and a proposed framework for these integrated logistics and trade center developments. However, these master agreements do not ensure that we will obtain the land-use rights for these new sites, which will be awarded only by public tender, auction or listing for sale. If we fail to obtain land-use rights for all or any portion of these new sites, we will not be able to develop our projects in Nanchang or Nanning as planned. As of March 31, 2009, we had incurred approximately HK$3.6 million in costs for our projects in Nanchang and Nanning, primarily for pre-operational and preparatory work, including staff and administrative expenses, the establishment of a new subsidiary in Nanchang and performance of feasibility studies.

China South City Nanchang is planned to be located in Nanchang, the provincial capital of Jiangxi, which is located in close proximity to the Yangtze River Delta. China South City Nanning is planned to be located in Nanning, the capital of Guangxi Zhuang Autonomous Region. Both China South City Nanchang and China South City Nanning will be strategically located within an extensive transportation network. Upon completion, we expect these projects, together with China South City Shenzhen, to service domestic and international suppliers, manufacturers and distributors in more than 10 industries and to have a combined GFA of approximately 10.6 million square meters.

We also have a project in Heyuan City, Guangdong Province, that will consist primarily of a farm-style resort community catering to domestic and international executives, including those with operations at China South City Shenzhen. On June 6, 2009, we entered into a land grant contract for approximately 487,000 square meters of land. We received the land-use rights for this land in July 2009 after paying a land grant fee of approximately RMB73 million and expect to commence development in the first half of 2010. We may, however, cooperate with other developers to develop this project or dispose of this project.

In addition, we have a proposed project in Xi'an, the capital city of Shaanxi Province. On June 20, 2009, we entered into a legally non-binding memorandum of understanding with the Xi'an International Trade and Logistics Park Management Committee for the development of a large-scale integrated logistics center in the Xi'an International Trade and Logistics Park. Pursuant to the memorandum of understanding, the Xi'an International Trade and Logistics Park Management Committee has agreed to promote this project as one of Xi'an's major projects pending further investigation by us on the feasibility of the project. As of the Latest Practicable Date, we had not entered into a formal contract to develop this project.

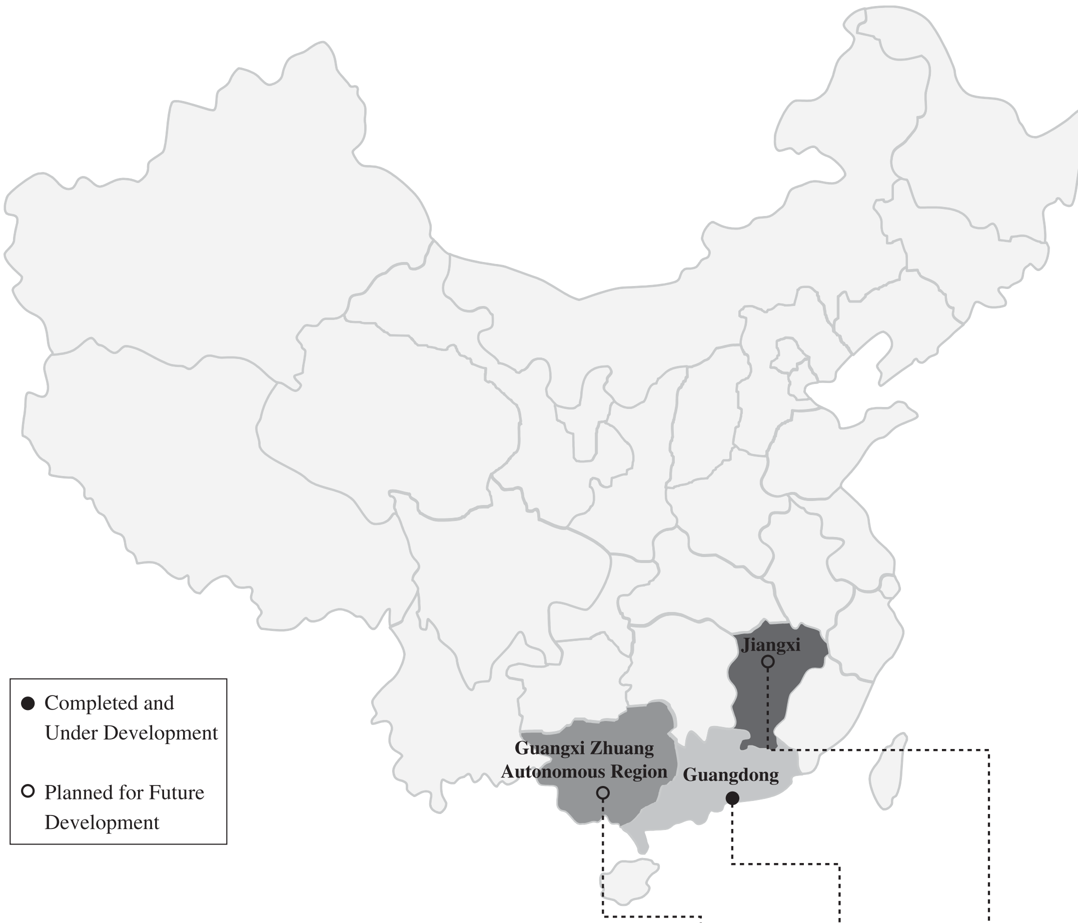
Our development activities consist of site selection, land acquisition, project design and construction of trade centers, warehouse facilities and supporting commercial and residential facilities. Our operations consist of the operation of these trade centers and facilities on our project sites. As a provider of integrated logistics and trade center services and facilities, China South International is treated as an integrated logistics enterprise by local authorities in Shenzhen. However, because China South International develops properties necessary for our integrated logistics operations, it is required to obtain a short-term (one year) qualification certificate for real estate development to develop China South City Shenzhen, which is renewed annually as necessary.

All of our revenues during the Track Record Period were derived from our operations at China South City Shenzhen. We generated most of our revenues from sales and leases of trade center units, and our remaining revenues from leases of residential units (that are treated as finance leases for accounting purposes), our hotel operations and the provision of property management and other services. Although we do not generate significant revenue from the logistics and other supporting services available at our trade centers, the supporting facilities and services available at our trade centers facilitate the operations of our trade center tenants and form an integral part of our trade center operations. In addition, the breadth of supporting facilities and services available at China South City Shenzhen distinguishes it from other trade centers in the PRC, and we believe these facilities and services are important factors in attracting trade center tenants and customers of the five industries represented in our trade centers.

Changes in fair value of our investment properties were HK$601.1 million, HK$670.9 million and HK$1.15 billion in fiscal years ended March 31, 2007, 2008 and 2009, respectively. During these fiscal years, changes in fair value of investment properties represented 117.2%, 89.7% and 114.1% of our net profit for the respective fiscal years after taking into account relevant deferred income tax.

In Savills' property valuation report, which is included as Appendix III to this Prospectus, Savills has valued China South City Shenzhen and our properties held for future development in Heyuan at approximately RMB22.43 billion (HK$25.46 billion) and RMB0.27 billion (HK$0.31 billion) as of June 30, 2009, respectively. Savills has assigned no commercial value to our projects in Nanchang and Nanning as we have not yet obtained the land-use rights for these projects. However, based on the assumption that the land-use rights certificates for these projects are obtained, Savills has valued these projects at approximately RMB14.98 billion (HK$17.00 billion) as of June 30, 2009.

The following map illustrates the geographic locations of our project in Shenzhen and properties planned for future development in Nanchang and Nanning:



	Nanning	Shenzhen	Nanchang
City Information:			
(as of and for the year ended December 31, 2008) :			
Population (in millions)	**7.0**[(1)]	**8.8**	**4.6**
Per capita GDP growth	**12.8%**	**10.2%**	**14.1%**
Industrial added value[(2)] (RMB in billions)	**35.0**	**361.8**	**10.9**
Our Property Projects:			
Gross floor area of completed properties and estimated gross floor area of properties under development and properties planned for future development (in square meters)	**4,163,000**	**2,600,000**	**3,876,000**

Sources: Nanning Municipal Bureau of Statistics, Shenzhen Municipal Bureau of Statistics and Nanchang Statistical Information Net.

(1) As of January 2008.

(2) Industrial added value is total industrial output less cost of production.

Completed Property Developments

- ***China South City Shenzhen — Phase One.*** Phase One of China South City Shenzhen covers a GFA of approximately 464,000 square meters. China South City Shenzhen's Phase One trade centers were completed in December 2004. Together, Phase One's trade centers cover a GFA of approximately 359,000 square meters and currently serve the following five industries: (1) textile and clothing; (2) leather and accessories; (3) electronic accessories; (4) printing, paper and packaging and (5) metals, chemicals and plastics. China South City Shenzhen's other Phase One facilities include primarily warehouse, logistics and supporting commercial facilities. These facilities, which were completed and commenced operation in stages between December 2003 and June 2006, cover a GFA of approximately 105,000 square meters.
- ***China South City Shenzhen — Phase Two.*** As of March 31, 2009, we had completed construction of a GFA of approximately 525,000 square meters of Phase Two of China South City Shenzhen, consisting of a GFA of approximately 340,000 square meters of our Phase Two textile and clothing trade center, a GFA of approximately 141,000 square meters of residential facilities in West Garden and a GFA of approximately 44,000 square meters of warehouse facilities. The above areas include underground car parking and ancillary area of approximately 116,000 square meters.

Properties Under Development

- ***China South City Shenzhen — Phase Two.*** Upon its expected completion by the end of 2012, Phase Two of China South City Shenzhen will cover a GFA of approximately 2.1 million square meters. As of March 31, 2009, certain properties of Phase Two of China South City Shenzhen, which include our Phase Two leather and accessories trade center, a supporting commercial facility and a supporting facility for West Garden, were under construction. We expect our Phase Two leather and accessories trade center, with a GFA of approximately 385,000 square meters, to be completed in the second half of 2009. We expect the supporting commercial facility for Phase Two trade centers and supporting facility for West Garden, with a GFA of approximately 68,000 and 22,000 square meters, respectively, to be completed in stages by the end of 2009. We expect additional Phase Two developments, which include the expansion of our electronic accessories, printing, paper and packaging and metals, chemicals and plastics trade centers by an aggregate of approximately 784,000 square meters, expansion of supporting commercial facilities by approximately 275,000 square meters and expansion of supporting warehouses by approximately 103,000 square meters to be completed by the end of 2012.

Properties Planned for Future Development

Properties planned for future development refer to those properties for which we have not yet obtained the necessary land-use rights certificates to commence development or for which we have obtained the necessary land-use rights certificates but have not yet developed a plan of construction.

- ***China South City Nanchang.*** We expect China South City Nanchang to be located in Nanchang, Jiangxi Province on a site area of approximately 2.0 million square meters. We expect to undertake construction of China South City Nanchang in three phases, commencing construction of Phase One in the first half of 2010 and completing construction of Phase Three in 2014. Upon completion, we expect China South City Nanchang to cover a total GFA of approximately 3.9 million square meters.

As currently planned, China South City Nanchang will provide trade centers for the trade of industrial materials in a broad range of industries, including the textile and clothing, leather and accessories and chemicals and plastics industries, as well as additional leading industries within the region. We expect the trade centers to cover a GFA of approximately 1.1 million square meters and supporting facilities, including integrated logistics and warehouse facilities, integrated commercial facilities, integrated residential facilities and underground car parking facilities to cover gross floor areas of approximately 427,000 square meters, 300,000 square meters, 1.6 million square meters and 385,000 square meters, respectively. The proposed site area for China South City Nanchang is expected to be transferred by public tender, auction or listing for sale in three parcels of roughly equal area in the fourth quarter of 2009, the second half of 2010 and the second half of 2011, respectively. Under the terms of our master agreement with local authorities in Nanchang, we have agreed to pay a deposit of RMB10 million prior to obtaining the initial parcel of land for this project. As of the Latest Practicable Date, we had not paid this deposit. If, following payment of this deposit, we are unable to obtain the land in the public tender, auction or listing for sale process, this deposit will be returned to us.

- ***China South City Nanning.*** We expect China South City Nanning to be located in Nanning, Guangxi Zhuang Autonomous Region on a site area of approximately 1.7 million square meters. We expect to undertake construction of China South City Nanning in two phases, commencing construction of Phase One in the first half of 2010 and completing construction of Phase Two in 2014. Upon completion, we expect China South City Nanning to cover a total GFA of approximately 4.2 million square meters.

  As currently planned, China South City Nanning will provide trade centers for the trade of industrial materials in a broad range of industries, including the textile and clothing, leather and accessories and chemicals and plastics industries, as well as additional leading industries in the region. We expect the trade centers to cover a GFA of approximately 1.8 million square meters and supporting facilities, including integrated logistics and warehouse facilities, integrated commercial facilities, integrated residential facilities and underground car parking facilities to cover gross floor areas of approximately 520,000 square meters, 360,000 square meters, 1.2 million square meters and 310,000 square meters, respectively. The proposed site area for China South City Nanning is expected to be transferred by public tender, auction or listing for sale in two phases, in the fourth quarter of 2009 and the second half of 2011, respectively. As of the Latest Practicable Date, we had not paid or made any commitment to pay any deposits in relation to obtaining the land necessary for this project.

- ***Heyuan Project.*** We expect our Heyuan project to consist primarily of a planned farm-style resort community catering to domestic and international executives, including those with operations at China South City Shenzhen, to be located in Heyuan City, Guangdong Province. We expect to commence construction of Phase One of this project in the first half of 2010 and to finish in the second half of 2013. As of March 31, 2009, we had paid approximately HK$74.7 million in deposits to the Zijin People's Government, which will be refunded should we be unable to obtain the land-use rights for this project. On June 6, 2009, we entered into a land grant contract for approximately 487,000 square meters of land. We received the land-use rights for this land after paying a land grant fee of approximately RMB73 million in July 2009. We may, however, cooperate with other developers to develop this project. We may also consider disposing of it in the future.

- ***Xi'an Project.*** On June 20, 2009, we entered into a legally non-binding memorandum of understanding with the Xi'an International Trade and Logistics Park Management Committee for the development of a large-scale integrated logistics center in the Xi'an International Trade and Logistics Park. The Xi'an International Trade and Logistics Park represents a significant part of China's logistics infrastructure and a key project of Shaanxi Province. Pursuant to the memorandum of understanding, the Xi'an International Trade and Logistics Park Management Committee has agreed to promote this project as one of Xi'an's major projects pending further investigation by us on the feasibility of the project. As of the Latest Practicable Date, we had not entered into a formal contract to develop this project.

COMPETITIVE STRENGTHS

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

The scale and scope of China South City Shenzhen, which serves five complementary light manufacturing industries, attracts buyers and sellers seeking to take advantage of the synergies present within our integrated logistics and trade centers. Buyers are able to meet their purchasing needs for a wide range of industrial 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 logistics and trade solutions available at our integrated logistics and trade centers. In addition, both hotel and restaurant facilities are available on-site at China South City Shenzhen for the convenience of trade center tenants and their customers. As our integrated logistics and trade centers serve as a wholly integrated one-stop shop for both buyers and sellers, we believe this business model will continue to set us apart from our competitors and attract new and retain existing tenants and customers.

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

Our current and planned integrated logistics and trade centers are situated at prime locations in fast-growing manufacturing and economic centers near well-developed transportation networks. The Pearl River Delta, where China South City Shenzhen is located, represents one of the largest manufacturing and export regions in China. Within the Pearl River Delta, China South City Shenzhen is situated within 35 to 180 kilometers of four international airports as well as five container ports, including Kwai Chung Container Terminal in Hong Kong and Yantian Port in Shenzhen, the second and fourth busiest ports in the world in terms of volume, respectively. In addition, China South City Shenzhen is connected to each of the major railway arteries in Southern China as well as at least 10 major highways linking each of the major cities in the Greater Pearl River Delta region. Currently planned for future development, China South City Nanchang will be located in Nanchang, which is one of China's important transportation hubs, and is situated at the intersection of two of China's major railway arteries, the Jingjiu and Zhegan Railways, with ready access to major highways, airports and the largest port on the Gan River. China South City Nanning is also planned for future development. China

South City Nanning will be located in Nanning, which is located in close proximately to the Fangchenggang heavy port facility as well as other Southern Chinese sea ports and is emerging as a core regional trade center between Southeast and Southwest China and neighboring countries in Southeast Asia.

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

In selecting new sites for our projects, we strategically seek out locations in which local and regional governments have actively expressed a desire to develop industrial integrated logistics and trade services in their long-term plans. In so doing, 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 South City Shenzhen, 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 master agreement, representatives of the Shenzhen local government undertook responsibility for relocating all prior occupants of the land as well as improving roads and infrastructure within China South City Shenzhen. 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 China South City Shenzhen. Several PRC Government agencies also maintain an on-site presence at China South City Shenzhen to assist trade center tenants and other visitors to China South City Shenzhen. Based on the growth and development framework laid out in Shenzhen's Eleventh Five Year Development Plan for 2006 to 2010, we believe China South City Shenzhen 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 Greater Pearl River Delta. With respect to our planned development projects in Nanchang and Nanning, local government officials have agreed to assist us in relocating the original residents on the land designated for these projects. In addition, local government officials have agreed to actively assist us in completing government administrative application and approval procedures necessary to commence operations.

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

From October 2003 to December 2004, we developed China South City Shenzhen from an undeveloped land site to a large-scale integrated logistics and trade center. As of March 31, 2009, we had achieved a total occupancy rate of approximately 81.6% for our five trade centers in Phase One of China South City Shenzhen. Our rental revenues increased from approximately HK$40.0 million in fiscal year 2007 to approximately HK$100.2 million in fiscal year 2009. We emphasize the design and quality of construction of our trade centers by adopting international practices and applying stringent quality procedures for our integrated logistics and trade center developments. We have received numerous awards in recognition of our high-quality developments and superior management, including the "Shenzhen Major Construction Project" (深圳市重大建設項目), awarded by the Shenzhen Municipal Government, each year between 2003 and 2009, and were ranked among the "Top 100 Overseas Chinese Invested Enterprises in China" (全國百家明星僑資企業) by the Office of Overseas Chinese Affairs of the State Council of the PRC each year between 2003 and 2005. We believe our track record for high quality design and construction has allowed us to secure a leadership position in the development of integrated logistics and trade centers. As a result, we believe we have achieved a high degree of brand name recognition that has helped us to obtain the support of local governments and negotiate the master agreements for the development of our properties planned for future development in Nanchang and Nanning. In addition, we have been invited by local governments in other PRC markets to develop and operate additional trade center properties. For example, we have been invited by the Xi'an International Trade and Logistics Park Management Committee to develop a large-scale integrated logistics center in Xi'an, which has been identified as a key municipality in The National Eleventh Five-Year Plan for China Western Development.

Our Founding Shareholders possess in-depth experience and extensive networks of contacts within their respective industries

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

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

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

STRATEGY

Our objective is to become the leading developer and operator of large-scale, integrated logistics and trade centers in the PRC. To achieve this objective, we intend to implement the following strategies:

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

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

- *Provide preferential rental terms to maximize occupancy rates and increase rental rates as occupancy rates increase.* Our operating strategy of the integrated logistics and trade centers aims to achieve high occupancy rates and attract a high-quality tenant base first and then increase rental rates 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 logistics, trade and supporting facilities will have strong incentives to renew their leases. We anticipate favorable upward trends in rental rates and sales prices for our trade center units, driven by (1) continuing growth in the manufacturing and export industries in China, which we expect to generate additional demand for space in integrated logistics and trade centers and (2) higher quality features to be developed in the trade centers of Phase Two of China South City Shenzhen, which we will offer at higher rental rates than those charged for trade centers in Phase One of China South City Shenzhen.
- *Continue to offer integrated logistics services to increase customers' access to the global supply chain.* We intend to optimize our offerings of integrated logistics services, including warehouse, liaison and on-site logistics services and transportation providers, in order to facilitate individual needs and order requirements of trade center tenants and their customers. By integrating logistics and trade functions and providing ready access to necessary services for trade center tenants and their customers, we believe we will be able to outperform our competitors in advancing and expediting the business interests of trade center tenants.
- *Attract and secure high quality long-term anchor tenants.* We plan to continue to use our strong relationships with industry trade associations and manufacturers, as well as our own in-depth knowledge of the industries represented at our trade centers, to secure high-quality, domestic and international suppliers of industrial materials to form part of our anchor tenant base. We have already attracted many such suppliers, including Bobst (Shanghai) Co., Ltd. (博斯特（上海）有限公司), Guangzhou Mitsubishi Heavy Industries Printing Technology Research and Development Co., Ltd. (廣州菱重印刷科技研發中心有限公司), Linde (China) Forklift Truck Corp., Ltd. (林德（中國）叉車有限公司) and Fujicon Electric Company Limited (富之光電機有限公司), as tenants and we plan to enter into long-term tenancies with such high quality anchor tenants. We believe that securing such high quality anchor tenants will increase the stability of our tenant base and help raise the profile and reputation of our trade centers, as well as increase the flow of trade within these centers, thereby enhancing our projects' status as centers of trade and ultimately allowing us to augment rental rates and sales prices for our trade center units.

- *Leverage and improve supporting infrastructure and services.* We will seek to enhance the market demand for our trade center units by leveraging and improving the auxiliary services available to our trade center tenants and their customers. In developing supporting infrastructure and services at China South City Shenzhen, we have entered into strategic alliances and arrangements with a variety of third party service providers, including three of China's leading banks, 12 providers of integrated logistics services and three telecommunications companies. In addition, we offer conference and exhibition facilities, which are frequently utilized by industry participants for industry exhibitions and seminars. With the completion of the West Garden residential facility in February 2008, we now offer a 1,628-unit residential facility for the convenience of trade center tenants and their customers. Under the terms of our master agreement for the development of China South City Shenzhen, the Shenzhen Longgang Pinghu Logistics Base Development Services Center has committed to assist in the development of the transportation infrastructure surrounding China South City Shenzhen. We will continue to request the local government to improve the transportation infrastructure surrounding China South City Shenzhen. Local governments have agreed to arrange for the improvement of similar supporting infrastructure and services at our properties planned for development in Nanchang and Nanning.

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

We intend to leverage our experience with China South City Shenzhen to develop similar integrated logistics and trade centers. In addition to growing and diversifying our presence in the Greater Pearl River Delta, we have selectively explored opportunities to develop additional integrated logistics and trade centers in other regions in China, both for industrial materials and other region-specific products and materials. We have and will continue to focus our expansion on cities meeting our strategic criteria, including: (1) demonstrated public demand for large-scale trade centers; (2) prime locations close to well-developed transportation networks; (3) promising local and regional economic growth potential, particularly with respect to those industries represented at our trade centers; and (4) strong government support for the development of the industrial trade and logistics services sectors. We have already entered into agreements with local governments of Nanchang and Nanning to develop similar trade centers and we have been invited by local governments in several additional PRC cities to develop new integrated logistics and trade centers.

Expand our operations to increase the vertical integration of our trade centers

We intend to expand our operations beyond the wholesale trade of industrial materials to include the wholesale trade of finished and branded goods in the industries represented at our trade centers. By expanding our operations to encompass the wholesale trade of both raw materials and finished goods, we believe that we will further expand the scope and elevate the quality of our services beyond those offered by our competitors. We completed the expansion of China South City Shenzhen's existing textile and clothing trade center in March 2009 and expect to complete the expansion of our existing leather and accessories trade center in the second half of 2009. We believe the benefit of new trade center units dedicated to the sale of finished goods will be twofold, as we expect such units will both appeal to individual consumers seeking to purchase a diverse array of raw materials and finished products in a single location, as well as complementing our operations by providing a new market for existing trade center tenants.

Build our market position and enhance our brand recognition

We intend to augment our sales and marketing program to further strengthen our market position and enhance brand recognition by using a variety of promotional, advertising, public relations and customer service campaigns, both in China and Hong Kong. We emphasize the competitive strengths of our trade centers, including strategic location, integration into the global logistics supply chain, strong supporting infrastructure and services and high quality 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, allowing us to realize higher demand for our trade center units.

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

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.

OUR TRADE CENTER PROJECTS

We currently have three large-scale integrated logistics and trade center projects in various stages of development located in Shenzhen, Nanchang and Nanning.

Our trade center projects are classified into three categories:

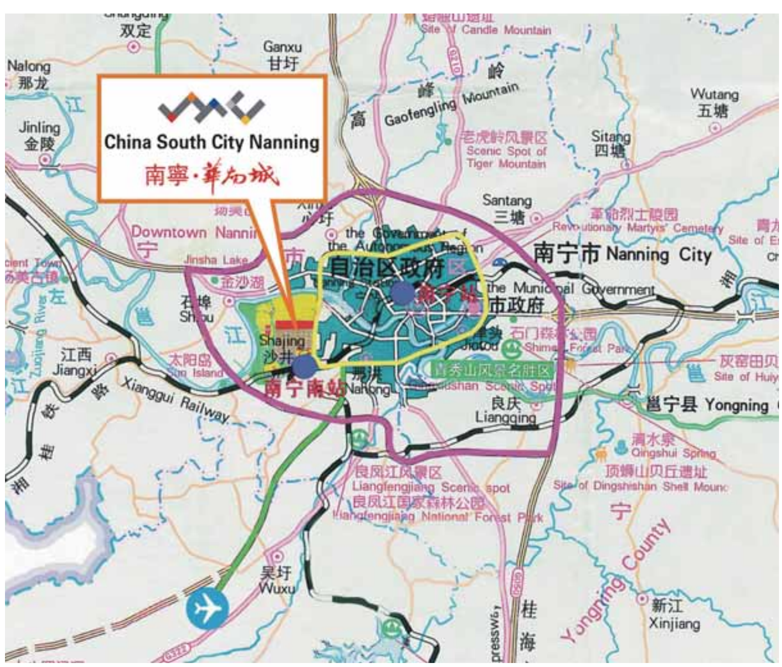
- completed property developments, representing properties for which construction of all constituent buildings has been completed and which are available for lease or sale. Our completed property developments include Phase One of China South City Shenzhen and the textile and clothing trade center, the West Garden residential facility and a portion of the warehouse facilities of Phase Two of China South City Shenzhen;
- properties under development, representing properties for which we have obtained land-use rights certificates and have planned or commenced construction. The Phase Two leather and accessories trade center, electronic accessories trade center, printing, paper and packaging trade center, metals, chemicals and plastics trade center, supporting commercial facilities, supporting facilities for West Garden and a portion of the Phase Two warehouse facilities of China South City Shenzhen are properties under development;

Below is a map that sets out the location of China South City Shenzhen and the surrounding transportation network in the Greater Pearl River Delta.

- properties planned for future development, representing properties with respect to which we have entered into a master agreement or similar agreement with, or have been awarded a competitive bid by, relevant regulatory authorities and which have been approved in accordance with our internal procedures. These projects are still in the planning stage. As a result, we have not received the land-use rights with respect to these projects, and we have not commenced any site clearance. The details of the development plans of these projects described herein reflect our current design and expectations only, and are subject to change and government approvals. China South City Nanchang, China South City Nanning and the proposed Xi'an project are properties planned for future development. The proposed site area for our properties planned for future development will be transferred by public tender, auction or listing for sale in phases. We will be able to obtain the land-use rights for these projects only if we are successful in the public tender, auction or listing for sale process.

Below are maps that set out the expected locations of China South City Nanchang and China South City Nanning.

China South City Nanchang



China South City Nanning

In determining the estimated commencement and completion dates for our properties under development and planned for future development, we rely on certain bases and 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 industrial 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.

Many of these assumptions are outside of our control. If the actual economic conditions or other facts turn out to be materially different from these assumptions, our actual timetable could differ materially from that described in this Prospectus. For example, the recent global economic downturn and the deterioration in the global credit markets have already adversely affected business and consumer confidence in China and could impair our ability to borrow funds, which could delay the completion of our developments.

China South City Shenzhen

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

The development of China South City Shenzhen is divided into two phases. Phase One of China South City Shenzhen, which is fully developed, commenced operations in December 2004. China South City Shenzhen currently has five Phase One trade centers for the wholesale trade of industrial materials. We lease or sell the units of these Phase One trade centers to domestic and international manufacturers, trading companies and suppliers of high quality industrial materials. Our Phase One trade centers currently serve the following five industries: (1) textile and clothing; (2) leather and accessories; (3) electronic accessories; (4) printing, paper and packaging and (5) metals, chemicals and plastics. In addition, Phase One of China South City Shenzhen consists of warehouses (including one export supervised warehouse and one bonded warehouse), a four-star hotel, a restaurant, two exhibition centers, and other administrative and operational facilities for our operations. Together, China South City Shenzhen's Phase One trade centers cover a GFA of approximately 359,000 square meters and the supporting facilities cover a GFA of approximately 105,000 square meters.

We commenced construction of the West Garden residential facility, our first Phase Two facility, in August 2006 and commenced construction of our Phase Two trade centers in December 2007. We expect to complete construction of all stages of Phase Two China South City Shenzhen by the end of 2012. Upon completion, we expect Phase Two of China South City Shenzhen to include:

- five trade centers of approximately 1.5 million square meters. We completed construction of our Phase Two textile and clothing trade center, comprising a GFA of approximately 340,000 square meters, in March 2009. Construction of our Phase Two leather and accessories trade center, comprising a GFA of approximately 385,000 square meters, commenced in December 2007 and is expected to be completed in the second half of 2009. Construction of the remaining Phase Two trade centers is expected to be completed in stages by the end of 2011;
- supporting commercial facilities for Phase Two trade centers of approximately 343,000 square meters, primarily including office facilities. We commenced construction of these facilities in 2008 and expect to complete construction in stages, completing construction of 68,000 square meters by the end of 2009 with the remainder to be completed in 2012;
- warehouse facilities of approximately 147,000 square meters. We commenced construction of these facilities in April 2007 and expect to complete construction in phases, having completed construction of approximately 44,000 square meters in February 2008 with the remainder to be completed by 2011;
- residential and supporting facilities of approximately 163,000 square meters, including West Garden, a 1,628-unit residential development covering a GFA of approximately 114,000 square meters, underground car parking and ancillary area of approximately 27,000 square meters, which was completed in February 2008, and supporting facilities for the West Garden residential facility, comprising approximately 22,000 square meters, construction of which commenced in August 2008 and is expected to be completed by the end of 2009.

As of March 31, 2009, we had completed construction of a GFA of approximately 525,000 square meters of Phase Two of China South City Shenzhen, consisting of a GFA of approximately 340,000 square meters of our Phase Two textile and clothing trade center, a GFA of approximately 141,000 square meters of residential facilities in West Garden and a GFA of approximately 44,000 square meters of warehouse facilities, and representing approximately 24.3% of the total GFA of Phase Two of China South City Shenzhen.

As of March 31, 2009, we had incurred development costs (including land grant costs, construction costs and capitalized finance costs) of approximately RMB977 million (HK$1.11 billion) for Phase One of China South City Shenzhen and approximately RMB2.68 billion (HK$3.04 billion) for Phase Two of China South City Shenzhen. We estimate that we will incur additional development costs of approximately RMB3.51 billion (HK$3.98 billion) for the completion of Phase Two of China South City Shenzhen and complete construction of Phase Two of China South City Shenzhen by the end of 2012.

The Phase Two textile and clothing trade center, with a GFA of approximately 340,000 square meters, was completed in March 2009. The Phase Two leather and accessories trade center, with a GFA of approximately 385,000 square meters, is expected to be completed in the second half of 2009. The remaining Phase Two trade centers of China South City Shenzhen are expected to be completed in stages by the end of 2011. We plan to lease or sell the units of our Phase Two trade centers to domestic and international manufacturers, trading companies and suppliers of industrial materials and finished goods. We also intend to use a portion of these trade center units as exhibition facilities.

Below are pictures of our Phase Two textile and clothing and leather and accessories trade centers.

Phase Two Textile and Clothing Trade Center

Phase Two Leather and Accessories Trade Center

In addition, we facilitate and make available to our trade center tenants and their customers a full range of integrated logistics and trade facilities and services, including transportation services, bonded, unbonded and export supervised warehouses, logistics liaison services, on-site logistics service providers, and quality testing services. The logistics services are provided by on-site joint venture and third party service providers in our facilities at China South City Shenzhen. Furthermore, we provide value-added exhibition and conference facilities, residential facilities, a four-star hotel and a restaurant. We also procure other third parties to offer banking, advertising and restaurant services. Our business model is further augmented by the on-site presence of PRC Government agencies, which offer a diverse range of services including registration and compliance, customs, tax, public security, land rental and human resources services.

The following table sets forth the mix of the properties of Phase One of China South City Shenzhen as of March 31, 2009, the expected mix of the properties of Phase Two of China South City Shenzhen upon its completion, and the expected mix of the properties of China South City Shenzhen as a whole when fully completed.

Facility	Phase One Approximate Completed GFA		Phase Two Approximate Completed GFA		Phase Two Estimated GFA to be Completed		Total Estimated GFA	
	(square meters)	(%)	(square meters)	(%)	(square meters)	(%)	(square meters)	(%)
Trade centers	359,500[1]	77.5	340,400[3]	65.0	1,169,000[7]	72.6	1,868,900[1]	71.9
Other commercial facilities[4]	22,400	4.8	—	—	343,400[8]	21.3	365,800	14.1
Residential facilities	—	—	141,200[5]	26.6	22,100[9]	1.4	163,300	6.2
Warehouse facilities	26,500[2]	5.7	43,900[6]	8.4	76,600[2]	4.7	147,000[2]	5.7
Hotels and restaurant facilities	35,900	7.8	—	—	—	—	35,900	1.4
Sales and leasing and administrative facilities	10,000	2.2	—	—	—	—	10,000	0.4
Exhibition and conference facilities[10]	9,300	2.0	—	—	—	—	9,300	0.3
Total	463,600	100.0	525,500	100.0	1,611,100	100.0	2,600,200	100.0

(1) Includes 1,390 Phase One trade center units, representing a GFA of approximately 168,000 square meters of trade centers that have been sold in Phase One of China South City Shenzhen.

(2) A portion of the Phase Two warehouse facilities, representing a GFA of approximately 103,100 square meters, will be built on the 26,500 square meter site of our Phase One warehouse facilities, which will be demolished. The net increase in GFA of our warehouse facilities will be 76,600 square meters.

(3) Includes 6,574 Phase Two textile and clothing trade center units, representing a leasable GFA of approximately 251,000 square meters of trade centers, of which we have sold 153 units, representing a GFA of approximately 4,100 square meters.

(4) Other commercial facilities include office and other commercial facilities for third party service providers, consisting of government agencies, restaurants, banks, telecommunications companies, industry associations and other providers of professional services, such as tax consultants and insurance companies.

(5) Comprises leaseable GFA of approximately 114,700 square meters and underground car parking and ancillary area of approximately 26,500 square meters, completed in February 2008.

(6) Comprises leaseable GFA of approximately 43,200 square meters and underground GFA of approximately 700 square meters, completed as of March 31, 2009.

(7) Includes approximately 263,700 square meters of underground car parking and ancillary area.

(8) Comprises leasable GFA of approximately 259,000 square meters and underground car parking and ancillary area of approximately 84,000 square meters.

(9) Comprises leaseable GFA of approximately 15,000 square meters and underground car parking and ancillary area of approximately 7,100 square meters.

(10) We plan to demolish the exhibition and conference facilities when construction of the electronic accessories trade center in Phase Two is completed and operation commences, and to move the exhibition and conference facilities into the newly constructed trade center.

In Savills' property valuation report, which is included as Appendix III to this Prospectus, Savills has valued China South City Shenzhen at approximately RMB22.43 billion (HK$25.46 billion) as of June 30, 2009.

China South City Shenzhen Phase One

Phase One of China South City Shenzhen commenced operations in December 2004. The following table sets forth the commencement and completion dates for construction of China South City Shenzhen's Phase One trade centers, supporting commercial facilities, warehouse facilities, and other facilities:

			2003				2004				2005				2006			
Facility	**GFA[1] (in square meters)**	**Percentage of Total GFA**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Trade centers	359,500	77.5%																
Supporting commercial facilities[2] .	67,600	14.6%																
Warehouse facilities	26,500	5.7%																
Other facilities[3]	10,000	2.2%																

(1) GFA represents above-ground and underground GFA in square meters.

(2) Phase One supporting commercial facilities include exhibition and conference facilities, hotel facilities, and office and other commercial facilities for third party service providers, consisting of government agencies, restaurants, banks, telecommunications companies, industry associations and other providers of professional services, such as tax consultants and insurance companies.

(3) Other Phase One facilities includes our sales and leasing center and an administrative building neither of which is part of our core business.

As of March 31, 2009, Phase One of China South City Shenzhen had five trade centers, consisting of approximately 2,870 units, and covering a total GFA of approximately 359,000 square meters. As of March 31, 2009, we had sold 1,390 Phase One trade center units, representing a GFA of approximately 168,000 square meters. Pursuant to separate cooperation and lease agreements, we have the right to lease approximately 1,080 of these sold units, representing a GFA of approximately 126,000 square meters, to third parties. Accordingly, our Phase One leaseable area consists of Phase One trade center units retained by us for rental income and capital appreciation and Phase One trade center units that have been sold subject to cooperation and lease agreements. Of Phase One trade center units subject to cooperation or lease agreements, we have leased approximately 107,000 square meters to third parties, thereby allowing us to receive rental income with respect to these sold units. As of March 31, 2009, we retained a GFA of approximately 192,000 square meters for rental income and capital appreciation, of which we have leased approximately 145,000 square meters.

Including Phase One trade center units sold to purchasers and leaseable by us to third parties (126,000 square meters) and Phase One trade center units retained by us for rental income and capital appreciation (192,000 square meters), as of March 31, 2009, the total leaseable GFA of China South City Shenzhen's Phase One trade center units was approximately 318,000 square meters, representing 88.6% of the total GFA of approximately 359,000 square meters of China South City Shenzhen's Phase One trade center units. For further information regarding cooperation and lease arrangements with purchasers of Phase One trade center units, please see "— Agreements with Certain Purchasers of Trade Center Units — China South City Shenzhen Phase One."

Phase One trade center units range in size from approximately 80 square meters to 350 square meters. Approximately 110 units of the electronic accessories trade center have been subdivided into approximately 770 booths, which range in size from approximately seven and 26 square meters. Phase One trade center units are two or three stories high. The ground floor is generally used for display of products and machinery, while the upper floors are used as offices or for storage purposes.

As of March 31, 2009, pursuant to land grant contracts entered into with and pre-sale permits issued by the Shenzhen Municipal Bureau of Land Resources and Housing Management, we had allocated 188,000 square meters of our Phase One trade centers for sale, of which we had sold 1,390 Phase One trade center units, representing a GFA of approximately 168,000 square meters. As of March 31, 2009, Phase One trade centers had approximately 2,100 occupants and a total occupancy rate of approximately 81.6%.

The discussion below sets forth information relating to the GFA, leaseable area, sold area and occupancy rate of each of our five Phase One trade centers.

Textile and clothing. As of March 31, 2009, the Phase One textile and clothing trade center had 760 store units, representing a total GFA of approximately 94,300 square meters, with approximately 460 occupants from the PRC, Hong Kong and Taiwan. As of March 31, 2009, Phase One textile and clothing trade center units comprised a leaseable area of approximately 81,000 square meters and a sold GFA of approximately 49,300 square meters. As of March 31, 2009, the total occupancy rate of this trade center was approximately 72.8%.

Leather and accessories. As of March 31, 2009, the Phase One leather and accessories trade center had 730 store units, representing a total GFA of approximately 91,700 square meters, with approximately 590 occupants from the PRC, Hong Kong, Macau, Taiwan and Korea. As of March 31, 2009, Phase One leather and accessories trade center units comprised a leaseable area of approximately 79,000 square meters, with sold GFA of approximately 45,600 square meters. As of March 31, 2009, the total occupancy rate of this trade center was approximately 91.7%.

Electronic accessories. As of March 31, 2009, the Phase One electronic accessories trade center, currently located on a portion of land previously reserved for the printing, paper and packaging trade center (pending completion of a dedicated trade center for electronic accessories), had 340 store units, representing a total GFA of approximately 43,300 square meters, with approximately 290 occupants from the PRC, Hong Kong and Taiwan. Of these, approximately 230 units have an average GFA of approximately 100 square meters and approximately 110 units have been subdivided into approximately 770 booths with an average GFA between seven and 26 square meters each. As of March 31, 2009, Phase One electronic accessories trade center units comprised a leaseable area of approximately 43,000 square meters, with sold GFA of approximately 11,000 square meters. As of March 31, 2009, the total occupancy rate of this trade center was approximately 64.6%.

Printing, paper and packaging. As of March 31, 2009, the Phase One printing, paper and packaging trade center had 400 store units, representing a total GFA of approximately 48,200 square meters, with approximately 320 occupants from the PRC, Hong Kong, Korea and Japan. As of March 31, 2009, Phase One printing, paper and packaging trade center units comprised a leaseable area of approximately 47,000 square meters, with sold GFA of approximately 24,900 square meters. As of March 31, 2009, the total occupancy rate of this trade center was approximately 90.6%. Following completion of the Phase Two electronics accessories trade center of China South City Shenzhen, a portion of the GFA in this trade center currently utilized by the electronic accessories trade center will revert to the printing, paper and packaging trade center.

Metals, chemicals and plastics. As of March 31, 2009, the Phase One metals, chemicals and plastics trade center had 640 store units, representing a total GFA of approximately 82,000 square meters, with approximately 430 occupants from the PRC, Hong Kong, Taiwan, Korea, Malaysia and Australia. As of March 31, 2009, Phase One metals, chemicals and plastics trade center units comprised a leaseable area of approximately 68,000 square meters, with sold GFA of approximately 37,300 square meters. As of March 31, 2009, the total occupancy rate of this trade center was approximately 84.2%.

The following table sets forth additional information with respect to each of China South City Shenzhen's Phase One trade centers as of March 31, 2009, unless otherwise indicated.

	GFA				Units					
Phase One Trade Centers	Retained(1)	Sold	Total	% of Total	Retained(1)	Sold	Total	% of Total	Date of Completion	Remaining Term of Land-Use Rights(2)
	(in square meters)									(Years)
Textile and clothing(3)	45,000	49,300(4)	94,300	26.2	351	409	760	26.5	December 2004	45
Leather and accessories	46,100	45,600(4)	91,700	25.5	364	366	730	25.4	December 2004	45
Electronic accessories	32,300	11,000(4)	43,300	12.1	248	92	340(5)	11.9	December 2004	45
Printing, paper and packaging	23,300	24,900(4)	48,200	13.4	193	207	400	13.9	December 2004	45
Metals, chemicals and plastics	44,700	37,300(4)	82,000	22.8	324	316	640	22.3	December 2004	45
Total	191,400	168,100	359,500(6)	100%	1,480	1,390	2,870	100%		

(1) Excludes the GFA that has been sold to purchasers and leased by us to third parties pursuant to lease agreements with the purchasers of Phase One trade center units. As of March 31, 2009, of the approximately 192,000 square meters of retained GFA, approximately 145,000 square meters had been leased out to tenants.

(2) The land-use rights for each of China South City Shenzhen's Phase One trade centers commence from July 2003.

(3) We are in the process of obtaining building ownership certificates with respect to approximately 4,000 square meters of our Phase One textile and clothing trade center. For further information on our land-use rights and building ownership rights with respect to Phase One of China South City Shenzhen, please see "— Land-use Rights and Building Ownership Rights — China South City Shenzhen — China South City Shenzhen Phase One."

(4) We will continue to receive rental income for a GFA of approximately (i) 36,000 square meters from the textile and clothing trade center; (ii) 33,000 square meters from the leather and accessories trade center; (iii) 11,000 square meters from the electronic accessories trade center; (iv) 23,000 square meters from the printing, paper and packaging trade center; and (v) 23,000 square meters from the metals, chemicals and plastics trade center that has been sold in these respective trade centers through November 2010 pursuant to lease agreements with the purchasers of these units.

(5) Approximately 110 units of the Phase One electronic accessories trade center have been subdivided into approximately 770 booths, each of which has a GFA ranging from seven to 26 square meters.

(6) Includes leaseable GFA, as of March 31, 2009, of 81,000 square meters for the Phase One textile and clothing trade center, 79,000 square meters for the leather and accessories trade center, 43,000 square meters for the electronic accessories trade center, 47,000 square meters for the printing, paper and packaging trade center and 68,000 square meters for the metals, chemicals and plastics trade center, totalling 318,000 square meters of leaseable GFA for all of the trade centers.

Occupant Mix

Phase One of China South City Shenzhen had approximately 2,100 trade center occupants as of March 31, 2009. These occupants include an array of domestic and international manufacturers, suppliers and dealers seeking to display, trade and promote their products in our Phase One trade centers. Phase One trade center occupants include both domestic companies with long-term experience in China's industrial trade market and new market entrants, including international companies seeking to gain a share of the domestic industrial trade market. As of March 31, 2009, our 10 largest Phase One trade center occupants in terms of GFA together occupied approximately 5.4% of the leasable GFA of China South City Shenzhen's Phase One trade centers.

The following table sets forth information as of and for the month ended March 31, 2009 relating to the 10 largest tenants and other occupants of Phase One trade centers of China South City Shenzhen, in terms of GFA.

Tenant[(1)]	Phase One Trade Center	Commencement Date	Expiry Date[(2)]	Leasable Area	Percentage of Total Phase One Trade Center Leasable Area	Monthly Rental Income	Percentage of Total Phase One Trade Center Rental Income[(3)]
				(in square meters)	(%)	(RMB)	(%)
First Pioneering Co. Ltd.	Leather and accessories	December 1, 2004	November 30, 2014	4,556	1.3	124,941	2.2
Shenzhen Jinyongsheng Hardware Supplies Co., Ltd.	Metals, chemicals and plastics	October 1, 2006	September 30, 2016	4,012	1.1	87,754	1.5
Tai Yu Electromechanical Chain	Metals, chemicals and plastics	May 1, 2007	July 31, 2017	3,501	1.0	21,156	0.4
Shenzhen Die Mould Manufacture Magazine Agency Co., Ltd.	Metals, chemicals and plastics	July 1, 2007	December 31, 2010	2,097	0.6	21,445	0.4
Shenzhen City Luokeweier Tiangzheng Electronics Co., Ltd.	Metals, chemicals and plastics	September 1, 2007	April 30, 2011	1,106	0.3	10,942	0.2
Shenzhen Sakata Inx Co. Ltd	Printing, paper and packaging	August 1, 2007	November 30, 2010	1,009	0.3	13,147	0.2
Huang TaiShan (TaiShan Cloth Co., Ltd.).	Textile and clothing	December 6, 2004	December 5, 2014	910	0.2	28,061	0.5
Huangsongqing (Xinji Textile Manufacturing)	Textile and clothing	August 20, 2007	November 30, 2010	808	0.2	12,210	0.2
BOBST (Shanghai) Ltd.	Printing, paper and packaging	September 10, 2007	November 9, 2009	807	0.2	9,820	0.2
Shenzhen Union Dayu CNC Machine Co., Ltd.	Textile and clothing	May 1, 2007	July 31, 2009	595	0.2	5,930	0.1
Sub-total				19,401	5.4	335,406	5.9
Other tenants				232,406	64.7	5,357,655	94.1
Vacant space				66,084	18.4	—	—
Self-use by purchasers				41,574	11.5	—	—
Total				359,465	100.0	5,693,061	100.0

(1) None of the top 10 tenants are Connected Persons.
(2) All leases for each tenant expire on the date indicated.
(3) Calculated on the basis of each tenant's contribution to total rental income of the Phase One trade centers for the month ended March 31, 2009.

Occupancy Rates

The following table sets forth information regarding Phase One trade center occupancy rates as of the dates indicated.

Phase One Trade Center[1]	As of March 31,								
	2007			2008			2009		
	Rental Occupancy Rate[2]	Total Occupancy Rate[3]	Number of Occupants	Rental Occupancy Rate[2]	Total Occupancy Rate[3]	Number of Occupants	Rental Occupancy Rate[2]	Total Occupancy Rate[3]	Number of Occupants
	(in percentages, except for number of occupants)								
Textile and clothing. .	90.4	90.6	613	73.8	77.4	498	68.4	72.8	463
Leather and accessories	93.3	93.4	610	90.9	92.2	591	90.4	91.7	590
Electronic accessories	30.1	30.1	183	61.3	61.6	309	64.3	64.6	287
Printing, paper and packaging	38.3	38.9	136	71.5	72.3	244	90.4	90.6	320
Metals, chemicals and plastics	68.2	69.4	396	81.0	84.1	417	81.0	84.2	429
Weighted average[4]. .	71.7	72.3	1,938	77.5	80.1	2,059	79.2	81.6	2,089

(1) Calculation of the occupancy rates includes newly signed leases which had not been input into our data base system as of the dates indicated as well as Phase One trade center units occupied by tenants as of the date indicated before such tenants formally signed a lease.

(2) Rental occupancy rate is calculated as the percentage of leaseable GFA (1) retained and leased by us and (2) sold by us to purchasers of Phase One trade center units and subsequently leased by us to third party tenants, for each of the periods.

(3) Total occupancy rate is calculated as a percentage of the total GFA (1) retained and leased by us and (2) sold by us to purchasers of Phase One trade center units, excluding vacant units, for each of the periods.

(4) Calculated based on the GFA of the Phase One trade center units.

Rental occupancy rates and total occupancy rates in the Phase One electronic accessories, printing, paper and packaging and metals, chemicals and plastics trade centers increased as of March 31, 2008 compared to March 31, 2007 and as of March 31, 2009 compared to March 31, 2008 due to the continued enhancement of our brand recognition as a result of the successful implementation of our promotional and marketing strategies and an increase in market demand for the comprehensive range of trade, logistics and supporting services offered at China South City Shenzhen.

Meanwhile, rental and total occupancy rates in the textile and clothing trade center decreased as of March 31, 2008 compared to March 31, 2007, due to the discontinuation of the fur subsection of this trade center, the seasonal nature of which we deemed inconsistent with the business of this Phase One trade center. Please see "— Lease Agreements — Termination Provisions" for additional information regarding the discontinued fur subsection of the Phase One textile and clothing trade center. Rental and total occupancy rates in the textile and clothing trade center decreased as of March 31, 2009 compared to March 31, 2008 due to an increase in early lease terminations as a result of the deterioration of local economic conditions in Shenzhen resulting from the current financial market and economic crisis. Although we experienced cancellations of lease agreements in fiscal year 2009, the weighted average rental occupancy rate for our Phase One trade centers increased from 77.5% as of March 31, 2008 to 79.2% as of March 31, 2009. We continue to promote our remaining unleased Phase One trade center units and target high quality tenants to maximize our occupancy rates.

Rental Rates

The following table sets forth information regarding the monthly gross rent and monthly effective rent per square meter for leased area in our Phase One trade center units for the month preceding the dates indicated.

	As of March 31,					
	2007		2008		2009	
Phase One Trade Center	Monthly Gross Rent(1)	Monthly Effective Rent(2)	Monthly Gross Rent(1)	Monthly Effective Rent(2)	Monthly Gross Rent(1)	Monthly Effective Rent(2)
	(in RMB per square meter)					
Textile and clothing	61.0	21.0	57.6	28.1	64.6	28.5
Leather and accessories	66.2	20.4	66.8	34.6	64.9	33.0
Electronic accessories	18.6	18.6	57.5	13.3	60.7	12.9
Printing, paper and packaging	68.7	17.0	65.9	13.3	65.1	13.2
Metals, chemicals and plastics	68.1	17.4	57.8	18.1	64.8	18.6
Weighted average(3)	62.4	19.6	61.5	24.2	64.4	23.2

(1) Monthly gross rent represents the monthly contractual rent per square meter for existing leases as of the dates indicated. This amount reflects total contractual base rent without adjusting for any discounts or rent-free periods divided by the leased GFA as of the dates indicated.

(2) Monthly effective rent represents the monthly contractual rent per square meter for existing leases as of the dates indicated, shown on a net basis. This amount reflects the total contractual base rent after adjusting to amortize the effect of any discounts and rent-free periods for such leases divided by the leased GFA as of the dates indicated.

(3) Calculated based on the gross floor areas of the Phase One trade center units.

The monthly weighted average effective rent for our Phase One trade centers increased as of March 31, 2008, as compared to March 31, 2007 due primarily to an increase in rental rates under new lease agreements. The increase in effective rental rates for new lease agreements signed since November 2007, combined with the increased occupancy rate and traffic flow in the trade centers in fiscal year 2008, contributed to a gain in the fair value of our investment properties in fiscal year 2008. The monthly weighted average effective rent for our Phase One trade centers decreased as of March 31, 2009, as compared to March 31, 2008, due to a special one-time rent-free period of two months offered by us in December 2008. This offer was made in response to the current economic crisis to tenants of our Phase One textile and clothing, leather and accessories and metals, chemicals and plastics trade center units that had renewed their lease agreements by November 2007.

Delinquency Rates

In the fiscal years ended March 31, 2007, 2008 and 2009, we experienced delinquencies by Phase One trade center tenants in the amounts of approximately HK$0.7 million, HK$0.7 million and HK$4.3 million, respectively. Delinquency refers to a rental receivable that remain unpaid after its due date. In determining whether an overdue payment by a trade center tenant constitutes a delinquency, we consider a number of factors, including: (1) the length of the period for which payment is overdue, (2) the amount of the overdue payment, (3) the duration of the tenancy and (4) the payment track record of the trade center tenant, among others. The increase in delinquencies in the fiscal year ended March 31, 2009 was primarily due to the deterioration of local economic conditions in Shenzhen resulting from the current financial market and economic crisis. We have adopted several measures to prevent tenants from defaulting on rental payments, including the close monitoring of our tenants' payment schedules in order to decide on a case-by-case basis whether to retain the security deposit of a tenant or, according to the termination clause in the lease agreements, to terminate the lease agreement when a tenant has defaulted on rental payments for more than 30 days. According to our PRC legal counsel, Commerce & Finance Law Offices, the termination clause does not contradict the provisions of the PRC Contract Law.

Lease Expirations

The following table sets forth information with respect to lease expirations of the Phase One trade center units that are scheduled to take place during the calendar years indicated.

Calendar Year	Number of Leases[1]	GFA	Percentage of Leased Area	Monthly Rental Income[2]	Percentage of Total Rental Income[3]
		(in square meters)	(%)	(RMB)	(%)
2009[4]	1,179	137,616	55.4	3,367,355	59.1
2010	706	77,573	31.2	1,575,558	27.7
2011	101	13,154	5.3	288,374	5.1
2012	2	202	0.1	6,062	0.1
2013 and beyond. . . .	158	20,013	8.1	455,711	8.0
Total	2,146	248,558	100.0	5,693,060	100.0

(1) Assuming that new lease agreements are not entered into upon expiration of the initial leases. In addition, the information provided does not reflect space which is currently occupied but for which no lease agreement had been entered into as of March 31, 2009.

(2) Rental income in respect of expiring leases for the respective periods is calculated on the basis of effective rental income payable under the expiring leases for the month ended March 31, 2009.

(3) Calculated as a percentage of the total effective rental income for Phase One trade center units for the month ended March 31, 2009.

(4) In November 2007, 1,453 lease agreements (including lease agreements for units leased by us to third parties pursuant to cooperation agreements with the purchasers of such units), representing a GFA of approximately 178,000 square meters, were due to expire. Of these lease agreements, 19.4% (in terms of GFA) were retained by the purchasers of those units for self-use and we renewed 66.7% of the remaining expiring lease agreements (in terms of GFA), representing a GFA of 96,000 square meters. All of these lease agreements are due to expire in November 2009.

Property Sales

Our master agreement with the Shenzhen Longgang Pinghu Logistics Base Development Center provides that we may sell up to 30% of the total GFA of properties located on the parcels of land on which our Phase One and Phase Two trade centers are located. Pursuant to land grant contracts entered into between the Shenzhen Municipal Bureau of Land Resources and Housing Management and China South International, the saleable GFA of our Phase One and Phase Two trade center units is limited to 528,000 square meters, equivalent to 30% of the total GFA of properties that can be built on the parcels of land on which China South City Shenzhen's Phase One and Phase Two trade center units are located. We have allocated 188,000 square meters of this saleable area to our Phase One trade centers, of which we had sold 1,390 Phase One trade center units, representing a GFA of approximately 168,000 square meters as of March 31, 2009. We intend to allocate the majority of the remaining approximately 340,000 square meters of this saleable area to our Phase Two trade centers, which we expect to comprise a leaseable GFA of approximately 1.1 million square meters. Pursuant to pre-sale permits issued for the sale of Phase One trade center units, the sale of 188,000 square meters of Phase One trade center units is permissible. Pursuant to land grant contracts entered into with the Shenzhen Municipal Bureau of

Land Resources and Housing Management, the sale of approximately 318,000 square meters of Phase Two trade center units is permissible. The limitation on saleable GFA applies to all sold units on these parcels of land (including units sold to purchasers and leased to third parties).

Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we believe that (1) the sale of 30% of the total GFA of the properties located on the parcels of land on which China South City Shenzhen's Phase One and Phase Two trade center units are located complies with relevant PRC laws and regulations and relevant land agreements and pre-sale permits entered into and issued by the Shenzhen Municipal Bureau of Land Resources and Housing Management; and (2) the Shenzhen Municipal Bureau of Land Resources and Housing Management is the appropriate authority to grant approval for such sales. We have been and continue to be in full compliance with this restriction.

As of March 31, 2009, total revenue from the sale of Phase One trade center units was approximately HK$863.2 million. The average GFA of units sold was approximately 120 square meters per unit. Under separate agreements with purchasers of certain Phase One trade center units, we have the right to lease a GFA of approximately 126,000 square meters of these units through November 2010.

As of March 31, 2009, China South International had obtained all relevant licenses and approvals necessary to conduct property sales for its Phase One trade center units (with the exception of a 4,000 square meter plot in our Phase One textile and clothing trade center. Please see "— Land-Use Rights and Building Ownership Rights — China South City Shenzhen").

Purchasers either pay the entire purchase price of the Phase One trade center units upon closing or, in instances where we assist purchasers in obtaining mortgages from banks, pay approximately 30% to 40% of the purchase price prior to closing with the remainder paid within one to two months after closing. We also assist purchasers in locating tenants for their units. For additional information regarding purchaser financing, please see "— Purchaser and Tenant Financing."

In order to encourage the first batch of investors to purchase units, they were offered sales discounts ranging from 2% to 10% of the purchase price.

Temporary Units

Since March 2007, we have leased temporary units in facilities adjacent to the Phase One trade centers in China South City Shenzhen to tenants who are unable to obtain rental space of their preference in the appropriate trade center for their industry in Phase One of China South City Shenzhen. Although Phase One trade center units may be available for lease in the appropriate trade center, a tenant will typically lease a temporary unit if his preferred unit location within the trade center has already been occupied. The temporary units comprise a GFA of approximately 10,400 square meters. During the Track Record Period, these temporary units generated rental income of approximately HK$7.3 million, or approximately 3.4% of our total rental income for the same period.

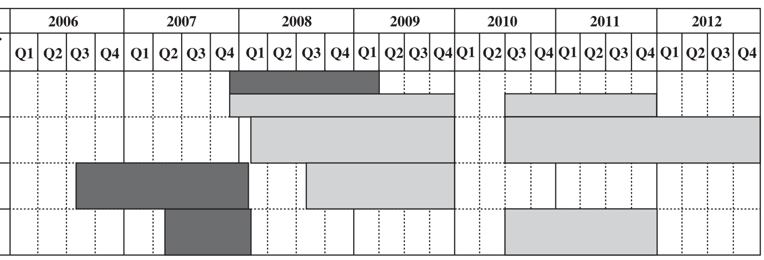
As of July 3, 2008, we had obtained all necessary certificates for the lease of these units. Previously, we had not obtained all necessary certificates prior to leasing some of the temporary units to tenants, primarily due to a lack of adequate internal control procedures resulting from the challenges in training, managing and expanding our human resources and implementing and maintaining adequate business controls in conjunction with the growth and development of our business operations. For further discussion on our effort to avoid non-compliance with applicable regulatory matters and further develop our management and internal control measures, please see also "— Compliance — Internal Control Procedures."

Once construction and development of Phase Two of China South City Shenzhen is completed, we plan to discontinue leasing temporary units and close down these units. We expect the majority of tenants currently leasing temporary units will choose to lease Phase Two trade center units in China South City Shenzhen.

China South City Shenzhen Phase Two

Our current timeline for the commencement and completion of construction of China South City Shenzhen Phase Two trade centers and facilities is as follows:

Facility	GFA[1] (in square meters)	Percentage of Total GFA
Trade centers[2]	1,509,000	69.8%
Supporting commercial facilities[3]	343,000	15.9%
Residential facilities[4]	163,000	7.5%
Warehouse facilities	147,000[5]	6.8%



■ Completed property developments

□ Properties under development

(1) GFA represents above-ground and underground GFA in square meters. The figures for total GFA listed in the table above are based on internal estimates and have not been independently verified.

(2) Construction of China South City Shenzhen's Phase Two textile and clothing and leather and accessories trade centers commenced in December 2007. China South City Shenzhen's Phase Two textile and clothing trade center was completed in March 2009 and its leather and accessories trade center is expected to be completed in the second half of 2009. We expect construction of China South City Shenzhen's Phase Two (1) electronic accessories; (2) printing, paper and packaging; and (3) metals, chemicals and plastics trade centers to commence in the second half of 2010 and to be completed by the end of 2011.

(3) Supporting commercial facilities primarily include office facilities for third party service providers.

(4) Completed residential facilities refers to the 1,628-unit West Garden residential facility. Residential facilities under development refers to supporting residential facilities, including carparks, landscaped greenery, a shopping center and community facilities, which will form part of the West Garden integrated residential facility. We completed construction of the West Garden residential facility in February 2008 and obtained a building ownership certificate for this facility in May 2009.

(5) A portion of the Phase Two warehouse facilities will be built on the 26,500 square meter site of our Phase One warehouse facilities, which will be demolished.

Upon completion, China South City Shenzhen's Phase Two trade centers are expected to cover a total GFA of approximately 1.5 million square meters, including underground car parking and ancillary area of approximately 353,000 square meters.

The discussion below sets forth information relating to the completed and expected GFA of our five Phase Two trade centers.

Textile and clothing. The Phase Two textile and clothing trade center of China South City Shenzhen, which covers a GFA of approximately 340,000 square meters, was completed in March 2009. The Phase Two textile and clothing trade center, which includes underground car parking and ancillary area of approximately 90,000 square meters, comprises approximately 22.6% of the total GFA of China South City Shenzhen's Phase Two trade centers.

Leather and accessories. We expect China South City Shenzhen's Phase Two leather and accessories trade center to be completed in the second half of 2009. We expect China South City Shenzhen's Phase Two leather and accessories trade center to have a total GFA of approximately 385,000 square meters, including underground car parking and ancillary area of approximately 75,000 square meters, comprising approximately 25.5% of the total GFA of China South City Shenzhen's Phase Two trade centers.

Electronic accessories. We expect China South City Shenzhen's Phase Two electronic accessories trade center to commence construction in the second half of 2010 and to be completed by the end of 2011. Upon completion, we expect China South City Shenzhen's Phase Two electronic accessories trade center to have a total GFA of approximately 180,000 square meters, including underground car parking and ancillary area of approximately 60,000 square meters, comprising approximately 11.9% of the total GFA of China South City Shenzhen's Phase Two trade centers.

Printing, paper and packaging. We expect China South City Shenzhen's Phase Two printing, paper and packaging trade center to commence construction in the second half of 2010 and to be completed by the end of 2011. Upon completion, we expect China South City Shenzhen's Phase Two printing, paper and packaging trade center to have a total GFA of approximately 321,000 square meters, including underground car parking and ancillary area of approximately 62,000 square meters, comprising approximately 21.3% of the total GFA of China South City Shenzhen's Phase Two trade centers.

Metals, chemical and plastics. We expect China South City Shenzhen's Phase Two metals, chemicals and plastics trade center to commence construction in the second half of 2010 and to be completed by the end of 2011. Upon completion, we expect China South City Shenzhen's Phase Two metals, chemical and plastics trade center to have a total GFA of approximately 283,000 square meters, including underground car parking and ancillary area of approximately 66,000 square meters, comprising approximately 18.7% of the total GFA of China South City Shenzhen's Phase Two trade centers.

The following table sets forth certain estimates with respect to China South City Shenzhen's Phase Two trade centers.

Trade Centers	GFA Estimated Leaseable	Estimated Saleable	Estimated Underground Car Parking and Ancillary Area	Estimated Total		Estimated Number of Store Units	Date or Expected Date of Completion	Remaining Term of Land-Use Rights(1)
	(in square meters)				(%)		(Year)	
Textile and clothing	175,000	75,800	89,600	340,400	22.6	6,600	2009	47
Leather and accessories	203,500	106,400	75,100	385,000	25.5	8,500	2009	47
Electronic accessories	98,000	22,000	60,000	180,000	11.9	N/A(2)	2011	45
Printing, paper and packaging	188,000	70,700	62,300	321,000	21.3	N/A(2)	2011	48
Metals, chemicals and plastics	151,700	65,000	66,300	283,000	18.7	N/A(2)	2011	47
Total	816,200	339,900	353,300	1,509,400	100.0			

(1) The land-use rights for China South City Shenzhen's textile and clothing, leather and accessories, electronic accessories, printing, paper and packaging and metals, chemicals and plastics materials trade centers commenced from November 2005, December 2005, November 2003, May 2007 and November 2005, respectively.

(2) We have not yet determined the estimated number of store units for this trade center.

As of March 31, 2009, we had incurred development costs (including land grant costs, construction costs and capitalized finance costs) of approximately RMB2.68 billion (HK$3.04 billion) for Phase Two of China South City Shenzhen, including the textile and clothing trade center, leather and accessories trade center, supporting commercial facilities, the West Garden residential facility, and warehouse facilities. We estimate that we will incur approximately RMB3.51 billion (HK$3.98 billion) additional development costs for the completion of Phase Two of China South City Shenzhen. We plan on financing the development costs for the project from the proceeds of the Global Offering, internally generated funds and bank borrowings.

In June 2008, we commenced the promotion of our Phase Two textile and clothing and leather and accessories trade centers. In August 2008, we began to enter into letters of intent with potential buyers for certain of these trade center units. We obtained the necessary pre-sale permits in September 2008, and are in the process of entering into purchase agreements with the purchasers with whom we had previously entered into letters of intent. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we believe that there will be no material financial impact resulting from the commencement of these activities before we obtained the necessary pre-sale permits. For additional information, please see "— Compliance — Incidents of Non-Compliance."

As of July 31, 2009, we had entered into purchase agreements for a GFA of approximately 26,872 square meters of Phase Two textile and clothing and leather and accessories trade center units at an average selling price of HK$14,641 per square meter, which represented 17.2% of the total saleable GFA of the Phase Two trade centers that we have launched for sale to date. Approximately 93.1% of these units, in terms of GFA, were sold subject to cooperation arrangements. In addition, we had entered into letters of intent for a GFA of approximately 25,669 square meters of Phase Two textile and clothing and leather and accessories trade center units at an average selling price of HK$16,028 per square meter, which represented 16.5% of the total saleable GFA of the Phase Two trade centers that we have launched for sale to date.

Supporting Facilities and Services

Overview

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

Logistics Services and Facilities

China South City Shenzhen logistics services and facilities consist of a network of warehouses and one-stop integrated inbound and outbound logistics solutions. There are three types of warehouses, including bonded, unbonded and export supervised warehouses. These warehouses are utilized by trade center tenants and other customers prior to shipping their goods to international or domestic customers. China South International has appointed China South NEL, our jointly controlled entity, to manage and operate the unbonded warehouses, while China South International manages and operates the export supervised warehouses and bonded warehouses. Customs officials are located on-site at the bonded warehouse to complete the required customs procedures. In Phase Two of China South City Shenzhen, we plan to build new warehouse facilities with a total GFA of 147,000 square meters. We completed one warehouse facility with a GFA of approximately 44,000 square meters in February 2008. We expect to complete construction of additional warehouse facilities with a GFA of approximately 103,100 square meters by late 2011. A portion of the new warehouse facilities will be built on the site of an old warehouse with a GFA of 26,500 square meters, which we plan to demolish.

China South NEL is a joint venture with National Express Logistics Co. Ltd., a state-owned enterprise authorized by the PRC Ministry of Transportation (中華人民共和國交通運輸部) to provide national and regional long-distance passenger transportation services. The accounts of China South NEL are not consolidated in our financial statements and China South NEL is accounted for under the equity method of accounting. China South International has entered into two agreements with China South NEL to manage and operate China South City Shenzhen's unbonded warehouses. Under these agreements, China South NEL's rental income is shared by China South NEL and China South International, the operating expenses of China South NEL are borne by China South NEL and the profits (or losses) of China South NEL are shared by all joint venture partners.

China South NEL also provides logistics liaison services to our trade center tenants and customers of the five industries represented at China South City Shenzhen, assisting them to liaise with third-party logistics services providers located on-site.

Exhibition and Conference Facilities

China South City Shenzhen has two temporary exhibition centers, comprising a GFA of approximately 9,000 square meters, which we, along with third-party event organizers and planners, utilize for industry exhibitions, conferences, conventions, meetings and banquets. Third party event organizers and planners include trade associations for those industries represented within our trade centers. These exhibition centers are used to showcase the products offered for sale by trade center tenants to potential customers and to attract potential tenants and customers of tenants to visit China South City Shenzhen.

We organize exhibitions through our subsidiary, Shenzhen China South City Convention and Exhibition. Since 2007, we have held 21 exhibitions in our exhibition centers. We plan to hold six exhibitions in our exhibition centers for the remainder of 2009.

We generally charge a fee of RMB2,600 to RMB3,000 per standard unit for exhibitors, including trade center tenants, to participate and present their products in exhibitions we organize. We generally charge a fee of RMB3.5 per square meter per day for exhibitors in exhibitions that third parties organize in one of our exhibition centers.

We expect to use a portion of the Phase Two textile and clothing trade center, and upon completion, we expect to use portions of the other Phase Two trade centers of China South City Shenzhen as exhibition facilities for industry-related exhibition events at China South City Shenzhen.

Hotel Services

We own and operate a four-star hotel in China South City Shenzhen offering accommodation, food and beverage and general recreational services. The hotel, named the "Grand City Hotel" consists of two buildings, each 10 stories, and has a total of 367 guest rooms covering a GFA of approximately 33,000 square meters. The Grand City Hotel has two western restaurants and one Chinese restaurant, and also has entertainment facilities. The Grand City Hotel was completed and commenced operations in September 2005.

The Grand City Hotel is operated by our subsidiary, Grand City Hotel (Shenzhen), which, prior to our acquisition in July 2007, was a jointly controlled entity of the Group. Prior to the acquisition, the accounts of Grand City Hotel (Shenzhen) were not consolidated in our financial statements and Grand City Hotel (Shenzhen) was accounted for under the equity method of accounting.

Commercial Facilities for Third Party Services

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

- *Other logistics services.* China South NEL does not currently provide transportation services, but outsources the transportation of goods to third party logistics companies and other transportation providers to deliver trade center tenants' and their customers' goods to maximize efficiency. As of March 31, 2009, we had approximately 12 logistics services providers on-site in China South City Shenzhen occupying approximately 1,050 square meters of space. China South NEL works with these logistics services providers to provide transportation services for customers in China South City Shenzhen. China South NEL charges a liaison fee of approximately 15%–20% of the payment it receives for the outsourced third party logistics services. Under this arrangement, customers pay China South NEL for transportation services provided by outsourced logistics transportation service providers. China South NEL then deducts a 15%–20% fee and pays the remainder to the outsourced logistics transportation service provider.

- *Governmental services.* China South City Shenzhen has facilities for use by local governmental agencies offering immediate access to administrative and compliance services, including registration, customs, tax, public security and human resources services primarily to trade center tenants and their customers. These on-site government agencies include the Shenzhen Municipal Administration for Industry and Commerce (Longgang Sub-bureau) (深圳市工商行政管理局龍崗分局), Shenzhen Customs of People's Republic of China (Shawan Branch) (中華人民共和國深圳沙灣海關), Shenzhen Municipality Longgang and Pinghu State and Local Tax Administration (深圳市龍崗平湖國稅及地稅), Shenzhen Public Security Bureau Longgang and Pinghu Police Office (深圳市公安局龍崗平湖華南城警務室), Shenzhen Municipality Longgang and Pinghu Office of House Leasing Management (深圳市龍崗平湖房屋租賃管理所), the Shenzhen Labor Bureau Human Resources Recruitment and Services Center (深圳市勞動局轄下的人才交流服務中心), Pinghu Sub-district Fire Brigade (China South City division) (消防大隊平湖中隊華南城消防隊) and the Pinghu Sub-district Hehua Community Law Enforcement Office (China South City branch) (龍崗區城市管理行政執法局平湖街道執法隊禾花社區華南城工作室). We receive rental income from the Shenzhen Municipal Administration for Industry and Commerce (Longgang Sub-bureau) (深圳市工商行政管理局龍崗分局) and the Shenzhen Labor Bureau Human Resources Recruitment and Services Center (深圳市勞動局轄下的人才交流服務中心) for a GFA of approximately 1,678 square meters used by these two agencies. We do not receive rental income from the remaining governmental agencies, which, in aggregate, occupy a GFA of approximately 938 square meters.
- *Advertising services.* Different advertising media available within China South City Shenzhen include outdoor billboards, newsletter, and outdoor signs located in landscaped areas and car parks. Broadcasting services, both in the form of voice broadcasting and through digital screens within China South City Shenzhen, are also advertising media available to trade center tenants and their customers. In April 2008, we ceased entering into new contracts to provide advertising space on billboards but continued to provide advertising space under existing contracts until the expiration of these contracts in May 2009. We currently outsource these advertising services to an independent third party.
- *Restaurant services.* There are nine restaurants in China South City Shenzhen. China South Royal Restaurant (Shenzhen), our jointly controlled entity, currently operates one of these restaurants and the remaining are operated by independent third parties.
- *Quality testing services center.* Shenzhen China National Textile Association Technology Development Co. Ltd, in conjunction with the China Textile Academy, operates a quality testing services center in China South City Shenzhen's commercial centers. The quality testing services center provides our tenants in the textile industry with facilities for quality control testing and research as well as consulting services which are expected to assist tenants with improving their quality testing measures.

- *Other services.* We also lease a variety of facilities in China South City Shenzhen's commercial centers to professional service providers offering value-added services to tenants of our trade centers and their customers. Among these professional service providers are three banks, including the Agricultural Bank of China (中國農業銀行), Bank of China (中國銀行) and Industrial and Commercial Bank of China (中國工商銀行), which provide banking facilities, as well as guarantees and mortgages to tenants of our trade centers and their customers, and the Shenzhen branches of four telecommunication companies, including China Telecom Communication (中國電信集團公司), China Mobile Communication (中國移動通信有限責任公司), China United Network Telecommunications (中國聯合網絡通信有限公司) and China Railway Communication (中國鐵通(集團)有限公司), some of which offer telecommunication goods and services to tenants of our trade centers and their customers at a discount rate. In addition, as of the Latest Practicable Date, China Construction Bank had signed an agreement to provide banking services in China South City Shenzhen, although it had not yet entered into a lease agreement.

Residential Services

The West Garden residential facility is located near the Pinghu Ecotypic Garden, a protected area of natural greenery and natural reservoir, on a site area of approximately 40,000 square meters. The West Garden is a 1,628-unit residential apartment complex consisting of three residential towers and covering a leaseable GFA of approximately 114,000 square meters and underground car parking and ancillary area of approximately 27,000 square meters. As of March 31, 2009, we had entered into lease agreements with tenants for 1,211 units in West Garden, or 74.4% of the total 1,628 units, having a GFA of approximately 81,000 square meters, or 71.7% of the total leaseable GFA of our West Garden residential facility. The average lease price for the leased units over the lease term is RMB4,838 (HK$5,478) per square meter.

The discussion below sets forth certain information relating to West Garden:

Construction. We commenced construction of the West Garden residential facility in August 2006 and completed construction in February 2008. In August 2008, we commenced construction of supporting facilities for the West Garden residential facility, including car parks, landscaped greenery, scenic paths, a shopping center, and various community facilities (such as a clubhouse, swimming pool, tennis court and a kindergarten), covering approximately 15,000 square meters and underground car parking and ancillary area of approximately 7,000 square meters. We expect to complete construction of supporting facilities for the West Garden residential facility by the end of 2009.

Green-Cover building ownership certificate. Pursuant to land grant contracts entered into between the Shenzhen Municipal Bureau of Land Resources and Housing Management and China South International, the building ownership certificate granted to us for West Garden is a green-cover building ownership certificate which (1) restricts the transfer of West Garden units; and (2) requires approval by the relevant authority of mortgages of the underlying property.

Lease agreements. Due to restrictions on the transfer of units in the building ownership certificates of West Garden, we are unable to sell the residential units and instead have entered into lease agreements with tenants of West Garden. All West Garden lease agreements consist of two 20-year terms, which are automatically renewed unless both parties agree otherwise. Upon the expiration of the second 20-year term, the agreement is automatically extended again to May 15, 2055, which is when our land-use rights certificate for West Garden expires. Although we are not obligated to enter into such long-term lease agreements, we do so to accommodate tenants seeking a stable, long-term living space in immediate proximity to their operations at China South City Shenzhen. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we believe that these lease agreements are consistent with the land-use rights granted for the parcel of land on which West Garden is located and are valid, legal and in compliance with relevant PRC laws and regulations. For further discussion of the treatment of our lease agreements with tenants of West Garden under relevant PRC laws and regulations, please see "Regulation — Property Leasing."

Under the terms of the lease agreements, tenants of the units are permitted to assign or sublease their interest in a unit with our written consent, but may only transfer the lease to other proprietors, managers, employees, consultants or representatives of our integrated logistics operations in China South City Shenzhen or individuals confirmed by such persons to be their related personnel and must obtain our prior written consent. The agreements generally contain termination provisions under which we have a right to terminate the agreement and retain the initial payment paid under the agreement if the tenant defaults in its obligations to pay the balance of the consideration payable and the default continues for three months after the payment is due. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, tenants of West Garden may not terminate their existing lease agreements with us unless their units are damaged (for reasons not attributable to the tenants) in a manner that renders the units unusable. If a lease agreement is terminated for the above reason, either party should be entitled to claim for its own damages. In this regard, the tenant could request a rental refund. However, because tenants bear responsibility to insure, repair and maintain their units under the existing lease agreements, we would be entitled to request that the tenants repair and reinstate the units. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, these lease agreements do not violate or circumvent PRC laws and regulations, including, but not limited to, the Measures for Administration of Sale of Commodity Properties. For further discussion of the Measures for Administration of Sale of Commodity Properties, please see "Regulation — Property Sales."

Delivery. We began delivering West Garden units to occupants in February 2008, after obtaining all necessary licenses and approvals under relevant PRC laws and regulations. After delivery of the units, tenants are free to commence physical occupation of the properties on their own schedule. As of March 31, 2009, 1,176 of the 1,211 leased West Garden units were occupied.

Restrictions on lease of West Garden units. Based on its qualification certificate for real estate development, China South International is only permitted to operate residential facilities within China South City Shenzhen. We therefore restrict the lease of West Garden units to proprietors, managers, employees, consultants or representatives and related personnel of integrated logistics operations in China South City Shenzhen. Under our tenant restriction policy, we require potential tenants of West Garden to provide proof of their identity as a proprietor, manager, employee, consultant, or representative of our integrated logistics operations upon signing the lease agreements. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, the operation of West Garden in accordance with the tenant restriction policy is permissible within the business scope of China South International and the West Garden lease arrangement is in compliance with relevant PRC laws and regulations. As of the Latest Practicable Date, all of the tenants in West Garden were in compliance with our tenant restriction policy.

Guarantees and entrusted loans. Our agreements with certain tenants provide for them to pay approximately 30% to 50% of the total consideration for the West Garden units upon execution of the agreement, with the balance generally payable within one to two months thereafter. Our agreements with other tenants require them to pay the total consideration to us upon execution of the agreement. To facilitate the bank loan application process for certain tenants, we provide guarantees to bank lenders on behalf of the tenants. We also extend entrusted loans with interest through intermediary banks to certain tenants who are unable to obtain mortgage loans on their own. For further information with respect to guarantees and entrusted loans extended to our tenants, please see "— Purchaser and Tenant Financing."

Registration of standard form lease agreements. Because the Shenzhen Lease Management Department, the local authority with whom lease agreements must be registered, requires the use of a standard form lease agreement for registration purposes, we entered into new agreements in addition to our existing lease agreements with tenants of West Garden using a standard form agreement. Because of delays associated with the significant number of lease agreements being registered and because many of our tenants did not provide the required registration materials on a timely basis, we did not register all of these lease agreements at once. As of July 31, 2009, however, we had registered all of these standard form lease agreements. We have not registered our existing agreements because the Shenzhen Lease Management Department only requires the registration of the standard form lease agreement. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, and written confirmation received from the Pinghu Leasing Office (the appropriate authority to accept lease registrations for West Garden) on June 30, 2008, we believe that the gradual registration of the standard form lease agreements is permissible and we will not be subject to any retroactive fines or penalties as a result of the delayed registration of the West Garden lease agreements. We are not aware of any other impact to the Group due to the delayed registration.

Differences between standard form and existing lease agreements. There are several differences between the terms of the standard form lease agreements and our existing lease agreements, including those related to the lease term, rental payment amount and dispute resolution. For example, under the standard form lease agreements, the lease term is eight years compared to the two 20-year terms and automatic extension to May 15, 2055 under our existing lease agreements. Because the maximum lease term that can be registered at any time with the Shenzhen Lease Management Department under the standard form agreement is eight years, we will register new standard form lease agreements every eight years until May 15, 2055. In addition, the rental amounts differ between the two types of leases as the standard form lease agreements include the rental amount on a monthly basis, whereas our existing lease agreements include the entire amount of the rental payment amount up front. There are also differences in the dispute resolution provisions, as the standard form lease agreements allow for a dispute to be brought in a litigation proceeding while disputes under our existing lease agreement must be resolved in arbitration proceedings. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, the use of arbitration proceedings rather than litigation proceedings for the resolution of disputes involving the West Garden lease agreements is in compliance with PRC laws and regulations. As a result, in the event of any dispute with our tenants, such dispute will be resolved in arbitration pursuant to our existing lease agreements.

Each standard form lease agreement states that the parties to the agreement may enter into a separate agreement that supplements the terms of the standard form lease agreement. In addition, each of our existing lease agreements provides that, to the extent there is any conflict between the provisions of a standard form lease agreement and the existing agreement with the tenant, the provisions of the existing agreement will prevail. Neither of these agreements may be amended without the mutual consent of both parties. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, our existing lease agreements are valid and admissible as evidence in both court and arbitration proceedings in the PRC and we do not believe that the registration of the standard form lease agreements will affect the validity of our existing lease agreements.

Legal and accounting treatment of revenue. We generated revenue of HK$403.2 million under finance lease arrangements for West Garden in fiscal year 2008, which was the first year we recorded revenues from West Garden. In fiscal year 2009, we generated revenue of HK$9.9 million under finance lease arrangements. As of March 31, 2009, approximately 74.4% of the West Garden units had been leased out under finance lease arrangements. The revenue generated from West Garden residential units leased during the Track Record Period is non-recurring due to our revenue recognition policies. For further information on our revenue recognition policies, please see "Financial Information — Critical Accounting Policies — Revenue Recognition."

According to our PRC legal counsel, Commerce & Finance Law Offices, our arrangements with tenants of units in West Garden are characterized as lease agreements under PRC contract law. However, because the aggregate of the lease terms with any single tenant is for the major part of the economic life of the residential units, and because at the inception of the lease the present value of the minimum lease payments amounts to at least substantially the fair value of the units, we treat the lease for accounting purposes as a finance lease, in accordance with current accounting standards in Hong Kong.

With respect to our West Garden finance lease arrangement, both our PRC legal counsel, Commerce & Finance Law Offices, and the Underwriters' PRC legal counsel, Jun He Law Offices, are of the view that this finance lease arrangement is in compliance with applicable PRC laws and regulations. In addition, we have obtained a written confirmation from the Pinghu branch of the Shenzhen Municipal Bureau of Land Resources and Housing Management that the use of the land is not in breach of the related land grant contract. Both our PRC legal counsel, Commerce & Finance Law Offices, and the Underwriters' PRC legal counsel, Jun He Law Offices, are of the view that the Shenzhen Municipal Bureau of Land Resources and Housing Management is the appropriate authority to provide this confirmation. Based on the advice of the two PRC legal counsel and the confirmation provided by the Pinghu branch of the Shenzhen Municipal Bureau of Land Resources and Housing Management, we believe that our West Garden finance lease arrangement is in compliance with relevant PRC laws and regulations.

The Sole Sponsor is satisfied that it is reasonable to rely on the views of the two PRC counsel in relation to the legality of the finance lease arrangement and the authority of the Shenzhen Municipal Bureau of Land Resources and Housing Management to provide confirmation that the use of the land is not in breach of the related land grant contract.

Master Agreement for the Development of China South City Shenzhen

On December 24, 2002, the Shenzhen Longgang Pinghu Logistics Base Development Services Center, an administrative entity representing the Shenzhen Longgang District Government to attract investment and carry out planning, management and development of the Shenzhen Longgang Pinghu

Logistics Base, entered into a master agreement with China South International, a subsidiary of our Company, outlining the understanding of both parties in relation to the development of China South City Shenzhen, a specialized wholesale market for industrial raw materials.

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

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

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

- trade center zone, including trade centers dedicated to (1) textile and clothing, (2) leather and accessories, (3) electronic accessories, (4) printing, paper and packaging and (5) metals, chemicals and plastics;
- warehouse zone, for the provision of warehouse services in support of trade center operations;
- commercial zone, for the provision of supporting commercial service, including, but not limited to, office facilities, shops, exhibition and meeting facilities, hotel facilities and restaurant facilities; and
- supporting living and residential zone, including dormitories, apartments, a canteen, and other supporting facilities.

Under the master agreement, the land granted to us would be for integrated logistics use and the land grant fee paid by us would be RMB300 per square meter of the actual usable land area (excluding roads). Under the supplemental agreement, in consideration of us bearing the expenses of leveling the land, constructing supporting facilities and building two main roads in China South City Shenzhen, the land grant fee payable to the Shenzhen Municipal Bureau of Land Resources and Housing Management was reduced by RMB120 per square meter. As a result, the land grant fee paid by us to the Shenzhen Municipal Bureau of Land Resources and Housing Management was RMB180 per square meter of the actual usable land area (excluding roads). As of March 31, 2009, we had paid the land grant fee, in the total amount of RMB253.8 million, for all of the land in China South City Shenzhen, with the exception of approximately 1,400 square meters for which we have not yet obtained land-use rights. However, we paid a deposit of RMB54,535, or 10% of the land grant fee, for this plot of land. We are currently waiting for the Shenzhen Municipal Bureau of Land Resources and Housing Management to process our application to enter into a land grant agreement for this plot of land.

Under the master agreement, as supplemented, China South International agreed to: (1) pay a deposit of RMB10.0 million within 15 working days of entering into the master agreement, conditional upon the receipt of the parcels of land detailed in the master agreement and, upon signing the final land grant contract with the local land bureau, for use as payment for underlying land-use rights; (2) pay, in a timely manner, for the land granted under the land grant contracts entered into with the local land bureau; (3) construct roadways and traffic facilities within China South City Shenzhen; (4) commence construction of China South City Shenzhen within six months of signing land grant contracts with the local land bureau and following the relocation and compensation of the original residents on the land by the Shenzhen Longgang Pinghu Logistics Base Development Center; (5) complete construction and development within five years of obtaining all relevant approvals and land-use rights from the local land bureau.

Under the master agreement, as supplemented, the Shenzhen Longgang Pinghu Logistics Base Development Services Center agreed to: (1) link the roads immediately surrounding the China South City Shenzhen with expressways and highways and otherwise facilitate traffic demands associated with China South City Shenzhen; (2) obtain the land agreed to be granted under the master agreement and relocate, at its own expense, the original residents on the land; (3) compensate China South International for a portion of the costs associated with the construction of two roadways within China South City Shenzhen; (4) complete and bear the costs for basic facilities associated with the project, including but not limited to facilities for the discharge of pollutants, water and electricity supply, communications lines and piping; (5) withhold approval for similar projects located within the Pinghu logistics base and (6) assist China South International to obtain the most favorable treatment and necessary approvals from government authorities.

The Shenzhen Longgang Pinghu Logistics Base Development Services Center was dissolved in November 2005. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that, although the master agreement entered into with the Shenzhen Longgang Pinghu Logistics Base Development Services Center is valid as a framework agreement that sets out each party's commitments and expectations with respect to the development of China South City Shenzhen, the remaining obligation of the Shenzhen Longgang Pinghu Logistics Base Development Services Center under the master agreement to grant a land grant contract for approximately 1,400 square meters of land for use in Phase Two China South City Shenzhen may not be enforceable. Nevertheless, at the time of its dissolution, the Shenzhen Longgang Pinghu Logistics Base Development Services Center had fulfilled substantially all of its material obligations under the master agreement. Moreover, with respect to the remaining duties and obligations owed to us under the master agreement, we currently rely instead on separate agreements entered into between China South International and relevant government agencies (including land grant contracts entered into with the Shenzhen Municipal Bureau of Land Resources and Housing Management) as well as related licenses and permits issued by these agencies (including the business license issued by the State Administration for Industry and Commerce and the qualification certificate for real estate development issued by the Shenzhen Municipal Bureau of Land Resources and Housing Management). As a result, although the master agreement signed with the Shenzhen Longgang Pinghu Logistics Base Development Services Center may not be enforceable, we have not encountered any impediments in the construction or development of China South City Shenzhen and do not believe that the lack of enforceability of the master agreement signed with the Shenzhen Longgang Pinghu Logistics Base Development Services Center will have any material impact on the operations of China South City Shenzhen.

For further discussion of the subsequent agreements entered into between China South International and other Shenzhen Government bureaus, including land grant contracts and pre-sale permits issued by the Shenzhen Municipal Bureau of Land Resources and Housing Management, please see "— Our Trade Center Projects — China South City Shenzhen — China South City Shenzhen Phase One — Property Sales" and "— Land-Use Rights and Building Ownership Rights — China South City Shenzhen."

Transportation Network

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

Airports

There are four airports in the Greater Pearl River Delta, including the Hong Kong International Airport, which in 2005 was rated the best airport in the world by both Skytrax, an independent aviation research institution based in the United Kingdom and in an AETRA customer satisfaction survey conducted jointly by Airports Council International and the International Air Transport Association, as well as the Most Friendly Airport for Cargo by the Federation of Asia Pacific Aircargo Associations, the Guangzhou Baiyun International Airport, which serves as the center for domestic freight in the PRC, the Shenzhen Baoan International Airport and the Zhuhai International Airport. China South City Shenzhen is located within 35 kilometers of the nearest of these airports and no more than 180 kilometers from the farthest of these airports.

Railways

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

Ocean Shipping Facilities

Some of the world's largest, busiest and most efficient container ports are located in the Greater Pearl River Delta, including the Kwai Chung Container Terminal in Hong Kong, which is the second busiest port in the world in terms of volume, the Yantian Port in Shenzhen, which is the fourth busiest port in the world, the Shekou Port in Shenzhen, the Huangpu Port in Guangzhou and the Nansha Port in Guangzhou. China South City Shenzhen is located within 30 kilometers of the nearest of these ports and no more than 120 kilometers from the farthest of these ports.

Highways

All major cities in the Greater Pearl River Delta are linked by major highways, and the highway network is rapidly expanding. Projects in progress, such as the Shenzhen Bay Bridge, a 5.5 kilometer bridge between Shekou and Hong Kong, the Hong Kong-Zhuhai-Macau Link, a 35 kilometer bridge connecting Hong Kong, Zhuhai and Macau, and the Pearl River Bridge project, a 29 kilometer bridge between Hong Kong and Macau, will further connect Hong Kong, Macau, Zhuhai and Shenzhen. In addition, construction work has commenced to build an exit of the Jihe expressway to within 800 meters of China South City Shenzhen with the strong support of the Shenzhen municipal government. The exit is expected to be completed in 2009. There are also currently about 15 public bus routes passing through China South City Shenzhen, running over 3,000 trips a day.

We have made requests to the Shenzhen Metro Company and local government authorities in Shenzhen to further improve surrounding transportation infrastructure, including extensions to the local subway network to China South City Shenzhen. In addition, the Shenzhen Longgang Pinghu Government has approved a five-year plan, beginning in 2008, to either construct or expand 12 roads, or sections of roads and/or highways, to improve traffic to and from Pinghu, where China South City Shenzhen is located. According to the Shenzhen Longgang Pinghu Government, estimated government costs for these infrastructure projects is approximately RMB200 million to RMB3 billion per project.

Properties Planned for Future Development

Properties planned for future development refer to those properties for which we have not yet obtained the necessary land-use rights certificates to commence development or for which we have obtained the necessary land-use rights certificates but have not yet developed a plan of construction.

The development costs for these properties planned for future development will depend upon a variety of factors, most of which are beyond our control. However, if we are able to acquire the land necessary for the development of these projects, we plan to make substantial capital expenditures to develop these projects. Once completed, we expect to have additional revenues from sales and rental of completed trade center and residential units, as well as additional expenses associated with such operations.

China South City Nanchang

We entered into a master agreement with the municipality of Nanchang in Jiangxi Province in February 2007 to develop integrated logistics and trade centers in that region. China South City Nanchang will be located in the Honggutan New District, Nanchang, Jiangxi. Located at the intersection of the Jingjiu and Zhegan Railways, Nanchang is easily accessible via highway and airport and maintains the largest port on the Gan River. As a result of its location, Nanchang today represents one of China's important transportation hubs.

We expect China South City Nanchang to be completed in three phases. We expect to commence Phase One, Phase Two and Phase Three construction in the first half of 2010, the first half of 2011 and the first half of 2012, respectively, and to complete construction of each phase within two to three years of commencing construction. We expect to complete construction of China South City Nanchang in 2014. Upon completion, we expect the total site area of China South City Nanchang to be approximately 2.0 million square meters, with a total planned construction area of approximately 3.9 million square meters, consisting of integrated trade centers covering a GFA of approximately 1.1 million square meters, integrated logistics and warehouse facilities covering a GFA of approximately 427,000 square meters, integrated commercial facilities covering a GFA of approximately 300,000 square meters, integrated residential facilities covering a GFA of approximately 1.6 million square meters and underground car parking facilities covering a GFA of approximately 385,000 square meters.

We estimate that we will incur approximately RMB9.33 billion in development costs (including land grant costs, construction costs and capitalized finance costs) over three phases in order to complete China South City Nanchang. We had not yet paid any of these costs as of the Latest Practicable Date. We plan on financing the development costs for the project (including land grant costs, construction costs and capitalized finance costs) from the proceeds of the Global Offering, internally generated funds and bank borrowings.

Master Agreement for the Development of China South City Nanchang

On February 11, 2007, the Nanchang City Honggutan New District Administrative Committee, an administrative agency engaged by the People's Government of Honggutan New District, Nanchang to plan and manage the development of the Honggutan New District, entered into a master agreement with China Metro-Rural Exchange Limited (formerly known as China South City Group Limited) in relation to the development of China South City Nanchang. Cheng Chung Hing (a Director and one of our Controlling Shareholders) and Leung Moon Lam (a Director but not our Controlling Shareholder) together control 65% of the equity interests of China Metro-Rural Exchange Limited. The remaining equity interests of China Metro-Rural Exchange Limited are controlled by Independent Third Parties. The agreement was supplemented by an initial supplemental agreement dated the same date as the master agreement among the same parties as in the master agreement, and a second supplement on March 21, 2008. The initial supplemental agreement clarified the terms of the original master agreement and the second supplemental agreement transferred all rights and obligations of China Metro-Rural Exchange Limited to us without consideration. When the master agreement was signed on February 11, 2007, we had not decided whether or not to pursue the opportunity to develop this project, which was identified by our Directors, Cheng Chung Hing and Leung Moon Lam. Accordingly, the master agreement with the Nanchang City Honggutan New District Administrative Committee was first entered into with China Metro-Rural Exchange Limited. When the development of China South City Nanchang project was approved by our Board in October 2007, China Metro-Rural Exchange Limited transferred all of its rights and obligations under the master agreement to us.

Under the master agreement, as supplemented, the Jiangxi Nanchang Honggutan New District Administrative Committee agreed in principle to provide parcels of land having an aggregate area of 2.0 million square meters in the Honggutan New District for the construction of an integrated logistics and trade center, subject to final determination under land-use contracts entered into with the local land bureau. The master agreement provides for an area of approximately 750,000 square meters to be used for the development of an integrated trade center platform; an area of approximately 500,000 square meters to be used for logistics and warehouse purposes; and an area of approximately 750,000 square meters to be used for ancillary commercial purposes.

Under the master agreement, as supplemented, the proposed site area is to be transferred by public tender, auction or listing for sale in three phases in equally sized parcels, by December 2007, December 2008 and June 2009, respectively. Due to a delay in relocating existing residents, however, the transfer of the initial parcel of land has been postponed. We currently expect that the first parcel of land will be transferred in the fourth quarter of 2009. Pursuant to the master agreement, assuming all land parcels are obtained as planned, approximately 37.5%, 37.5% and 25.0% of the land granted in each phase will be utilized for an integrated trade center platform, logistics and warehouse purposes and supporting commercial purposes, respectively. The final price of each parcel of land, to be paid within 60 days of entering into land-use contracts with the local land bureau for such land, will be determined by way of public tender, auction or listing for sale and will include all costs associated with completion of the land transfer, including land acquisition costs, relocation costs and other compensation owed to previous holders of the land. Pursuant to the master agreement, as supplemented, within 15 days of establishing a project enterprise to develop China South City Nanchang, we are obligated to pay a deposit of RMB10 million to the Nanchang City Honggutan New District Administrative Committee. As negotiated with the Nanchang City Honggutan New District Administrative Committee, payment of this deposit has been deferred until a later date to be agreed upon by the parties. In the event that we are unable to obtain the relevant land in the public tender, auction or listing for sale process, the Nanchang City Honggutan New District Administrative Committee must, upon our request, compensate us for the full amount of the prepaid deposit.

Under the master agreement, as supplemented, we have agreed to: (1) pay, in a timely manner, for the land granted under the land grant contracts entered into with the local land bureau; (2) construct integrated logistics and trade centers, warehouse facilities and ancillary commercial facilities within the site area; (3) commence construction of China South City Nanchang within six months of signing land grant contracts with the local land bureau and following the relocation and compensation of the original residents on the land by local government authorities; (4) complete construction and development of Phase One facilities within two years of obtaining all relevant approvals and land-use rights from the local land bureau; (5) perform necessary construction for all phases of the project at an estimated cost of approximately RMB250 million, to be entrusted to China South City Nanchang by the local government in three phases for the construction and development of relevant infrastructure and facilities within the site area; and (6) assume all construction and development costs in excess of RMB250 million.

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

Transportation Network

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

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

Railways. Nanchang is located at the vital intersection of the Jingjiu and Zhegan Railways. Currently, Nanchang is the only capital city situated on the Jingjiu Railway line. The Nanchang East Railway Station is complete and plans to develop the Nanchang West Railway Station are currently underway.

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

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

China South City Nanning

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

We expect China South City Nanning to be completed in two phases. We expect to commence Phase One and Phase Two construction in the first half of 2010 and early 2012, respectively, and to complete construction of each phase within two to three years of commencing construction. Upon completion, we expect the total site area of China South City Nanning to be approximately 1.7 million square meters, with a total planned construction area of approximately 4.2 million square meters, consisting of integrated trade centers and exhibition facilities covering a GFA of approximately 1.8 million square meters, integrated logistics and warehouse facilities covering a GFA of approximately 520,000 square meters, integrated commercial facilities covering a GFA of approximately 360,000 square meters, residential facilities covering a GFA of approximately 1.2 million square meters and underground car parking facilities covering a GFA of approximately 310,000 square meters.

We estimate that we will incur approximately RMB10.11 billion in development costs (including land grant costs, construction costs and capitalized finance costs) over two phases in order to complete China South City Nanning. We have not yet paid any of these costs as of the Latest Practicable Date. We plan on financing the development costs for the project (including land grant costs, construction costs and capitalized finance costs) from the proceeds of the Global Offering, internally generated funds and bank borrowings.

Master Agreement for the Development of China South City Nanning

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

Under the master agreement, the proposed site area is to be transferred by public tender, auction or listing for sale in two phases. Pursuant to the master agreement, assuming all land parcels are obtained as planned, we expect the first transfer, representing a site area of approximately 840,000 square meters, to take place in the fourth quarter of 2009 and the second transfer, representing a site area of approximately 890,000 square meters, to take place in the second half of 2011. Pursuant to the terms of the master agreement, the final price of each parcel of land is to be determined in accordance with the value ascribed in the land use rights grant contract entered into with the Nanning Land Bureau, inclusive of all costs, other than relevant taxes, associated with completion of the land transfer, including but not limited to land acquisition costs, demolition costs, land development funds, as well as compensation, relocation and welfare costs owed to previous holders of the land. As of the Latest Practicable Date, we had not paid or made any commitment to pay any deposits to related governmental authorities under the master agreement.

Under the master agreement, we agreed to: (1) pay, in a timely manner, for the land granted to us under the land grant contracts entered into with the local land bureau; (2) provide an estimated total investment of RMB6 billion; (3) commence construction of China South City Nanning, following the relocation and compensation of the original residents on the land by local government authorities; and (4) complete construction and development of Phase One facilities within three years of obtaining all relevant approvals and land-use rights from the local land bureau.

Under the master agreement, the Nanning City Jiangnan District People's Government has agreed to assist us in relocating, at its own expense, the original residents on the land. In addition, the Nanning City Jiangnan District People's Government has agreed to assist in completing government administrative application and approval procedures as necessary. In return, we have committed, assuming administrative application and approval procedures are completed according to the terms of the master agreement, to complete the development and commence operations for each phase within three years of obtaining the relevant land grant from the land bureau.

Transportation Network

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

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

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

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

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

Other Projects

On December 25, 2005, the Guangdong Province Heyuan City Zijin County People's Government entered into a master agreement with China Metro-Rural Exchange Limited, to develop a farm-style travel and resort community located in Zijin County, catering to domestic and international executives, primarily including those with operations at China South City Shenzhen. A supplemental agreement was signed on June 4, 2006, transferring all rights and obligations of China Metro-Rural Exchange Limited to China South City Enterprise, a foreign investment real estate enterprise. A second supplemental agreement, signed on April 21, 2009, provides that a portion of the land is to be used for integrated logistics purposes. As a foreign investment real estate enterprise, China South City Enterprise is subject to heightened restrictions imposed on such enterprises. Please see "Regulation — Regulations on Foreign Investment Real Estate Enterprises." As of the Latest Practicable Date, China South City Enterprise was in compliance with relevant PRC rules and regulations governing the operation of foreign investment real estate enterprises and had obtained the licenses required at this stage of the project development.

On June 6, 2009, we entered into a land grant contract with the Zijin County Bureau of Land Resources for approximately 487,000 square meters of land which were granted to us by way of auction. We received the land-use rights for this land after paying a land grant fee of approximately RMB73 million. As of March 31, 2009, we had paid approximately HK$74.7 million in deposits to the Zijin County People's Government in relation to this land, which was paid in accordance with agreements entered into between the Group and the Zijin County People's Government. As of July 31, 2009, we had received refunds of these deposits of approximately RMB50.5 million with a portion being used to settle costs and taxes associated with the land acquisition. We expect to use the remainder as deposits for the remaining plots of land for this project. Written confirmation has been received from Zijin County People's Government stating that the deposits will be refunded if the Group fails to obtain the remaining land-use rights for this project. Our view is that there is no need for provision on the recoverability of the deposits and accordingly no doubtful debt provision was made during the Track Record Period, as reflected in Appendix I. We may, however, cooperate with other developers to develop and may ultimately dispose of this project.

On June 20, 2009, we entered into a non legally-binding memorandum of understanding with the Xi'an International Trade and Logistics Park Management Committee for the development of a large-scale integrated logistics center in the Xi'an International Trade and Logistics Park. As of the Latest Practicable Date, we had not entered into a formal contract to develop this project.

PROPERTY MANAGEMENT SERVICES

We provide property management services to tenants of China South City Shenzhen through our subsidiary, Shenzhen First Asia Pacific. Our property management services include security, cleaning, repair and maintenance of equipment and facilities, management of parking lots and transportation within China South City Shenzhen. We engage a professional cleaning company and other service providers to perform the cleaning and major repair and maintenance services. Our own employees provide the security, repair and maintenance, management of parking lots and transportation services. As of March 31, 2009, we had a team of approximately 458 security guards (approximately 452 of whom are employed through third-party agencies) to provide security and internal transportation services and a team of 35 employees to provide repair and maintenance and fire prevention services.

We charge tenants of China South City Shenzhen a monthly management fee for our property management services. As of March 31, 2009, the monthly management fee ranges from RMB3.8 per square meter for store units in trade centers to RMB15.0 (with air conditioning) per square meter for office buildings. The monthly management fee for office buildings, not including air conditioning, is RMB7.0 to RMB8.0 per square meter. In fiscal years 2007, 2008 and 2009, our revenues from the management fees were approximately HK$11.3 million, HK$14.3 million and HK$20.4 million, respectively.

We intend to provide similar property management services and to adopt a similar model for the payment of property management fees upon commencing operations at China South City Nanchang and China South City Nanning.

LAND-USE RIGHTS AND BUILDING OWNERSHIP RIGHTS

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

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

China South City Shenzhen

We have received land-use rights with respect to approximately 1.05 million square meters of a total area of approximately 1.06 million square meters planned for development for China South City Shenzhen. Other than as discussed below, we have obtained all necessary land title and building ownership certificates to conduct our operations at China South City Shenzhen. The land-use rights for the Phase One and Phase Two facilities for China South City Shenzhen are for a period of 50 years commencing from the respective dates as specified in the land-use rights certificates.

We have paid for and signed a land grant contract with the government for approximately 10,800 square meters of land planned for use in Phase One of China South City Shenzhen, representing approximately 1.0% of the total site area for China South City Shenzhen. In addition, on May 25, 2009, we signed a supplemental agreement with the government to combine this plot of land with a plot of land adjacent to it. We are in the process of obtaining the building ownership certificates for certain buildings located on this land, including our sales and leasing center, a restaurant and approximately 4,000 square meters of our Phase One textile and clothing trade center.

As of the Latest Practicable Date, we had not yet entered into a land grant contract or obtained land-use rights with respect to approximately 1,400 square meters of land for use in Phase Two of China South City Shenzhen, representing approximately 0.1% of the total planned area for China South City Shenzhen.

We have one parcel of land at China South City Shenzhen with a site area of approximately 54,600 square meters which we have not developed according to the schedule set forth in the related land grant contract. The proposed use of this parcel of land is for our Phase One electronic accessories trade center, but we have not commenced development of this parcel of land since our printing, paper and packaging trade center currently has capacity and therefore we have temporarily located our electronic accessories trade center in these facilities. 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. According to meeting minutes provided by the Shenzhen Municipal Bureau of Land Resources and Housing Management on July 10, 2008, the delay in development of this parcel of land, which was due to procedural delays on the part of the local government, is not due to the fault of the Company and therefore is not subject to payment of idle fees or forfeiture. We are currently awaiting the Shenzhen Municipal Bureau of Land Resources and Housing Management to sign a supplementary land grant contract to extend this development schedule. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we believe that the Shenzhen Municipal Bureau of Land Resources and Housing Management is the relevant authority to consider the extension of the development schedule for this parcel of land. We have submitted all necessary documentation and believe there are no outstanding conditions to be fulfilled by us in order to sign the supplementary land grant contract. If we cannot extend the development schedule of this land before the Listing, the Founding Shareholders will indemnify the Company for any payment of idle fees or other losses as a result of forfeiture. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, if we are unable to extend the development schedule for the 54,600 square meter parcel of land and it is classified as idle land, the maximum possible idle fees will be less than RMB3.3 million. For further information, please see "Risk Factors — Risks Relating to Our Business and Our Industry — We may have to forfeit land being developed if we do not comply with the terms of the land grant contract."

We have also experienced delays in the development of a second parcel of land, which has a site area of approximately 38,500 square meters. The proposed use of this parcel of land is for warehouse facilities, but we have not commenced development of this parcel of land because existing warehouse facilities are sufficient to meet current operational requirements. In June 2009, we received a written confirmation from the Shenzhen Municipal Bureau of Land Resources and Housing Management, Longgang Branch, extending the development schedule for this parcel of land. Therefore, based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we do not believe this land is subject to payment of any idle fees or confiscation.

China South City Shenzhen Phase One

The following table sets forth (1) the commencement dates of the land-use rights certificates, (2) the effective dates of land grant contracts relating to the underlying land and (3) the commencement date of operation for the Phase One trade centers and other facilities of China South City Shenzhen:

Facility	Commencement Date of Land-Use Rights Certificates(1)	Effective Date of Land Grant Contracts(2)	Commencement Date of Operation
Trade Centers:			
Textile and clothing(3) . . .	July 2003	July 7, 2003, September 23, 2003 and June 12, 2007	December 2004
Leather and accessories . .	July 2003	July 7, 2003 and September 23, 2003	December 2004
Electronic accessories . . .	November 2003	November 10, 2003	December 2005
Printing, paper and packaging	July 2003	July 7, 2003 and September 23, 2003	December 2004
Metals, chemicals and plastics	July 2003	July 7, 2003 and September 23, 2003	December 2004
Other Facilities:			
Warehouses(4)	August 1992	September 8, 2004	November 2005
Supporting commercial facilities(5).	July 2003	July 7, 2003 to June 12, 2007	June 2005 – June 2006
Administrative facilities . .	March 2003	March 17, 2003	December 2003 – December 2004

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

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

(3) We have not yet obtained building ownership certificates for an area of approximately 4,000 square meters within our Phase One textile and clothing trade center.

(4) Phase One warehouses are located on the parcels of land allocated to Phase One trade centers.

(5) We have paid for and signed a land grant contract with the government for approximately 10,800 square meters of land on which our sales and leasing center and China South Royal Restaurant, a restaurant that is operated by our jointly controlled entity, China South Royal Restaurant (Shenzhen), are located. In May 2009, we signed a supplementary land grant contract with the local government to combine this plot of land to the adjacent plot of land.

We do not yet hold building ownership certificates for a restaurant and our sales and leasing center in Phase One of China South City Shenzhen located on a 10,800 square meter plot of land as we need to combine this plot of land with the adjacent plot of land. We also do not have building ownership certificates for a GFA of approximately 4,000 square meters in our Phase One textile and clothing trade center located on the adjacent plot of land due to the fact that the edge of the textile and clothing trade center is too close to the boundary of the 10,800 square meter plot. On May 25, 2009, we signed a supplemental agreement to combine these plots of land and are in the process of obtaining building ownership certificates with respect to our restaurant, sales and leasing center and the 4,000 square meter portion of our Phase One textile and clothing trade center. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we do not believe there are any legal impediments in obtaining these building ownership certificates. For further information, please see "Risk Factors — Risks Relating to Our Business and Our Industry — We do not yet hold land-use rights certificates for approximately 1% of the total site area of and relevant building ownership certificates for China South City Shenzhen." We have implemented certain measures in an effort to avoid future non-compliance with applicable legal and regulatory matters. For further information, please see "— Compliance — Internal Control Procedures."

Prior to obtaining the relevant building ownership certificates for this trade center, purchasers of units in the affected area may request a refund of their deposit. As of March 31, 2009, one of the purchasers of a unit of 101 square meters had requested a refund of its deposit. The remaining funds paid on deposit have not been refunded to purchasers, but will be credited towards the total purchase price to be paid by the purchasers for the relevant trade center unit(s) once we obtain the relevant building ownership certificates. We have not yet recognized sales revenue for these units. We record sales revenue only upon the transfer to the purchaser of the significant risks and rewards of ownership. Once we obtain the relevant building ownership certificates, we will be able to complete the sale and transfer the risks and rewards of ownership to the purchaser.

China South City Shenzhen Phase Two

The following table sets forth (1) the commencement dates of the land-use rights certificates and effective dates of land grant contracts relating to the underlying land and (2) the date of completion for the Phase Two trade centers and other facilities at China South City Shenzhen:

Facility	Commencement Date of Land-Use Rights Certificates(1)	Effective Date of Land Grant Contract(2)	Date or Estimated Date of Completion
Trade Centers:			
Textile and clothing.	November 2005	November 18, 2005, June 12, 2007 and February 21, 2008	1st half 2009
Leather and accessories . .	December 2005	December 6, 2005, May 31, 2007 and January 2, 2008	2nd half 2009
Electronic accessories . . .	November 2003	November 10, 2003	4th quarter 2011
Printing, paper and packaging	May 2007	May 10, 2007	4th quarter 2011
Metals, chemicals and plastics	November 2005	November 4, 2005, June 29, 2007 and March 20, 2008	4th quarter 2011
Other Facilities:			
Warehouses(3)	August 1992	September 8, 2004	1st quarter 2008 – 1st quarter 2012
Supporting commercial facilities	July 2003	November 18, 2005 to March 20 ,2008	4th quarter 2009 – 4th quarter 2012
Residential facilities.	May 2005	May 16, 2005	1st quarter 2008

(1) The commencement date of a land-use rights certificate (土地使用權證) granted by the land bureau to the initial holder of the land-use rights for the underlying parcel of land marks the commencement of the term of land-use rights for the initial holder of the land-use rights certificate granted by the land bureau.
(2) The effective date of the land grant contract (土地出讓合同) marks the date on which we entered into a land grant contract for the underlying parcel of land. Where we are not the initial holder of the initial land-use rights certificate, the effective date of the land grant contract will be subsequent to the commencement date of the land-use rights certificate.
(3) Phase Two warehouses are located on the parcels of land allocated to Phase Two trade centers.

As of the Latest Practicable Date, we had not yet entered into a land grant contract or obtained land-use rights with respect to approximately 1,400 square meters of land for use in Phase Two of China South City Shenzhen, representing approximately 0.1% of the total site area allocated for the development of Phase Two of China South City Shenzhen. However, we paid a deposit of RMB54,535, or 10% of the land grant fee, for this plot of land. We are currently waiting for the Shenzhen Municipal Bureau of Land Resources and Housing Management to process our application to enter into a land grant agreement for this plot of land. As this land is planned as a greenery area, we do not consider this land material to the development of Phase Two of China South City Shenzhen.

We completed construction of the West Garden residential facility in February 2008 and obtained a building ownership certificate for this facility in May 2009.

Properties Planned for Future Development

China South City Nanchang

Under our master agreement with local authorities, the proposed 2.0 million square meter site of China South City Nanchang will be transferred by public tender, auction or listing for sale in three phases in equally sized parcels of land. We expect these transfers to take place in the fourth quarter of 2009, the second half of 2010 and the second half of 2011, respectively. Assuming that we are able to obtain the relevant parcels of land as planned, we expect to obtain the relevant land-use rights for each parcel of land following each phase of public tender, auction or listing for sale.

China South City Nanning

Under our master agreement with local authorities, the proposed 1.7 million square meter site of China South City Nanning will be transferred by public tender, auction or listing for sale in two phases. We expect the first transfer, representing a site area of approximately 840,000 square meters, to take place in the fourth quarter of 2009 and the second transfer, representing a site area of approximately 890,000 square meters, to take place in the second half of 2011. Assuming that we are able to obtain the relevant parcels of land as planned, we expect to obtain the relevant land-use rights for each parcel of land following each phase of public tender, auction or listing for sale.

Heyuan Project

On June 6, 2009, we entered into a land grant contract with the Zijin County Land Resources Bureau for approximately 487,000 square meters of land. We received the land-use rights for this land in July 2009 after paying a land grant fee of approximately RMB73 million.

SALES AND MARKETING

As of March 31, 2009, we had a team of approximately 181 sales and marketing and customer services personnel located in Shenzhen who are responsible for the sales, leasing and marketing of the store units in the trade centers and the other properties in China South City Shenzhen. 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 sold to purchasers of the properties. We also engage other independent professionals in the PRC to prepare marketing studies to assist us in developing our advertising and sales and rental plans. This process also includes a determination of target customers, as well as strategies to maximize usage and revenues from the property.

We also have promotion consultation committees for each trade center consisting of approximately 20 tenant representatives whom we have appointed based on their commitment and participation in promotional and community activities within China South City Shenzhen. These committees are for consultation only and do not have legal power over the decision making on advertising and promoting the trade centers. The final decision making on advertising and promoting the trade centers rests with us. The committees are asked to comment on the direction and sometimes draft advertising and promoting initiatives. The consultation committees hold meetings approximately once every two months.

We conduct marketing of China South City Shenzhen through a variety of channels, including the network of our Founding Shareholders, advertising media, events and exhibitions and activities of trade associations.

We intend to leverage on our sales and marketing experience with China South City Shenzhen to develop similar sales and marketing strategies with respect to our projects planned for development in Nanchang and Nanning.

Network of Our Founding Shareholders

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

Advertising Media

We use various advertising media, including newspapers, airline magazine, television, direct mail, advertising in buses and trains, and outdoor billboards, to market China South City Shenzhen. We also have our own website which provides a platform for promoting China South City Shenzhen and the business carried out in China South City Shenzhen.

Events and Exhibitions

As part of our general marketing efforts, we periodically sponsor and participate in events throughout China, such as trade seminars and exhibitions, in order to enhance our brand name and promote China South City Shenzhen. Typically, the events and exhibitions we sponsor are located in the Shenzhen area. In particular, in a joint effort with the Shenzhen government, we are in the process of organizing the China (Shenzhen) International Industrial Fair, to be held in October 2009. This large-scale industrial fair is expected to bring together participants in approximately 3,000 booths covering each of the five industries represented at China South City Shenzhen:

Event	Date
Ten Provinces and Cities Clothing Exhibition	April 2009
Shopping Carnival in June	June 2009
Pearl River Delta Region Corporations — Exhibition of a Thousand Products	June 2009
Small Commodities Exhibition	June 2009
Clothing and Underwear Exhibition	June 2009
Car Show	June 2009
Handcraft and Gifts Exhibition	October 2009
China (Shenzhen) International Industrial Fair	October 2009
China (Shenzhen) International Logistics China South City Branch	November 2009
Ten Provinces and Cities Clothing Exhibition	December 2009
Shopping and Food Festival	December 2009
Longgang Leather Festival	December 2009

We also periodically participate in trade seminars and exhibitions sponsored by third parties in China, Hong Kong and overseas to showcase the capabilities of China South City Shenzhen. The following table illustrates third-party sponsored events, held or to be held in 2009, in which we participated:

Event	Location	Date
2009 Shenzhen International Leather Exhibition	Shenzhen	February 2009
15th China International Hardware Exhibition	Shanghai	March 2009
16th China South International Printing Exhibition	Guangzhou	March 2009
2009 Shenzhen International Underwear Exhibition	Shenzhen	April 2009
73rd China Electronic Products Exhibition	Shenzhen	April 2009
13th Western China International Cooperation and Investment Meeting	Xi'an	April 2009
Shenzhen — Hong Kong External and Domestic Trading Meeting Regarding 2009 Shenzhen Shopping Festival	Shenzhen	May 2009
19th Guangzhou International Exhibition on Shoes, Leather, and Industry Equipment	Guangzhou	June 2009
14th China (Wenzhou) International Leather Exhibition	Wenzhou	September 2009
2009 74th China Electronics Exhibition	Shanghai	November 2009

By raising our profile among domestic and international trade and industry associations, chambers of commerce, academic institutions, manufacturers and trading companies, we believe that we can enhance our brand recognition, display the strengths and advantages of China South City Shenzhen, assist our existing tenants in attracting customers and expand our network with domestic and international businesses and communities. We also host periodic visits from trade associations as well as municipal governments in other parts of China that are interested in establishing trade centers in their jurisdictions. These visits promote strong relationships with these parties and provide future development opportunities.

Exhibition events at China South City Shenzhen are currently held in temporary exhibition centers, which are located on the premises of China South City Shenzhen. Upon completion of China South City Shenzhen's Phase Two trade centers, exhibition facilities located within these trade centers will replace the temporary exhibition centers as sites for industry-related exhibition events at China South City Shenzhen.

Activities of Trade Associations

As of March 31, 2009, approximately four trade associations from Shenzhen and other locations in Guangdong Province had set up their offices at China South City Shenzhen, occupying a GFA of approximately 450 square meters on a rent-free basis. The trade associations help to promote our image and services by introducing our services to their members and organizing events at China South City Shenzhen, including seminars, training courses, new product launches and exchange of technical knowledge. They also from time to time participate in our exhibitions and invite visitors and purchasers to China South City Shenzhen.

QUALITY CONTROL

We place a strong emphasis on quality control to ensure that the quality of our completed projects complies with relevant laws and regulations and meets market standards. In addition, quality control is crucial to the successful development of our integrated trade center developments and to meet the requirements of our target tenants and customers.

We establish and maintain approved registers of design consultants, other consultants, contractors and material suppliers to ensure that only those that are competent are permitted to participate in the tender process. The quality control of our projects is headed by the general manager of the construction department and performed in accordance with our internal procedures and systems as well as the specifications of our projects. We monitor and assess the performance of the design consultants, contractors and material suppliers to ensure that they meet the specified requirements and appropriate follow-up action and penalties are taken against those that do not meet the required standards.

In addition, we also have a project management team consisting of approximately 30 qualified engineers that performs regular quality audits of the project site and reports irregularities or poor workmanship to the general manager of the construction department and to the project managers responsible for the projects. The responsible project construction teams are required to rectify the problem immediately.

The following awards have been granted in recognition of the quality of the construction works:

- in 2008, the Shenzhen Construction Industrial Association granted the "Safe Production, Modern Construction and Quality Site in Shenzhen" award (深圳市安全生產文明施工優良工地) for the construction work on our Phase Two leather and accessories and textile and clothing trade centers; and

- in 2008, the Shenzhen Construction Industrial Association granted the "Quality Structural Engineering in Shenzhen" award (深圳市優質結構工程) for the engineering work on our Phase Two leather and accessories trade center.

AWARDS

We have received a variety of awards for China South City Shenzhen. A summary of the key awards for our Company is set forth below:

- from 2003 to 2009, we received the "Shenzhen Major Construction Project" (深圳市重大建設項目) award from the Shenzhen Municipal Government;
- in 2003, we were rated "the Shenzhen Longgang Advanced Business Unit" (深圳市龍崗區商貿行業先進單位) by the Office of Logistics Development of the Shenzhen Longgang District Government;
- in 2003, 2006 and 2008, we received the "Investment Contribution Award" (投資貢獻獎) by the Shenzhen Longgang District Government;
- in 2003, 2006 and 2009, we received the "Shenzhen Major Logistics Project" (深圳市重點物流項目證書) award from the Shenzhen Modern Logistics Development Working Group;
- in 2006, we were ranked among the Top 100 Overseas Chinese Invested Enterprises (全國百家明星僑資企業) in China from 2003 to 2005 by the Office of Overseas Chinese Affairs of the State Council;
- in 2005 and 2006, we were recognized as among the Top 10 tax-paying foreign capital enterprises (十大納稅外資企業) in the Longgang District by the Shenzhen Longgang District Government and its Pinghu Office respectively;
- in 2007, we were rated an excellent National Tax-paying and Turnover Performance Foreign Investment Enterprise (全國外商投資雙優企業) by the China Association of Foreign Investment Enterprises and Shenzhen Association of Foreign Investment Enterprises;
- in 2007, we were rated the 2006 Shenzhen Logistics Park Leading Enterprise (深圳市物流園區龍頭企業) by the Logistics Leading Team of the Shenzhen Government;
- in 2008, we were rated an Excellent Safe Production Standardized Management Commercial Enterprise (安全生產規範化管理（優秀）商貿企業) by the Shenzhen Municipality Work Safety Inspection Bureau (深圳市安全生產監督管理局); and
- in 2008, we were ranked as one of the Top 100 enterprises of the Guangdong Municipality Service Industry (廣東省服務行業100強) by the Guangdong Municipality Enterprise Confederation and Guangdong Municipality Entrepreneurs Association (廣東省企業聯合會及廣東省企業家協會).

LEASE AGREEMENTS

China South City Shenzhen Phase One

Overview

As of March 31, 2009, we had approximately 2,600 trade center units and 100 commercial facility units for lease at Phase One of China South City Shenzhen. Leasing of trade center units and commercial facilities at China South City Shenzhen 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 to apply for tenancy of a unit. We will 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 will be executed.

Preferential Payment Terms

In an effort to attract tenants as part of the initial leasing-out period of Phase One trade center units of China South City Shenzhen, we provided early tenants with preferential rental rates and rent-free periods of between three and 15 months, based primarily on the length of the lease agreements. During the Track Record Period, we provided longer rent-free periods at the beginning of our trade center operations, and gradually decreased the duration of the rent-free periods for new tenants as our occupancy rates increased. We currently offer rent-free periods of one to six months to new tenants of our Phase One trade center units. We do not offer rent-free periods to existing tenants who renew their leases.

We currently offer preferential rental rates to all of our Phase One trade center tenants. The discounts offered to tenants depend on a variety of factors, including the duration of the lease, the type and location of the trade center for the unit to be leased, and the credit of the tenant. 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, 2009, taking into account the above preferential terms and the special one-time two month rent-free period offered by us in December 2008, the average effective monthly rental rate for our Phase One trade center units was RMB23.2 per square meter, which represented a discount of approximately 64.0% from the average monthly gross rental rate of RMB64.4 per square meter.

In addition, in November 2007, we began to offer a discount to new and renewing tenants of all Phase One trade centers who paid one year's rent or more in advance.

Tenancy Terms

As of March 31, 2009, approximately 60.8% of existing lease agreements (in terms of GFA) for Phase One trade center units of China South City Shenzhen were for terms not exceeding two years. The remaining lease agreements for these trade center units are for terms of two to 10 years. The lease agreements for Phase One commercial facilities of China South City Shenzhen were for varying terms of less than one to 10 years, in compliance with relevant laws and regulations.

The majority of lease agreements for our Phase One trade center units and commercial facilities grant tenants a right to renew their leases in the form of new lease agreements if we continue to lease the properties.

The following table sets forth a breakdown of the lease agreements for Phase One trade centers and commercial facilities of China South City Shenzhen as of March 31, 2009.

Type of Lease Agreement	Term	Number of Tenants	Commencement Year[(1)]	Expiry Year[(1)]	Approximate GFA[(2)]	Percentage of Leased GFA
Trade Centers:						
Type A	Less than one year	105	2008	2009	9,400	3.8%
Type B	1–2 years	1,175	2007–2008	2009–2010	141,600	57.0%
Type C	2–3 years	495	2007–2008	2010–2011	66,400	26.7%
Type D	3–10 years	73	2004–2008	2010–2017	31,100	12.5%
Total		1,848			248,500	100.0%
Commercial Facilities[(3)]:						
Type A	Less than one year	4	2008–2009	2009–2010	300	2.0%
Type B	1–2 years	20	2007–2008	2009–2010	3,300	19.8%
Type C	2–3 years	9	2006–2008	2009–2010	2,700	16.3%
Type D	4–10 years	6	2005–2008	2011–2016	6,800	40.8%
Total		39			13,100	78.9%
Complementary units[(4)]	—	9	—	—	3,500	21.1%
						100.0%

(1) Calendar year.

(2) Includes lease agreements for trade center tenants renewed in November 2007, representing approximately 38% of the leased GFA of our Phase One trade centers.

(3) Commercial facilities include office and other commercial facilities for third party service providers, consisting of government agencies, restaurants, banks, telecommunications companies, industry associations and other providers of professional services, such as tax consultants and insurance companies.

(4) Complementary units consist of commercial units provided to trade associations, labor union representatives and our hotel staff on a rent-free basis.

Payments and Fees

We accept rental payments from our tenants in the form of cash, checks, deposits to our bank account and bank transfers. We prepare records of the payments and deposit the cash received into our bank account on a daily basis. We also perform a daily reconciliation of the rental income with the cash receipts, deposit slips and bank deposit receipts to ensure that all receipts are accurately recorded.

Tenants are generally required to pay their monthly rent in advance either on a monthly, quarterly, or yearly basis, or in advance of their lease term, depending on their lease agreement. Payment terms for rental payments may also vary if a tenant chooses to take advantage of incentive programs we may offer to decrease the overall lease payment amount if a tenant prepays the amount due for the remainder of the lease term. Rental rates are subject to review and renegotiation on renewal of leases.

In addition to making rental payments, tenants of China South City Shenzhen Phase One are also required to provide a security deposit at the time of entering into a tenancy. Under current lease agreements, tenants of Phase One trade center units and commercial facilities, including office and other commercial facilities for third party service providers, consisting of government agencies, restaurants, banks, telecommunications companies, industry associations and other providers of professional services, generally must provide security deposits of RMB5,000 to RMB10,000, depending on the GFA of the trade center units being leased. Security deposits are unsecured and do not bear interest. In addition, tenants are generally charged a management fee and tenants are required to pay the management fee on a monthly basis.

Tenants are normally responsible for payment of outgoings including utilities and relevant taxes imposed by the government. Tenants are generally also responsible for repairs, as well as other expenses relating to the interior and exterior of the premises, while we are generally responsible for repairs to the main structure of the premises. Tenants are generally not permitted to assign or sublet the premises without first obtaining our consent. Tenants must also use their units in a manner that is consistent with usage requirements. Please see "— Lease Agreements — China South City Shenzhen Phase One — Usage Requirements" and "— Our Trade Center Projects — China South City Shenzhen — China South City Shenzhen Phase Two."

Termination Provisions

The lease agreements generally only allow tenants to terminate their tenancies prior to the scheduled expiration dates in certain specified circumstances. The tenants are required under the tenancies to use the leased premises for the purposes allowed under the land-use rights applicable to the premises. We have the right to terminate tenancies upon the occurrence of certain events, such as non-payment of rent, carrying on of business other than the allowed purpose or breach of covenants by the tenants, at our own discretion. In November 2007, we chose not to offer new lease agreements to tenants of the fur subsection of China South City Shenzhen's Phase One textile and clothing trade center. Due to the seasonal nature of the fur business, we chose to emphasize other textile and clothing business sectors with more consistent business and earning potential.

Usage Requirements

We determine the usage and the size of each of the trade centers in China South City Shenzhen Phase One based on our own commercial criteria and the regional market supply and demand for certain industrial raw materials. We do not require government approval to change the usage of any of our trade centers, so long as the usage is consistent with our business scope of developing and operating integrated logistics and trade centers. All tenants of our China South City Shenzhen Phase One trade centers are subject to a deed of mutual covenant. Under the deed of mutual covenant, we may publish notices on the premises of China South City Shenzhen listing the tenants who are in default in their use of trade center units. We may also discontinue the provision of water, utilities and management services to the trade center units of purchasers and tenants who are in default.

China South City Shenzhen Phase Two

In order to promote occupancy rates in our Phase Two textile and clothing and leather and accessories trade centers, we intend to provide early tenants of these trade centers with the following preferential terms: (1) preferential rental rates, (2) discounts for rental prepayment and (3) rent-free periods. As of July 31, 2009, we had leased approximately 24,300 square meters of our Phase Two textile and clothing trade center, which represented approximately 25.0% of the total leaseable area that we have launched for lease. Taking the above preferential terms into account, the average effective monthly rental rate for these trade centers was RMB29.3 per square meter.

Currently, the lease terms we offer to tenants of our Phase Two textile and clothing and leather and accessories trade centers are generally from three to six years. Tenants may either make the whole amount of their rental payments in advance or make rental payments in phases during the lease term, depending on the terms of their lease agreements. Tenants who do not pay the whole amount of their rent in advance are required to pay a sum of RMB8,000 or half of their rental payable for the lease term as security deposits.

All other material terms for the leases of our Phase Two textile and clothing and leather and accessories trade centers are similar to the terms of our Phase One trade center lease agreements. For further information, pleases see "— Lease Agreements — China South City Shenzhen Phase One."

PURCHASER AND TENANT FINANCING

In order to facilitate the sales of Phase One trade center units and the lease of units in West Garden, we provide entrusted loans through intermediary banks in the PRC to the purchasers and tenants and guarantees of loans made to the purchasers and tenants by PRC banks.

In certain circumstances, it is difficult for individuals or entities to obtain mortgage loans from banks, including occupants who are (a) over statutory age limits (55 for women and 60 for men) or (b) foreign nationals. Direct lending by us to these occupants is not permitted under PRC laws and regulations. As a result, from time to time, we provide entrusted loans to these occupants through intermediary banks. These entrusted loans, which are generally equivalent to approximately 70% of the value of the property, are settled through monthly payments according to the terms of the entrusted loan agreements. As of March 31, 2007, 2008 and 2009, the amount of entrusted loan receivables was HK$14.9 million, HK$94.1 million and HK$82.6 million, respectively. As of July 31, 2009, no entrusted loans were extended to purchasers of our Phase Two trade center units.

Under the *General Rules on Loans* (貸款通則) issued by the People's Bank of China and effective on August 1, 1996, an "entrusted loan" means a loan (1) for which funds are provided by an entrusting party; (2) which is granted, the use of which is supervised, and the recovery of which is assisted on behalf of the entrusting party, by a lender (the "entrusted party") in specified amounts, over specified maturity periods, for specified uses and at specified interest rates as determined by the entrusting party and (3) for which the entrusted party receives only a commission and does not undertake the loan risk. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, the entrusted loans that we provide to trade center unit purchasers and tenants of West Garden residential units comply with the *General Rules on Loans*. We therefore believe these entrusted loans comply with relevant PRC laws and regulations and are legally effective and binding on the occupants to whom such loans are extended.

We also provide guarantees for mortgage loans of purchasers of trade center units in Phase One of China South City Shenzhen and for bank loans extended to West Garden tenants for their West Garden residential units. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we believe the guarantees comply with relevant PRC laws and regulations. Please see "Financial Information — Liquidity and Capital Resources — Indebtedness and Contingent Liabilities — Guarantees" for additional information. The amount of guarantees as of March 31, 2007, 2008 and 2009 was HK$4.6 million, HK$126.4 million and HK$95.9 million, respectively. As of July 31, 2009, no guarantees of loans were provided to purchasers of our Phase Two trade center units.

As of July 31, 2009, we had not experienced any defaults by trade center unit purchasers and tenants of West Garden residential units of their obligations under the bank loans that would trigger our obligations to the banks under guarantees to the bank lenders. However, we had experienced delay of payment with respect to approximately 0.73% of the outstanding principal of the entrusted loans. Should we experience any defaults in the future, we expect to institute legal proceedings to recover our claims and do not believe that losses arising as a result of defaults would have a material adverse effect on our financial condition.

SUPPLIERS AND CUSTOMERS

Our principal customers are tenants and purchasers of our trade center units. Our five largest tenants, in terms of contribution to our rental income, together accounted for approximately 3.1%, 1.0% and 2.4% of our total revenues in fiscal years 2007, 2008 and 2009, respectively. Our single largest tenant accounted for approximately 1.1%, 0.3% and 0.8% of our total revenues in fiscal years 2007, 2008 and 2009, respectively. Our five largest purchasers of trade center units, who are also our five largest customers overall, together accounted for approximately 15.4%, 6.5% and 6.0% of our total revenues in fiscal years 2007, 2008 and 2009, respectively. Our single largest trade center unit purchaser and also our single largest customer overall accounted for approximately 6.5%, 4.6% and 2.9% of our total revenues in fiscal years 2007, 2008 and 2009, respectively.

Our principal suppliers are contractors. Our five largest suppliers, in terms of contract value, accounted for approximately 5.4%, 16.0% and 16.6% of our total purchases, excluding land costs, in fiscal years 2007, 2008 and 2009, respectively. Our single largest supplier in fiscal years 2007, 2008 and 2009 accounted for 2.3%, 4.4% and 4.4%, respectively, of our purchases, excluding land costs. As of the Latest Practicable Date, we had not experienced any cancellation of orders or default on the part of our suppliers.

None of our Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of our share capital) has any interest in any of the above mentioned suppliers and customers.

AGREEMENTS WITH CERTAIN PURCHASERS OF TRADE CENTER UNITS

China South City Shenzhen Phase One

As of March 31, 2009, we had sold 1,390 Phase One trade center units, representing a GFA of approximately 168,000 square meters of China South City Shenzhen's Phase One trade center units. Approximately 161,000 square meters, or 95.8%, of these trade center units were initially sold subject to one to three-year cooperation agreements. Under these cooperation agreements, which comply with PRC laws and regulations, China South International and purchasers of trade center units agree to jointly develop China South City Shenzhen in order to achieve mutual long-term benefits.

China South International is responsible for developing and promoting China South City Shenzhen and paying advertising and development expenses for the trade center unit purchasers. In return, the purchaser agrees to assign to us the right to lease the trade center units to third parties for a period of one to three years. As a result, we are able to receive rental income for the units sold subject to the cooperation agreements. The purchasers of these trade center units do not receive rental income during the term of the cooperation agreements. Our leaseable and leased GFA includes both units that have been sold under the separate cooperation agreements and units that have not been sold. In the past, in order to secure the terms of the agreements with purchasers of Phase One trade center units, we received one-time deposits, above and in addition to the purchase price paid for the relevant units, from the purchasers of these units. The one-time deposit, the amount of which is determined based on a commercial decision by our management, is equal to approximately 10% to 37% of the purchase price paid. These payments are deposited into a cooperation fund held by China South International. As such payments are kept in our general bank accounts together with our working capital, there may be situations where the funds are used for our working capital needs prior to their return to purchasers. China South International returns the one-time deposits to the purchasers in annual installments over the course of the term of the cooperation agreement. Since there are no contractual or legal restrictions relating to our use of the cooperation deposits prior to the refund of such deposits to the purchasers, our PRC legal counsel, Commerce & Finance Law Offices, has advised us that our practices in this regard comply with PRC laws and regulations. For further description of the financial aspects of these agreements, please see "Financial Information — Payments Made Under Agreements with Certain Purchasers of Trade Center Units."

Trade center unit purchasers enjoy a discounted purchase price as a result of entering into the cooperation agreements. Substantially all discounts offered from fiscal year 2005 through fiscal year 2009 ranged from 7% to 26% of the original purchase price, and amounted to RMB279.5 million in aggregate. The discounts were provided based on the commercial decision of our management and are not correlated to the amount of cooperation deposits received. The amount of these discounts exceeded the rental income of RMB67.8 million received in respect of the related trade center units by RMB211.7 million. As we are a developing company, we provide discounts on our trade center units that may be greater than the rental income of the properties in order to maximize the occupancy rates and traffic flow of our trade centers. In the long term, we expect this arrangement will be beneficial to our operations and ultimately profitable.

We believe that the cooperation arrangement has assisted and will continue to assist us in achieving our goals in the following ways:

- *Centralization of management.* Because the cooperation agreement gives us the right to lease underlying trade center units to third parties, we are able to use our discretion to more effectively centralize management and exercise greater control over the mix of trade center tenants. We believe this centralization of management is critical to our long-term success because it allows us to (1) exercise greater discretion in the selection of our tenant base; and (2) exercise greater control over the rental rates of trade center units, allowing us to focus on our primary goal of maximizing occupancy rates and traffic flow.
- *Increased development of China South City Shenzhen.* Because the cooperation agreement provides us with rental income, we are able to use this additional income to further promote and develop China South City Shenzhen. We believe that this added promotion will enhance China South City Shenzhen's visibility among potential trade center tenants and their customers, which will ultimately result in the long-term appreciation of the trade center units.

There are no pre-conditions attached to the purchase of a trade center unit by a purchaser and no purchaser is obligated to enter into the cooperation agreement. We are not responsible for any advertising and development expenses incurred in locating and retaining tenants for the units of trade center unit purchasers who are not participating in the cooperation agreement. We are not aware if other market participants have also adopted arrangements similar to these cooperation agreements.

Pursuant to the terms of the purchase agreements subject to cooperation arrangements, we have the right to terminate the agreements if (1) the purchasers do not pay the purchase price in full within 90 days of the prescribed payment deadline; or (2) the purchasers do not pay the cooperation funds in full within 30 days upon the signing of the agreements. Purchasers have the right to terminate the agreements if we do not deliver the trade center units to purchasers within 90 days of the prescribed delivery deadline. Under the terms of these agreements, without our prior written consent, purchasers are not permitted to withdraw our right to lease their units.

In the six months prior to the expiration of the cooperation agreement of Phase One trade center units, we began to negotiate a subsequent three-year lease arrangement with purchasers of trade center units. Under these lease arrangements, we agreed to pay a fixed annual rental, which is equal to approximately 8% of the original pre-discount purchase price, minus tax and expenses paid by us, for the right to lease out the trade center units sold to these purchasers. This fixed annual rental is not included in any of the documents related to the sale of the trade centers and we were under no obligation to make these payments to purchasers of Phase One trade center units prior to entering into the subsequent lease arrangements. Pursuant to the terms of the agreements for these arrangements, neither party has the right to terminate the agreements without the prior written consent of the other party.

In November 2007, China South International entered into new three-year lease arrangements with purchasers of Phase One trade center units with respect to a GFA of approximately 123,000 square meters sold to these purchasers. Prior to the expiration of these three-year lease arrangements, we may negotiate subsequent lease arrangements with these purchasers depending on market conditions and the development of the trade centers of China South City Shenzhen. During the term of the cooperation agreements and lease arrangements, China South International has the right to lease the units to tenants of its choice and receives all rental income from the leases.

We have obtained a written confirmation from the Pinghu branch of the Shenzhen Municipal Bureau of Land Resources and Housing Management acknowledging the existence of our cooperation arrangement and subsequent lease arrangement, and confirming that these arrangements do not violate the relevant PRC property laws and regulations. Based on this confirmation and the advice of our PRC legal counsel, Commerce & Finance Law Offices, we believe that: (1) the cooperation arrangement and subsequent lease arrangement are valid, legal and in compliance with relevant PRC laws and regulations; and (2) the Pinghu branch of the Shenzhen Municipal Bureau of Land Resources and Housing Management is the appropriate authority to provide confirmation of the legality of these arrangements. For a discussion regarding relevant PRC laws and regulations with respect to these cooperation and lease arrangements, please see "Regulation — Property Sales — Restrictions on the Sale of Commodity Properties."

As of March 31, 2009, approximately 98.7% of these lease arrangements (in terms of GFA) were entered into with independent third party purchasers. For further discussion of lease arrangements entered into with Connected Persons of the Company, please see "Connected Transactions — Exempt Continuing Connected Transactions — Leasing of Phase One Trade Center Units from our Directors and their Associates."

China South City Shenzhen Phase Two

A purchaser of a Phase Two textile and clothing or leather and accessories trade center unit may enter into one of two types of a purchase agreement, one that provides for self-use or one that provides for a cooperation arrangement with us. Under the purchase agreements for self-use, the purchasers agree to open their units for business at least 300 days per year and are required to pay a deposit to secure their compliance with this provision. Under the cooperation arrangements entered into with certain purchasers, purchasers grant us the right to lease their trade center units to third parties for a period of one to three years and to receive all rental income from these leases. In return, we agree to offer these purchasers an additional discount of approximately 2% on the purchase price of the Phase Two trade center units. We do not require purchasers of Phase Two trade center units to pay any deposit under the cooperation arrangements because, given our positive experience with purchasers of Phase One trade center units, we believe that the cooperation deposit required in our arrangements with purchasers of Phase One trade center units is no longer necessary.

PROJECT DEVELOPMENT, DESIGN AND FINANCING POLICIES AND PROCEDURES

Project Identification

The first stage of our development process involves the identification of new opportunities or accepting invitations from government officials to review development prospects in their respective cities. We conduct in-depth research and analysis to determine the development potential of a site and look at factors such as (1) public demand for large trade centers in the area; (2) well-developed transportation infrastructure; (3) promising economic growth potential in the region; and (4) strong government support for the development of the trade center project. Our analysis will typically include an assessment of the economic environment, market investigation, feasibility studies, cost and profit forecasts and a positioning analysis for the site.

Project Development and Management Procedures

We engage architects, engineers and construction contractors to carry out the design and construction of our development projects. Our project teams work closely with the contractors in the execution of the development plans and supervising the construction phase of each project.

Once a site is proposed for development, our construction department recommends the appointment of architects and other necessary design consultants, formulates the design brief and controls the design program in consultation with the appointed architects and other consultants. The completed development and construction plan will be submitted to the relevant government authorities for approval. This approval process generally takes approximately three weeks.

During the construction phase, a construction team, headed by a project manager and comprising at least six persons who are engineers, assistant project managers and their assistants is typically appointed for each development site. These teams, under the direction of the construction department, manage the project development process, ensure the quality and timely completion of each project and control the costs according to the approved budget. The construction team has a member of the team at the construction site 24 hours a day until the project is completed. In managing the project development process, the construction team is supported by independent external supervisory consultants required by the government to be stationed on the site and to monitor the quality and safety of the project.

Government officials from the relevant Construction Bureau will generally monitor the quality and safety of the project. We also have our own internal quality surveyors, site engineers, and procurement staff to work on the project.

Project Design

All detailed project and interior design work for our projects are contracted out to PRC and international architectural and interior design firms, which plan the architectural, landscape and interior designs in accordance with our specifications. In determining the design of our projects, we consider: (1) the environment surrounding the site; (2) the site area; (3) advice provided by our professional advisors, including architects, planning experts and sales and marketing personnel; and (4) the most appropriate type of buildings to be developed.

The construction department is also responsible for overseeing the various aspects of design and interior design and for selecting the architects and interior design firms responsible for the project. We use a tender process in selecting these architects and interior design firms, and we also select architects and interior design firms without using a tender process based on our knowledge of the quality of their services and our previous experience working with them. Whether they are selected through a tender process or through private negotiation, we normally request potential architects and interior design firms to provide a proposal with a fee quote. In making our decision, we consider their proposed design concepts, their reputation for reliability and quality as well as our previous experience working with them and the price of their proposed services. The construction department and our senior management continually monitors the progress and quality of the appointed design firms to ensure that they are meeting our specifications.

In the event a designer fails to perform its contractual obligations or is otherwise negligent in the performance of its contractual obligations, we may require the designer to remedy the non-compliance or non-conformity of the performance, or otherwise pay damages or a penalty. In the past, we have not had any material disputes with any of our designers.

Construction Work

We contract with independent third-party construction contractors to perform the construction work for our projects. During the Track Record Period, we contracted with approximately 20 large third-party construction companies, which have been working with us for a period ranging from 25 days to approximately three years. In this regard, each of our projects, including Phase One and Phase Two of China South City Shenzhen, consists of several stages, or construction progress deadlines. Our relationship with each contractor lasts until the completion of their contracted stage of work. However, certain of our contractors have worked with us on several stages of our construction projects. We do not engage any related parties to carry out the construction of development projects or supply materials to our development projects. The construction department is responsible for inviting contractors, material suppliers and non-design related consultants to submit competitive bids for the construction work and choosing the providers. We use a tender process in selecting contractors, material suppliers and consultants, and we also select contractors, material suppliers and consultants without using a tender process, as permitted by PRC laws and regulations, based on our knowledge of the quality of their services and our previous experience working with them. Whether construction contractors are selected through a tender process or through private negotiation, we normally request potential construction contractors to provide a proposal with a fee quote. Our management has the authority to make the final decision to award the construction work to a contractor. The decision is made on the basis of capability to satisfy contract requirements, reputation for quality and price.

Once we select a contractor, we will enter into a construction agreement with the contractor to confirm the terms and conditions that have been agreed upon. The principal terms of the agreements with our contractors include the scope of work, a timetable for construction, fees and payment terms. In addition, our contracts with construction companies typically contain warranties for quality and requirement for timely completion of the construction process. Although the agreements with our contractors vary due to the scope of contracted work, the majority of our agreements are generally for a six-month to 24-month period, depending on the scope of construction work involved.

Our construction agreements typically provide for payments based on construction progress until a specified maximum percentage of the total contract price is paid. We typically do not make any prepayments, but instead make payments according to the progress on a monthly basis. Each month, we review the construction progress and make payments in the following month equal to a set percentage, not to exceed 70%, of the construction work completed in that month. Following governmental inspection and approval of the completed construction project, a payment of a set percentage, up to 95%, of the competed construction may be paid to the contractor. The remaining 5% of the balance, which is withheld to cover any damages as a result of any construction defects, is paid, without interest, to the contractor approximately two years after the date of governmental inspection and approval.

We require construction companies to comply with PRC laws and regulations in all aspects during their construction process, including those relating to the quality of construction, as well as our own standards and specifications. We assign project teams consisting of our own internal quality surveyors, site engineers and procurement staff to closely monitor the work of the independent construction companies, including quality and construction progress. In the event a contractor fails to perform its contractual obligations or is otherwise negligent in the performance of its contractual obligations, we may require the contractor to remedy the non-compliance or non-conformity of the performance, or otherwise pay damages or a penalty. Our contractors are liable for accidents at the construction site and any regulatory non-compliance related to the construction process. We require our contractors to purchase insurance to cover risk related to construction while they perform work on our construction sites. During the Track Record Period, we have not had any material disputes with any of our contractors and suppliers. In addition, during the Track Record Period, neither we nor any of our contractors have terminated a major contractor agreement.

Monitoring and Supervision

Construction timetable. To monitor the progress of construction, our construction department has a project management team, which consists of qualified engineers led by project managers, that monitors the construction progress of contractors in accordance with our construction agreements and the construction plan progress.

Quality control. We place emphasis on quality control to ensure that our properties and services comply with relevant rules and regulations regarding quality and safety. We have quality control procedures in place on our project management team, which are performed by approximately 30 qualified engineers that inspect the quality of the construction work on a selective basis. To ensure the quality of construction, our project management team monitors the quality of work of construction contractors in accordance with our construction agreements and the construction plan. As required by PRC laws and regulations, we also engage qualified independent quality supervisory companies to conduct quality and safety control checks on building materials and workmanship.

We also request a warranty from the contractors for the structure and certain fittings of our project developments in accordance with the provisions of our agreement with them and the relevant rules and regulations.

Financing Policies

To date, we have financed our development of China South City Shenzhen through loans from our shareholders, bank borrowings, the proceeds of the Notes and our working capital. We intend to finance the remaining portions of Phase Two of China South City Shenzhen as well as our properties planned for future development in Nanchang and Nanning with bank borrowings, internally generated funds and a portion of the proceeds of the Global Offering. As of March 31, 2009, certain of our bank loans were secured by buildings, investment properties, properties under development and leasehold land. As of March 31, 2009, the book value of the assets, including properties, pledged to secure bank loans was approximately HK$3.78 billion. In addition, as of March 31, 2009, our Directors and related persons of our Directors had guaranteed certain of our bank loans in an amount of up to HK$8.5 million. As of the Latest Practicable Date, these guarantees had been released.

Our memorandum and articles of association do not limit the amount or percentage of indebtedness that we may incur. However, our bank loan agreements and debt instruments require us to maintain certain financial ratios and contain a number of significant restrictive covenants. These covenants restrict, among other things, our ability and the ability of our subsidiaries to incur additional debt or make guarantees, incur liens, pay dividends or distributions on our or our subsidiaries' capital stock, repurchase our or our subsidiaries' capital stock, prepay certain indebtedness, sell or transfer property or assets, make investments, merge or consolidate with another company, and engage in any business other than related businesses. We were in compliance with all relevant covenants and financial ratios pertaining to our bank loan agreements and debt instruments as of the Latest Practicable Date.

COMPLIANCE

Licenses

Except as disclosed below in "— Incidents of Non-compliance," we believe that we hold all licenses, permits and certificates required under PRC laws and regulations to conduct our business operations. According to documentation provided by the Shenzhen Municipal Bureau of Land Resources and Housing Management, China South International is not treated as a real estate developer and therefore does not require a long-term (two year) qualification certificate normally granted to real estate developers. The Shenzhen Municipal Bureau of Land Resources and Housing Management has granted a short-term qualification certificate to China South International in order to allow China South International to undertake the development of property necessary for its integrated logistics operations, including the development of supporting facilities for its trade center operations, such as West Garden. Such activities are within China South International's approved business scope, which allows the construction and development of supporting facilities for its trade center operations. On July 28, 2009, we obtained an annual renewal of the short-term qualification certificate. China South International has not in the past experienced difficulties in obtaining or renewing its qualification certificate.

Incidents of Non-compliance

During the Track Record Period, we experienced certain incidents of non-compliance, and have taken steps towards remediating and resolving these incidents.

In previous years, our advertising subsidiary, Shenzhen China South City Advertising provided advertising services, including the rental of advertising space on billboards and the sale of advertising space in newsletters, at China South City Shenzhen to our tenants. During this time, we did not possess the necessary registration certificates for our billboards in order to rent advertising space on our billboards, nor did we possess the necessary license to engage in the sales of advertising space in newsletters. As a result, we could be subject to an order to cease operations related to the rental of the billboards, confiscation of the income generated from such activities and monetary fines in the range of RMB30,000 to RMB9.8 million. During the Track Record Period, we received total revenue from billboard rental operations and the newsletter advertising of HK$0.8 million, HK$1.6 million and HK$0.3 million for the fiscal years ended March 31, 2007, 2008 and 2009, respectively. In April 2008, we ceased entering into new contracts for the rental of advertising space on our billboards. However, we continued to provide such services to customers under our existing contracts with them. As of March 31, 2009, we had six remaining contracts with customers to provide advertising on 39 billboards. These contracts expired in May 2009. We also discontinued generating income from the sales of advertising space in newsletters in April 2008. Although we still publish newsletters for our tenants to promote their products and services to customers and other tenants of China South City Shenzhen and to inform tenants of new developments and services of our Company, we no longer charge a fee to tenants to place advertisements in these publications.

In addition, we did not obtain all necessary permits with respect to our restaurant and hotel in China South City Shenzhen prior to their commencement of operations. We now possess all necessary permits with respect to these operations.

We experienced delays in the registration of standard form lease agreements with respect to our West Garden residential units, primarily because many of our tenants did not provide the required registration materials on a timely basis. However, as of July 31, 2009, we had registered all of these standard form lease agreements.

We have yet to register all of our lease agreements for our Phase One trade center units with the Shenzhen Lease Management Department. As in the case of the delays experienced in registering the lease agreements for our West Garden residential units, these delays were primarily because not all tenants have provided the required documentation for us to register the lease agreements. However, as of July 31, 2009, we had registered more than 99.5% of the Phase One trade center lease agreements, and the registration of the remaining lease agreements are pending the provision of the necessary information and documents by the trade center unit tenants. Please see "Regulation — Documents of Title and Registration of Property Interests."

In the past, we had leased temporary units in facilities adjacent to the Phase One trade centers in China South City Shenzhen prior to obtaining all necessary certificates. However, as of July 3, 2008, we had obtained all necessary certificates for the lease of these units.

Pending the government's approval for the combination of a plot of land on which our sales and leasing center is located with another plot of land, we did not perform the necessary fire inspection procedures in relation to this facility. In May 2009, we signed a supplementary land grant contract with the government for the combination of the land and have now completed the necessary fire inspection procedures.

We entered into letters of intent with potential purchasers and received deposits for our Phase Two textile and clothing and leather and accessories trade centers prior to obtaining the necessary pre-sale permits in September 2008. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, although we are required under PRC rules and regulations to conduct these activities only after obtaining the necessary pre-sale permits, we will not be penalized if potential purchasers who signed letters of intent for the Phase Two textile and clothing and leather and accessories trade centers do not raise complaints regarding such activities. If potential purchasers who signed letters of intent for these trade centers do raise complaints regarding these activities and such complaints are accepted by the Shenzhen Municipal Bureau of Land Resources and Housing Management, we may be subject to an administrative penalty of less than 1% of the amount received prior to obtaining the necessary pre-sale permits, or less than approximately RMB870,000. As we have not yet received any complaints regarding the signed letters of intent or the payment of deposits for the Phase Two textile and clothing and leather and accessories trade centers and we now possess the necessary pre-sale permits, based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we believe that the risk of administrative penalty is low and that there will be no material financial impact resulting from the commencement of these activities before we obtained the necessary pre-sale permits. This incident of non-compliance occurred while we were still in the process of implementing our internal control procedures, as discussed below. Since September 2008, we have implemented new internal control procedures, which we believe can effectively address these incidents of non-compliance.

We do not believe we will be subject to any material administrative fines or penalties or damages arising from legal or regulatory proceedings as a result of these incidents of non-compliance, nor do we believe that our business, results of operations or financial condition will be materially adversely affected by these incidents of non-compliance.

Internal Control Procedures

The development of our management and internal control measures has largely coincided with the growth of our business. We have implemented the following internal control procedures to remedy past instances of non-compliance and strengthen our corporate governance policies to prevent such instances of non-compliance in the future:

- since February 2008, human resources in the legal and administration departments have been increased and strengthened and company secretarial and internal audit departments have been established;
- in September 2008, we emphasized the importance of legal and regulatory compliance to all staff with major compliance responsibilities, such as: (1) senior management of all our departments and our subsidiaries who are primarily responsible for overseeing the Group's

daily business operations; and (2) personnel in the legal, administration and company secretarial departments, as those departments are primarily responsible for reviewing legal and business documents, ensuring legal and regulatory compliance, and liaising with the relevant authorities on compliance matters;

- in September 2008, we reiterated to all department heads that all material legal and business documents, including all documents which could, in the judgment of the department heads, present a material risk for our business, must be reviewed by the legal department prior to signing;
- since December 2008, department heads of our business operations are required to notify heads of the legal, administration and company secretarial departments immediately upon becoming aware of any potential non-compliance issues arising from their operations;
- since December 2008, heads of the legal, administration and company secretarial departments are required to conduct meetings to discuss compliance issues and, where necessary other relevant department heads will be invited to the meetings to discuss measures to rectify any non-compliance issues; and
- since December 2008, an annual review of the Group's internal control system will be performed by our internal audit department to assess its effectiveness and make recommendations for improvement.

More generally, the Directors recognize their responsibilities for overseeing our internal controls. The daily responsibilities for the implementation of internal control procedures have been placed on the senior management of our business departments and subsidiaries, and our legal, administration and company secretarial departments, who have responsibility to oversee our compliance with applicable laws, rules and regulations. As part of our internal control procedures, before we enter into any new business practices, operations or arrangements, the relevant department heads will provide prior notice to our legal, administration and company secretarial departments, in order to ensure that all potential compliance issues are properly identified and resolved prior to entering into the new business practices, operations or arrangements.

Since September 2008, we have added three persons to our legal department. As of March 31, 2009, our legal department comprised four persons, two of which are PRC qualified lawyers and two of which possess legal professional qualifications with degrees in economic, civil and commercial laws. Our legal department is responsible for upholding our compliance function. It oversees our compliance with applicable laws, rules and regulations and provides legal advice and updates on laws, regulations and compliance issues in relation to our operations.

Since July 2008, we have added five persons to the team in our administration department responsible for obtaining the licenses, authorizations and other certificates required for our business. As of March 31, 2009, this team comprised 13 persons, of whom two persons possess masters' or bachelors' degrees and 10 persons are post-secondary or technical school graduates. This team is responsible for liaising with respective government authorities regarding compliance matters and oversees the submission and application procedures for necessary licenses and other required documentation for all of our operations, including our construction department, sales department and our restaurant and hotel operations.

In February 2008, we established our company secretarial department. As of March 31, 2009, our company secretarial department comprised two persons who possess bachelors' degrees and professional qualifications in accounting and company secretarial practices, respectively. Our company secretarial department is responsible for overseeing our compliance with the Listing Rules and Companies Ordinance.

In addition, we established an internal audit department in August 2008. As of March 31, 2009, our internal audit department comprised four persons. Members of our internal audit department possess either professional accounting qualifications or degrees/post-secondary qualifications in accountancy. The internal audit department reviews and monitors the implementation of internal control procedures by our various departments and subsidiaries and identifies areas of non-compliance and potential risks to the Group. The internal audit department conducts internal audits of our business and operations in accordance with its internal audit policies and manual. The internal audit department reports directly to the Board and will report to the audit committee after the Listing at least once a year. A summary of the work performed by the audit committee during the year in discharging its responsibilities will be disclosed in our annual report after the Listing.

We consider each member of the above departments to possess appropriate qualifications and experience to perform and monitor our compliance functions within their areas of responsibility.

We have also prepared a compliance manual, which codifies our corporate governance policies and procedures and expectations with respect to legal and regulatory compliance. The compliance manual has been disseminated to all relevant personnel of the legal, administration and company secretarial departments as well as department heads and project leaders that have exposure to or responsibility for regulatory or compliance matters. Our compliance manual will be reviewed on an ongoing basis by our senior management to ensure it conforms with market practice and regulatory requirements and adequately addresses issues arising out of our business operations. The policies and measures set out in the compliance manual were implemented in December 2008.

We believe these measures, which were implemented as of December 2008, have effectively addressed the risk of non-compliance by creating a framework of compliance through oversight by our legal, administration and company secretarial departments, which report to our senior management, and independent review by our internal audit department. As of the Latest Practicable Date, we had not experienced new incidents of non-compliance with regulatory requirements since the implementation of these measures. As we continue to develop our business, we will continue to review our internal control mechanisms and the adequacy of relevant human resources to ensure compliance with statutory requirements and regulations relevant to our business.

Although certain events of non-compliance, as disclosed in "— Compliance — Incidents of Non-compliance," remain unresolved, our Directors do not believe that such events will affect our operations in any material respect. The Directors recognize that they are fully responsible for the overall corporate governance of the Group, and that they may only delegate related day-to-day activities and not overall responsibility in this regard.

ENVIRONMENTAL MATTERS

As an operator and developer of trade center projects in the PRC, we are subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on project design and construction, air and noise pollution and discharge of waste and water into the environment.

As required by PRC law, we must, depending on the impact of the project on the environment, submit an environmental impact assessment report, an environmental impact analysis table or environmental impact registration form before the relevant authorities will grant approval for the commencement of construction of the project. All of our projects currently under development have received such approval.

Our construction department, in conjunction with our legal and administration departments, oversees the incorporation of compliance measures into the design, construction and operation of our trade centers and facilities. The construction department consists of qualified engineers with experience in the construction industry and compliance with related environmental laws, rules and regulations. During the construction phase of our development projects, our construction department assigns a project team and a supervising project manager to manage all aspects of the project, including the implementation of environmental protection initiatives. In addition, our construction department personnel monitor the compliance of our construction contractors with applicable environmental and safety laws and regulations. We also hire external consultants to monitor the quality of our construction and construction materials in order to comply with applicable construction and environmental protection regulations.

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. The report is then presented together with other specified documents to the local construction administration authorities for their record. If any portion of the project is found to not be in compliance with the relevant environmental standards or if we are unable to obtain necessary licenses for releasing contaminants, we may have to suspend our operations with respect to this portion of the project and be subject to a fine in the amount of RMB50,000 to RMB200,000.

Our trade center operations at China South City Shenzhen do not have a significant impact on the environment. Although our restaurant and hotel operations in China South City Shenzhen result in the discharge of waste and water, these operations do not have a material impact on the environment, and we are not required to obtain a license for release of these contaminants. Rather, we pay a periodic sewage release charge levied by local authorities for releasing sewage into the environment. We were also required to complete environmental inspections prior to the commencement of operations of our restaurant and hotel. We experienced delays in completing environmental inspections for our restaurant and hotel primarily due to a lack of adequate human resources during the early stages of China South City Shenzhen's development. We did, however, obtain environmental confirmations from environmental authorities that we were in compliance with relevant environmental laws, rules and regulations and, in May 2008, completed all necessary environmental inspections for our restaurant and hotel. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we believe that our restaurant and hotel are in material compliance with relevant environmental rules and regulations and that they will not be subject to any material fines or penalties as a result of our previous delay in completing necessary environmental inspections. Please see "— Compliance — Internal Control Procedures" for information on the internal control procedures that we have adopted to enable us to avoid similar non-compliance issues in the future.

We have taken certain measures to reduce pollution and comply with applicable environmental laws and regulations. These include energy-saving policies that reduce our electricity consumption, the implementation of a rain and sewage diversion system in certain trade centers, smoke filtering systems in the kitchens of our cafeterias and restaurants and in our backup generators, the installation of sound insulation in our backup generators and cooling machines, and the use of solar-powered water heaters. Our plans to address potential future risks posed by environmental issues include a water and soil conservation program, periodic assessments of the air quality in our trade centers and radon and benzene testing for materials used in the interior design of certain of our trade centers.

We encourage our contractors to use equipment and facilities and to adopt or develop new technologies in order to reduce the impact of our projects on the environment. In this regard, we have attempted to design our trade centers and supporting residential facility, the West Garden, located in China South City Shenzhen to reduce their impact on the environment and reduce energy costs. In the textile and clothing and leather and accessories trade centers of China South City Shenzhen Phase Two, we have installed energy-efficient air conditioning and cooling systems, a self-monitoring temperature system to reduce energy waste, energy-efficient escalators powered by motion-sense technology and energy-efficient lighting systems. We have also designed our lighting system to provide the maximum lighting coverage with a minimum amount of artificial lighting fixtures. We have established a team to conduct research and development in energy-saving technologies, including chilled water storage air conditioning, a solar-powered lighting system, waste heat recovery from air conditioning systems, self-generating power technology and certain other energy-saving technologies for escalators.

We have spent an aggregate of HK$99,600, HK$177,200 and HK$319,300 on compliance with environmental laws and regulations for the fiscal years ended March 31, 2007, 2008 and 2009, respectively. The increase in the amount spent on compliance with environmental laws and regulations in fiscal year 2009 was primarily due to increases in the cost of water treatment due to increased water usage.

We believe that we have materially complied with all environmental regulations and are currently in compliance in all material respects with applicable national, provincial and municipal environmental laws and regulations. Please see "Risk Factors — Risks Relating to Our Business and Our Industry — Potential liability for environmental problems could result in substantial costs" for a discussion of the risks that environmental laws and regulations may pose to our operations.

HEALTH AND SAFETY MATTERS

Under PRC laws and regulations, most of the potential liabilities to the workers on and visitors to our construction sites rest with our contractors.

Under the *Construction Law of the People's Republic of China* (中華人民共和國建築法), the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor. Under the *Environmental and Hygienic Standards of Construction Work Site* (建築施工現場環境與衛生標準), a contractor is required to adopt effective occupational injuries control measures, to provide workers with necessary protective devices, and to offer regular physical examinations and training to workers who are exposed to the risk of occupational injuries. To our knowledge, there has been no material non-compliance with the health and safety laws and regulations by our main contractors or their subcontractors during the course of their business dealings with us.

PRC laws and regulations do not require us to obtain insurance in respect of the construction project. We have, however, incorporated into our standard construction contract that we will obtain and the contractor will pay for insurance to cover the lives and properties of our staff and third parties who are visiting our construction sites. Our project cost control department examines and verifies all our construction budgets in order to ensure that the insurance costs have been taken into account.

We have spent an aggregate of HK$617,000, HK$3.9 million and HK$1.0 million on compliance with health and safety laws and regulations for the fiscal years ended March 31, 2007, 2008 and 2009, respectively.

COMPETITION

We face direct competition from other domestic and international trade center operators in China. The trade center industry in China is fragmented, and consists of a large number of trade centers of varying sizes. Many trade centers in China also tend to specialize in one industry sector. There are a limited number of trade centers in China with a GFA in excess of 400,000 square meters that offer products in more than one industry sector and have a comprehensive range of supporting services and facilities.

The majority of trade centers in China focus only on leasing trade center units to tenants, while a smaller portion of trade centers either provide units for sale only or have units for both sale and lease. We typically derive the majority of our revenue from both the sale and rental of trade center units. For further information, please see "Financial Information — Consolidated Results of Operations."

The PRC trade center market is highly competitive. Our existing and potential competitors include trade centers managed by private domestic operators, trade centers that may have some affiliation with local government entities in China and to a lesser extent, trade centers jointly developed or managed with international operators. Competitive factors include geographic location, size of land reserves, GFA of the trade center development and trade center units, number and type of industry sectors featured, number and quality of supporting services and facilities, brand recognition by customers, creditworthiness, price and design quality. A number of our competitors have broader name recognition, a longer track record and more established relationships in certain markets.

China South City Shenzhen competes primarily with other trade centers in Guangdong Province, although trade centers located in the Yangtze River Delta and the Bohai-Ring region of Beijing also have a concentration of trade centers. The industrial materials featured at these competing trade centers include textile and clothing, leather and accessories, electronic accessories, printing, paper and packaging and metals, chemicals and plastics that compete with the industrial materials featured at China South City Shenzhen. We believe China South City Shenzhen offers certain competitive advantages that allow us to compete effectively with these competitors, including large-scale integrated logistics and trade facilities and supporting commercial and residential facilities as well as superior project planning and management techniques and effective marketing and brand-building strategies. In addition, we place an emphasis on maintaining a safe and secure environment at China South City Shenzhen for tenants to conduct their operations.

The commercial property market in Guangdong Province is highly competitive. Principal competitive factors include rental rates and other leasing terms, quality and convenience of the location of the properties, quality and breadth of services provided, supply of comparable commercial space and the availability of nearby infrastructure and amenities. For information on the trade center industry in Guangdong Province, please see "Industry Overview — The Trade Center Market in the PRC — The Trade Center Industry in Guangdong Province."

To supplement our logistics and trade center operations, we offer or outsource to third parties supporting services and commercial facilities, including a hotel, restaurants, residential units and warehouse facilities. These supporting services are primarily for the tenants and customers of China South City Shenzhen. These supporting services are not intended to directly compete with other providers of similar services that are located outside of China South City Shenzhen.

We expect our planned projects in Nanchang and Nanning will compete primarily with other trade centers in Jiangxi Province and Guangxi Zhuang Autonomous Region, respectively. Although located in different regions of China, we believe the competitive advantages provided by our planned projects in Nanchang and Nanning influencing tenants' decisions to lease or purchase units at these projects will be largely similar to China South City Shenzhen. For information on the trade center industries in Jiangxi Province and the Guangxi Zhuang Autonomous Region, please see "Industry Overview — The Trade Center Market in the PRC — The Trade Center Industry in Jiangxi Province" and "Industry Overview — The Trade Center Market in the PRC — The Trade Center Industry in Guangxi Zhuang Autonomous Region," respectively.

INTELLECTUAL PROPERTY RIGHTS

We have registered the trademark "華南城" (China South City) and its logo with the Trade Marks Registry in Hong Kong and the PRC Trademark Office under various categories relating to metals, textiles, machines, electronics and many other categories. We also have registration pending in the Trade Marks Registry in Hong Kong with respect to the trademarks of "China South City" and "華南城" under some additional categories.

We are also the owner of the domain name of "**www.chinasouthcity.com.**"

INSURANCE

We maintain insurance policies with insurance companies in the PRC, which cover property damage due to natural hazards, including lightening, typhoons and other natural phenomena, and accidents, including fire and explosion, and general liability under property all risk insurance, construction all risk insurance and public liability insurance. There are, however, certain types of risks that are not covered by our insurance policies, including losses resulting from war, nuclear contamination, tsunami, pollution and acts of terrorism. As of March 31, 2009, we had not experienced any significant loss or damage to our properties.

In addition, we maintain employer's liability insurance covering bodily injury, medical treatment and litigation expenses for our employees. We also carry automobile insurance covering collision damage and various types of liability for our vehicles.

We believe our properties are adequately covered by insurance with reputable independent insurance companies and commercially reasonable deductibles and limits on coverage.

FACILITIES

Our registered office is located at Room 2205, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong. Our registered office, which comprises approximately 3,873 square feet pursuant to a lease that expires on March 16, 2011, is staffed by management and office personnel. Our Shenzhen office is located at No. 1 Hua Nan Main Road, Pinghu, Longgang District, Shenzhen, PRC. Our Shenzhen office, which comprises approximately 7,400 square meters in supporting commercial facilities located within China South City Shenzhen, is also staffed by management and office personnel. In addition, we have a sales and leasing center of approximately 1,300 square meters and a security monitoring center of approximately 500 square meters that we use for our operations. We have land-use rights and building ownership rights for the buildings in which our Shenzhen office and security monitoring center are located. We hold a temporary building approval certificate (臨時場所證明), which will expire in December 2010, for our sales and leasing center, allowing us to use our sales and leasing center for temporary commercial use until that date. We are in the process of obtaining a building ownership certificate for our sales and leasing center.

EMPLOYEES

As of March 31, 2009, the Group had a total of approximately 1,059 employees, consisting of 858 of our employees and approximately 201 of the employees of our jointly controlled entities, which are not consolidated in our financial statements. The following table sets forth a breakdown of our management and employees by function as of March 31, 2009.

Our Own Employees	Number of Employees
Management	9
Sales and marketing and customer services	181
Construction(1)	64
Finance, internal audit and company secretarial	47
Administration and personnel(2)	58
Legal	4
Management information system	9
Hotel services(3)	312
Convention, exhibitions, and marketing	8
Property management(4)	150
Heyuan project	4
China South City Nanchang	12
Total	858

(1) Construction employees include personnel to oversee the construction process.

(2) Administration employees include 12 employees who are responsible for liaising with respective government authorities regarding compliance matters, overseeing the submission and application procedures for necessary licenses, certificates, approvals, and other required documentation for all of our Company's operations and coordinating with our business operations departments with respect to obtaining necessary licenses and registrations.

(3) Hotel services employees account for approximately 36.4% of our workforce due to the labor-intensive nature of the hotel services business, as compared to our other business operations.

(4) Of the 150 property management employees, 6 were security guards that we employed. In addition to the security guards included in the property management employees counted in this table, an additional 452 security guards have been engaged through separate agency agreements. These additional security guards are not our employees. These agency agreements, entered into between our property management company and two third-party security companies, are for one-year terms, commencing in July 2008 to January 2009 and concluding in July 2009 and January 2010, respectively. Under the terms of these agreements, the two third-party security companies have been engaged to provide 24-hour security guard services.

The following table sets forth a breakdown of the employees of our jointly controlled entities as of March 31, 2009.

Employees of Jointly Controlled Entities and Associates	Status	Number of Employees
Restaurant (China South Royal Restaurant (Shenzhen))	Jointly Controlled Entity	165
Logistics (China South NEL)	Jointly Controlled Entity	36
Total		201

We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations. Our employees currently are not party to any collective bargaining agreement. However, a labor union has been organized to represent our employees. All full-time employees of China South City Shenzhen may apply to become members of this labor union. They shall be entitled to certain rights, such as minimum wages, minimum rest days and working environment protections.

As required by PRC regulations, we participate in various employee benefit plans that are organized by municipal and provincial governments, including pension, work-related injury benefits, maternity insurance, medical and unemployment benefit plans.

We are required under PRC law to make defined contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

Members of the retirement plan are entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date.

On June 29, 2007, the Standing Committee of the National People's Congress of the PRC adopted the Employment Contract Law, which became effective on January 1, 2008. The Employment Contract Law bolsters union rights in the PRC by encouraging industry wide or regional collective bargaining agreements in certain industries and strengthening the role of unions at the local level. The Employment Contract Law also sets forth certain requirements in relation to employment contracts and employment benefits. With respect to employee benefits, we believe that during the Track Record Period we have complied with the relevant national and local laws and regulations related to employee benefits, including those contained in the Employment Contract Law, and we have made the relevant contributions to employee benefit plans in accordance with such PRC laws and regulations. With respect to employment contracts, our employment contracts entered into after January 1, 2008 deviate in certain respects, such as by limiting the rights of employees to claim overtime payments and other wages, from the requirements of the Employment Contract Law. We have been informed by our PRC legal counsel, Commerce & Finance Law Offices, that the provisions of the employment contract that are in compliance with the Employment Contract Law will be enforceable and the employment contracts will remain legally valid and binding, except for the provisions of the employment contracts that do not comply with the requirements of the Employment Contract Law, which will not be enforceable. The primary variation in the provisions of these employment contracts from those required under the Employment Contract Law relate to the fact that we pay our employees a single fixed wage (composed of the employees' basic wage as well as allowances for overtime) as opposed to providing a fixed basic wage and variable overtime wage depending on the amount of overtime our employees work. We continue to monitor the working hours of our employees to ensure that our employees' wages are adequate to cover their overtime work as required under the Employment Contract Law. According to the Employment Contract Law, if we are unable to provide wages payable to employees on time, the labor administrative department may order us to pay additional compensation at a rate between 50% and 100% of the amount payable. As our operations are not labor-intensive, we do not expect to incur material increases in labor costs as a result of the Employment Contract Law.

We have not amended our employment contracts entered into prior to January 1, 2008, the effective date of the law. As confirmed by our PRC legal counsel, Commerce & Finance Law Offices, the Employment Contract Law by its terms does not require us to amend employment contracts that were entered into prior to the effective date of the law, and provides that these employment contracts will remain legally valid and binding contracts during the contractual term, which is generally one year expiring at the end of 2008.

In addition, we operate a defined contribution Mandatory Provident Fund retirement benefits scheme, or the MPF Scheme, as required under the Mandatory Provident Fund Schemes Ordinance, for our eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries. The assets of the MPF Scheme are held separately from of the Company in an independently administered fund, and the Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The total amount of contributions we made to employee benefit plans in fiscal years 2007, 2008 and 2009 was approximately HK$833,000, HK$1,200,000 and HK$3.5 million, respectively.

LEGAL PROCEEDINGS

As of the Latest Practicable Date, we were not a party to 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 any member of the Group.

The following section sets forth a summary of the most significant PRC laws and regulations that affect us. 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."

OVERVIEW

As a developer in the PRC of integrated logistics and trade centers, we are subject to extensive government regulation in the PRC. In connection with our integrated logistics and trade center 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. In addition, as an owner of warehouses used in the logistics industry, we, and our jointly controlled entity, China South NEL, are subject to PRC laws and regulations relating to ownership and operation of warehouses. Further, our customers and logistics providers located on-site at China South City Shenzhen are subject to PRC laws and regulations, and licensing requirements, relating to the import/export industry and the provision of logistics services. In the future, we may also engage in import/export services. We are also subject to regulations relating to foreign currency exchange, dividend distributions and taxation. These provisions are discussed below.

Our Treatment as an Integrated Logistics Enterprise

Because it provides a platform for a variety of integrated logistics and trade services and facilities, including transportation services, bonded, unbonded and export supervised warehouses, logistics liaison services, on-site logistics service providers, and quality testing services, China South International is treated as an integrated logistics enterprise by local authorities in Shenzhen and, in accordance with relevant PRC laws, regulations and policies, is not subject to rules and regulations in the PRC applicable to foreign investment real estate enterprises. Please see "— Regulations on Foreign Investment Real Estate Enterprises" for a description of the rules and regulations applicable to foreign investment real estate enterprises.

Although our revenue is primarily generated from the sale and lease of properties, our legal treatment as an integrated logistics enterprise is consistent with PRC laws and regulations, and necessary approvals related to our integrated logistics operations have been obtained from the appropriate regulatory authorities in the PRC. However, because we develop properties necessary for the integrated logistics activities available at our integrated logistics and trade center operations, we are subject to certain PRC laws, regulations and policies otherwise applicable to property development enterprises. For a description of these rules and regulations, please see "— Property Development," "— Qualifications of a Property Developer," "— Property Leasing," "— Property Sales" and "— Regulations on Development of a Real Estate Project."

China South International was established on December 18, 2002. According to *Regulations for Guiding the Direction of Foreign Investment* (指導外商投資方向規定), issued by the State Council on February 11, 2002, foreign investment projects should 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. Upon its establishment, China South International was examined and approved by the Shenzhen Municipal Trade and Industry Bureau. Given our current business scope and based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we believe that the Shenzhen Municipal Trade and Industry Bureau has the authority to treat China South International as an integrated logistics enterprise, as opposed to a real estate developer. Based on the opinions of our PRC legal counsel, Commerce & Finance Law Offices, and the PRC legal counsel of the Sole Sponsor and Underwriters, Jun He Law Offices, the Sole Sponsor is of the view that the treatment of China South International as an integrated logistics enterprise, as opposed to a real estate developer (including a foreign investment real estate enterprise), is both legal and appropriate.

China South International increased its registered capital on three occasions, by HK$100.0 million, HK$100.0 million and HK$120.0 million on June 15, 2005, December 5, 2005 and September 4, 2007, respectively. According to the Notice of the Ministry of Commerce on Practicing Good Governance in Accordance with the Law When Carrying Out the Work Associated With the Examination and Approval of Foreign-Invested Enterprises (*商務部關於依法行政做好外商投資企業審批工作的通知*), issued by the Ministry of Commerce on January 21, 2005, the Ministry of Commerce is responsible for the approval of capital increases of: (1) US$100 million or more, in the case of encouraged category or permitted category foreign investment enterprises, and (2) US$50 million or more, in the case of restricted category foreign investment enterprises. As an encouraged category foreign investment enterprise, each of China South International's capital increases fell below the relevant threshold and therefore fell within the authority of the Shenzhen Municipal Trade and Industry Bureau. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we believe that the Shenzhen Municipal Trade and Industry Bureau had the authority to approve each of China South International's increases in registered capital.

China South International amended its business scope on March 25, 2004, September 21, 2004 and November 11, 2007, respectively. With respect to foreign investment enterprises that apply for a change of business scope, the Ministry of Commerce is responsible for the relevant approval only where such change involves a restricted category foreign investment enterprise requiring a special state prescription. China South International does not fall within the restricted category for foreign investment enterprises. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we believe that the Shenzhen Municipal Trade and Industry Bureau had the authority to approve each of the amendments to China South International's business scope.

In addition, based on responses provided to us along with representatives of our PRC legal counsel, Commerce & Finance Law Offices, during a visit with the Shenzhen Municipal Trade and Industry Bureau and Shenzhen Bureau of Foreign Affairs on February 26, 2008, and a subsequent visit with the Shenzhen Municipal Trade and Industry Bureau on May 13, 2008, we believe that: (1) as a large-scale integrated logistics project in Shenzhen with a total investment of HK$1.16 billion, the status of China South City Shenzhen was reported to and recorded with the Ministry of Commerce upon China South International's establishment, at which time the Ministry of Commerce made no objection to China South International's treatment as an integrated logistics enterprise; and (2) prior amendments to China South International's Certificate of Approval have been recorded with the Ministry of Commerce and the Ministry of Commerce has made no objection to China South International's capital increases, business scope amendments, or treatment as an integrated logistics enterprise.

Based on the May 13, 2008 visit to the Shenzhen Municipal Trade and Industry Bureau, we understand that the reporting and filing procedures undertaken in relation to China South International's capital increases and changes of business scope are part of the same filing and reporting system used with respect to other foreign investment enterprises, including foreign investment real estate enterprises. However, this filing and reporting system is a matter of internal record of the regulatory authority and written records of such procedures are not available to the public.

Based on the above and on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we believe that China South International's treatment as an integrated logistics enterprise has been confirmed with the Ministry of Commerce on several occasions, including upon our establishment and, again, upon further amendments to the company's business scope and total investment.

LOGISTICS REGULATIONS OF THE PRC

China South City Shenzhen was recognized as one of the first batch of priority logistics projects in Shenzhen on July 3, 2003. Under measures issued by the Shenzhen municipal government, in order to be recognized as a priority logistics project in Shenzhen, a project must: (1) fall within one of the encouraged forms of logistics activities listed in the Shenzhen Priority Logistics Project Measures (including integrated logistics); (2) contribute to the development of the international logistics industry in Shenzhen; and (3) utilize advanced management and technology in its operations and demonstrate clearly that it is meeting existing market needs.

Under PRC laws and regulations, local government agencies are encouraged to adopt preferential land, investment and tax policies to further promote the construction of infrastructure and logistics facilities. Although China South International is treated as an integrated logistics enterprise, as of the Latest Practicable Date, we had not received any preferential land, investment or tax treatment.

THE LAND SYSTEM OF THE PRC

Overview

The *Law of the People's Republic of China on the Administration of Land* (中華人民共和國土地管理法), issued by the National Peoples' Congress on June 25, 1986 and 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 farm land 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.

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 land-use rights for value, paved the way for reforms of the legal regime governing the use of land and transfer of 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 (全國人民代表大會常務委員會關於修改中華人民共和國土地管理法的決定), adopted by the National People's Congress on August 28, 2004, amends the Land Administration Law of the People's Republic of China (中華人民共和國土地管理法) to permit the transfer of 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* (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例), or 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 (中華人民共和國物權法), or Property Law, adopted by the National's 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 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 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 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 land-use rights must be made pursuant to public tenders, auctions or listings for sale on a land exchange and that no 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 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 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 land-use rights certificate and the land bureau effecting registration of the successful bidder as the holder of land-use rights for the land. Please see "— Documents of Title and Registration of Property Interests." 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.

Where land-use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. 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. Tenders for land-use rights can be by way of open tenders or private tenders.

Where 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 and the initial bidding price, period for receiving bids and terms and conditions upon which the land-use rights are proposed to be granted. The 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 land-use rights for China South City Shenzhen have been granted pursuant to local exceptions to these requirements. These are discussed below.

On July 8, 1994, the Shenzhen Municipal People's Congress issued the *Regulations for the Grant of Land-Use Rights in the Shenzhen Special Economic Zone* (深圳經濟特區土地使用權出讓條例), or Shenzhen SEZ Land-Use Rights Regulations. On February 13, 1998, the Standing Committee of Shenzhen People's Congress issued an amendment to the Shenzhen SEZ Land-Use Rights Regulations. In general, the transfer of land-use rights must be in compliance with the regulations issued by Ministry of Land and Resources. However, the amendment to the Shenzhen SEZ Land-Use Rights Regulations allows some exceptions based on the characteristic and practical needs of the Shenzhen Special Economic Zone.

On July 6, 2001, the Shenzhen Municipal People's Government issued the *Decision on Strengthening Administration of the Transformation to a Market System for Land and Further Invigorating and Standardizing the Real Estate Market* (關於加強土地市場化管理進一步搞活和規範房地產市場的決定), or the Shenzhen 2001 Regulations. Under the Shenzhen 2001 Regulations, designated parcels of land can be sold by agreement at a public market price, although such sale must be announced to the public.

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 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 shall be 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.

China South International, as grantee, and the Shenzhen Municipal Bureau of Land Resources and Housing Management, as the PRC land authority responsible for the grant of the state-owned land-use rights, have entered into various land grant contracts. Please see "Business — Land-Use Rights and Buildings Ownership Rights." The majority of the terms of our land grant contracts are consistent with the model land grant contract. However, certain terms have been added or amended to suit our 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 land-use right before the expiration of its term of grant and if it does so for special reasons, such as in the public interest, it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land-use right has been enjoyed by the user.

Upon expiry, the land-use right 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 land-use rights certificate and cancel the registration of the certificate in accordance with relevant regulations.

A land user may apply for renewal of the 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 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 land-use right who is issued a building ownership certificate holds the 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 all their lawful State-owned land-use rights, as well as ownership rights to the buildings. In Shenzhen, the land-use rights certificate and the building ownership certificate are combined into a single certificate.

As of July 31, 2009, we had registered more than 99.5% of the lease agreements for our Phase One leased trade center units (not including our temporary trade center units, which we are not required to register according to relevant laws and regulations and which we intend to demolish upon the opening of our Phase Two trade center units). The delay in registering the lease agreements for our trade center units was primarily because not all tenants have provided the required documentation for us to register the lease agreements. We are actively working with our trade center tenants to register the remaining unregistered trade center lease agreements. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we believe the maximum potential penalty that may be incurred due to the delayed registration of these trade center lease agreements would be approximately HK$1.5 million. We are not aware of any other impact to the Group due to the delayed registration.

As of July 31, 2009, we had registered all of our West Garden lease agreements.

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 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 contract 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 land-use rights certificate or the building ownership certificate in respect of the mortgaged property must be submitted to the registration authority.

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 land-use rights of the developed area or construct buildings on the land itself and sell or lease the buildings erected on it.

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 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, 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 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 legal counsel, Commerce & Finance Law Offices, we do not believe that: (1) China South International will be treated as a foreign investment real estate enterprise or subject to the requirements imposed on such enterprises; or that (2) China South International's treatment as an integrated logistics enterprise will be affected as a result of its property development activities or the treatment of its subsidiaries as real estate developers or foreign investment real estate enterprises. In addition, based on the nature of our properties planned for future development as integrated logistics projects, as opposed to standard commercial or residential real estate projects, we do not believe that the project companies for our properties planned for future development in Nanchang and Nanning will be treated as real estate developers or foreign investment real estate enterprises. However, as of the Latest Practicable Date, we had not received any indication from PRC Government authorities regarding the treatment of these project companies.

Industrial Restriction

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. We have obtained approval from the Shenzhen Bureau of Trade and Industry as a foreign investment enterprise and have subsequently received approval on three occasions to increase the investment capital for China South City Shenzhen.

We expect to inject our future proceeds for China South City Shenzhen in stages, each of which will be subject to the approval by Shenzhen Bureau of Trade and Industry. Under this arrangement, we need not apply for approval from the Ministry of Commerce and the National Development and Reform Commission. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, if China South International is treated as a foreign-invested real estate enterprise, it will not face any additional restrictions under the Catalog with respect to its operations at China South City Shenzhen nor will such treatment necessitate amending China South International's business scope.

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* (關於規範房地產市場外資准入和管理的意見), 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 shall have a registered capital in amounts pursuant to and consistent with existing regulations.
- upon payment of the land-use rights grant fees, the FIREE can apply to the land administration authority for a land-use rights certificate. Upon obtaining the 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 land-use rights certificate; 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 land-use rights grant contract, construction site planning permit and construction work planning permit, and the 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, shall 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 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.

With regard to China South City Shenzhen, the Shenzhen Municipal Administration of Foreign Exchange and the Municipal Trade and Industry Bureau in Shenzhen have treated our subsidiary, China South International, as an integrated logistics enterprise rather than as a real estate enterprise. Because China South International has not been treated as a real estate enterprise, we have been able to distribute funds downstream in the form of shareholders loans rather than capital contributions and have not been subject to certain approval and registered capital requirements applicable to foreign invested real estate enterprises, including those under the Catalog. If the governmental agencies in Shenzhen were to treat us as a real estate developer, this would need to be recorded with the Ministry of Commerce and we would no longer be able to inject capital into China South International in the form of shareholders' loans. Further, we would become subject to a registered capital ratio requiring us to maintain registered capital levels at 50% or more of our total investment. With regard to our properties planned for future development in Nanchang and Nanning, it is not currently clear how the local and provincial governments will treat our operations with respect to these properties planned for future development. If we are treated as a real estate enterprise, we would be subject to the requirements discussed above.

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* (商務部，國家外匯管理局關於進一步加強，規範外商直接投資房地產業審批和監管的通知), or Circular No. 50, issued by the Ministry of Commerce and the State Administration for 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 land-use rights or the ownership of a real estate project, 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* (國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知), or Circular No. 130, issued by the the State Administration for 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.

Because China South International has not been treated as a real estate enterprise in Shenzhen, we have not been subject to the requirements of Circular No. 50 or Circular No. 130 with regard to China South City Shenzhen. We may, however, be subject to the requirements in these circulars with respect to our properties planned for future development in Nanchang and Nanning.

QUALIFICATIONS OF A PROPERTY DEVELOPER

Under the *Regulations for the Administration of the Qualifications of Real Estate Development Enterprises* (房地產開發企業資質管理規定), 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 a temporary qualification certificate within 30 days of obtaining its business license. The temporary 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 certificate 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.

According to documentation provided by the Shenzhen Municipal Bureau of Land Resources and Housing Management, China South International is not treated as a real estate developer and therefore does not require a long-term (two years) qualification certificate normally granted to real estate developers. The Shenzhen Municipal Bureau of Land Resources and Housing Management has granted a short-term (one year) qualification certificate to China South International in order to allow China South International to undertake the development of property necessary for its integrated logistics operations. On July 28, 2009, we obtained an annual renewal of the qualification certificate.

Although we have been classified as an integrated logistics enterprise in Shenzhen, we have the requisite qualification certificates for engaging in our property development activities for China South City Shenzhen. We will apply to obtain the requisite qualification certificates for our properties planned for future development in Nanchang and Nanning as required to conduct our operations.

PROPERTY LEASING

Both the Urban Land Regulations and the Real Property Law permit leasing of granted 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 Urban Premises* (城市房屋租賃管理辦法), or the Leasing Measures, issued by the Ministry of Construction on May 9, 1995. The Leasing Measures were issued by the Ministry of Construction in June 1995 in accordance with the Real Property Law 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 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 legal counsel, Commerce & Finance Law Offices, we believe that China South International's West Garden lease arrangements are in compliance with and protected by the Property Law.

Agreements with tenants of West Garden are contracts granting West Garden tenants the right to use the West Garden units for a set period of time. However, 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.

Under the *Contract Law of the People's Republic of China* (中華人民共和國合同法), 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, for which the lessee agrees to pay rent to the lessor. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, our agreements with the tenants of West Garden (a) comply with relevant PRC laws and regulations governing lease agreements, (b) may be properly treated as lease agreements and (c) are legally binding on all parties to such agreements.

We began entering into lease agreements for certain West Garden units prior to obtaining building ownership certificates for West Garden. Based on relevant PRC laws and regulations, obtaining building ownership certificates is not a prerequisite to enter into these lease agreements. In May 2009, we obtained building ownership certificates for our West Garden supporting residential facility. In addition, because the Shenzhen Lease Management Department, the local authority with whom lease agreements must be registered, requires the use of a standard form lease agreement for registration purposes, we have entered into new standard form lease agreements in addition to, and without modifying the terms of, our existing lease agreements with tenants of West Garden in order to register with the local lease registration authority. Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, this should not affect the effectiveness or validity of our existing lease agreements with tenants of West Garden. For further discussion of our agreements with tenants of West Garden, please see "Business — Our Trade Center Projects — China South City Shenzhen — China South City Shenzhen Phase One — Supporting Facilities and Services — Residential Services."

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 Project Planning Permit;
- Construction Permit;
- Work Commencement Permit; and
- Commodity Premises Pre-sale Permit.

Under the *Measures for the Administration of the Sale of Commodity Premises* (商品房銷售管理辦法), or Commodity Premises Sale Measures, issued by the Ministry of Construction on April 4, 2001, the sale of commodity premises, which include residential properties (such as our West Garden residential units), commercial properties (such as our 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 land-use rights involved and a land-use rights certificate has been obtained;
- a Permit for Construction Work Planning and a Construction 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 Permit for Pre-completion Sale of Commodity Properties has been obtained.

Post-completion Sales

In accordance with the *Measures for the Administration of the Sale of Commodity Premises* (商品房銷售管理辦法), 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 land-use rights certificate or other approval documents of land use;
- the real estate developer has the relevant permit for construction project planning and the permit for construction;
- 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 authority.

Restrictions on the Sale of Commodity Properties

Because it provides a platform for a variety of integrated logistics and trade center services and facilities, China South International is treated as an integrated logistics enterprise by local authorities in Shenzhen. However, because we develop properties necessary for the integrated logistics activities available at our integrated logistics and trade center operations, we are subject to certain PRC laws, regulations and policies otherwise applicable to property development enterprises, including the Commodity Premises Sale Measures. For a description of our treatment as an integrated logistics enterprise, please see "— Overview — Our Treatment as an Integrated Logistics Enterprise."

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 legal counsel, Commerce & Finance Law Offices, our cooperation arrangements constitute neither cost-returned sales (or any form thereof) nor after-sale lease guarantees (or any form thereof).

Under the terms of a cooperation 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 a period of one to three years as a means of further developing the trade center market. Under the cooperation agreement, a purchaser is required to pay a cooperation fund as security deposit to ensure that our right to use and to derive profits from the trade center unit during this three year period is not obstructed. Absent any breach by the purchaser, we are obligated to fully refund the cooperation fund provided by the purchaser within an agreed upon period of time.

Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we believe our cooperation 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 cooperation agreement is entered into separately from the purchase agreement for the property; (2) the cooperation fund and purchase price are clearly differentiated in the cooperation agreement and purchase agreement; (3) neither the purchase agreement nor the cooperation agreement contains a provision relating to the periodic return of the price of the property to the purchaser and (4) the cooperation fund that we receive from the purchaser does not form a part of, in any actual or disguised manner, the purchase price of the property. Based on the above factors, as well as the fact that we do not account for the cooperation fund under the cooperation agreement as income, our PRC legal counsel, Commerce & Finance Law Offices, is of the opinion that the collection and subsequent refund of the cooperation fund is a traditional security deposit arrangement, and should not be viewed as a "cost-return sale" (or any form thereof).

Based on the advice of our PRC legal counsel, Commerce & Finance Law Offices, we believe our cooperation 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 cooperation agreement.

Under subsequent three-year lease arrangements with purchasers of trade center units, we agree to pay purchasers of trade center units a fixed annual rental, which is equal to approximately 8% of the original purchase price. Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that the subsequent three-year lease arrangement should not be viewed as part of the cooperation agreement because: (1) there is no provision in the cooperation agreement regarding the fixed annual rental or the other terms of the subsequent three-year lease arrangement and (2) under the terms of the cooperation agreement, neither party is obligated to enter into any subsequent lease arrangement.

Based on the advice of our PRC legal counsel and a written confirmation from the Pinghu branch of the Shenzhen Municipal Bureau of Land Resources and Housing Management, which acknowledges the existence of the cooperation arrangement and subsequent lease arrangement and confirms that these arrangements do not violate relevant property laws and regulations, we believe that these arrangements do not violate the Commodity Premises Sale Measures or other relevant PRC laws and regulations. In addition, because (1) the cooperation agreements and subsequent lease agreements (which include payments of a fixed annual rental to purchasers) were negotiated and drafted separately, (2) the negotiation of the subsequent lease agreements begins in the six months prior to the expiration of the cooperation agreements and (3) under the terms of the cooperation agreements, neither we nor the purchasers are obliged to enter into these subsequent lease agreements, it is the view of our PRC legal counsel, Commerce & Finance Law Offices, that the subsequent lease agreements are not connected with the pre-completion sales of the relevant units and are therefore not restricted under the Commodity Premises Sale Measures.

Based on the analysis and the advice of both our PRC legal counsel, Commerce & Finance Law Offices, and the Underwriters' PRC legal counsel, Jun He Law Offices, and the written confirmation from the Pinghu branch of the Shenzhen Municipal Bureau of Land Resources and Housing Management, the Sole Sponsor is satisfied that it is reasonable to rely on the views of the two PRC counsels that the cooperation arrangement would not constitute an after-sale lease guarantee nor a cost-returned sale under the PRC laws and regulations.

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.

Because the local authorities in Shenzhen treat our subsidiary, China South International, as an integrated logistics enterprise rather than a property developer, we have not been subject to these measures and regulations.

REGULATIONS ON DEVELOPMENT OF A REAL ESTATE PROJECT

Under the Urban Real Estate Law, those who have obtained the 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 land-use rights grant.

If construction work has not been commenced within one year upon the commencement date as set forth in the 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 land-use rights grant contract, a developer shall apply for an Opinion on Construction Project's Site Selection and a Permit for Construction Site Planning with the city planning authority. After obtaining a Permit for Construction Site Planning, a developer may commence planning and design work in accordance with the Permit for Construction Site Planning requirements and proceed to apply for a Permit for Construction Work Planning with the city planning authority.

Relocation

Upon obtaining approvals for a construction project, a permit for construction site planning, state-owned land-use rights 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 Permit for Construction Work Planning, a developer shall apply for a Construction 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* (建設項目環境保護管理條例), 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, or 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 the acceptance examination.

The *Law of the People's Republic of China on Environmental Impact Assessments* (中華人民共和國環境影響評價法), adopted by the National People's Congress on October 28, 2002 and 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.

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.

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 in Guangdong Province, 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 third-party's liability risk, employer's liability risk, risk of non-performance 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 BONDED WAREHOUSES AND EXPORT SUPERVISED WAREHOUSES

Bonded Warehouses

The operation of bonded warehouses is governed by Rules of Customs of the PRC on Bonded Warehouses and Goods Stored Therein and enforced by the PRC General Administration of Customs, or PRC Customs. Bonded warehouses refer to the warehouses of PRC Customs established to store bonded goods and other goods that have not completed customs procedures.

PRC Customs conducts inspections of the operation of bonded warehouses annually. Persons responsible for operating a bonded warehouse and persons directly involved in the management of the bonded warehouse are required to be familiar with customs laws and regulations, abide by the monitoring authority of PRC Customs, and accept PRC Customs training.

When bonded goods enter into the warehouse, the consignor and the consignee or their agents must go to the Customs authorities to handle the formalities related to customs clearing and entry into the bonded warehouses, and the Customs authorities shall check and verify the type, quantity, and value of goods declared for customs clearing and entry into the warehouses against the scope and type of goods that may be stored in the bonded warehouses, and conduct a registration and verification of the entering goods.

Goods stored in bonded warehouses may undergo simple processing, such as packaging, grading and categorization, marking and unpacking, but not any substantial processing. Goods in bonded warehouses are not allowed to be sold, transferred, pledged, pawned, detained, used for other purposes or undergo other disposal without permission from the Customs authorities.

Export Supervised Warehouse

"Export supervised warehouse" refers to a warehouse under special Customs supervision, which was established upon approval of PRC Customs, for storage of goods that have already obtained export permits, been settled in foreign exchange with overseas firms and cleared all customs export formalities.

An export supervised warehouse must be used for special purposes, and may not be sub-leased or lent to others for operation, or be subordinated with any branch warehouse. PRC Customs may, at any time, dispatch officers to enter an export supervised warehouse to inspect goods in storage, and all relevant account books and records. PRC Customs may, jointly with the enterprise that operates the export supervised warehouse, lock the warehouse or dispatch staff to the warehouse to administer Customs functions at the warehouse.

Goods stored in warehouses according to regulations must be shipped out of the jurisdiction within a prescribed period and must not be sold in the jurisdiction. The period for storage in a warehouse is six months. Under special circumstances, this period may be extended upon application to the Customs authorities, but for no longer than another six months.

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* (中華人民共和國外匯管理條例), or the Foreign Exchange Regulations, amended by the State Council on August 1, 2008 and became 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 for Foreign Exchange is obtained.

Under the Foreign Exchange Regulations, foreign investment enterprises in the PRC may purchase foreign exchange without State Administration for Foreign Exchange approval for trade and service-related foreign exchange transactions by providing commercial documents evidencing these transactions. They may also remit foreign exchange (subject to a cap approved by the State Administration for 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 is required to set aside at least 10.0% of its after-tax income each year, if any, to fund a reserve fund 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 income 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 article 2 of the *Notice on Several Issues Concerning Strengthening Administration of Foreign Exchange Relating to Capital Account Items* (關於加強資本專案外匯管理若干問題的通知), issued by the State Administration of Foreign Exchange on September 15, 1998, such loans must additionally be registered and recorded with the State Administration for Foreign Exchange or its local branch. Interest rates on foreign loans should not exceed rates for similar loans in the international financial markets. Interest payments on such loans, if any, are subject to a 10% withholding tax.

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. However, the Enterprise Income Tax Law grandfathers preferential tax treatments for foreign investment enterprises established before March 16, 2007. For foreign investment enterprises that are currently enjoying the preferential tax rate of 15% or 24%, their applicable tax rate will be gradually phased into the new 25% tax rate during a five-year transitional period. Certain of our PRC subsidiaries enjoyed preferential enterprise income tax rates of 15% on their taxable income for the years prior to 2008. When our currently available tax benefits become unavailable, which we expect will occur on a gradual basis from 2008 to 2012, our financial condition and results of operations could be adversely affected.

Under the Enterprise Income Tax Law that has been effective since January l, 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 non-resident 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 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 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%. China South NEL pays business tax at a rate of 5% for warehousing services and at a rate of 3%

for transportation services. Grand City Hotel (Shenzhen) pays business tax at a rate of 5% for restaurant services. Grand City Hotel (Shenzhen) leases facilities to a third party that provides entertainment services. Grand City Hotel (Shenzhen) itself does not pay business tax regarding entertainment.

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. Land appreciation tax is levied on us by local tax authorities in accordance with the Notice on the Levy of Land Value Added Tax in Shenzhen Municipality, issued by the Shenzhen Local Taxation Bureau on November 9, 2005, which provides that all enterprises and individuals, domestic and foreign, who receive income as a result of a grant of land-use rights are subject to payment of land appreciation tax. Land appreciation tax is levied upon the "appreciation value" of property, as defined in the relevant tax laws. All taxable gains from the sale or transfer of land use rights, buildings and related facilities in China are subject to land appreciation tax at progressive rates that range from 30% to 60%. The local taxation bureau of Shenzhen did not impose the land appreciation tax until November 2005. On November 1, 2005, upon obtaining a real estate qualification certificate, we began to pay land appreciation tax at a fixed rate of 0.5% on the total sales amount of the contracts we entered into with purchasers of trade center units for the fiscal year. Accordingly, we have paid such land appreciation tax expenses to the Shenzhen municipal tax authority since November 2005. 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.

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 2% and 17%, depending on the activities in which they engage. Our PRC subsidiaries Shenzhen International Electronics Procurement Centre Co. Ltd., Shenzhen First Asia Pacific and Shenzhen China South Import and Export Trading Co. Ltd. pay value-added tax at rates of 4%, 4% and 17%, respectively. We 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 20% 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.

Dividends paid by the Company to its Overseas Investors

Prior to January 1, 2008, the distribution of dividends by the Company to its overseas investors was not subject to PRC tax. However, if our Company is 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 the Shares by a non-PRC investor does not trigger PRC tax liabilities. However, if our Company is 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 the Shares 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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Background of Controlling Shareholders

Immediately following the completion of the Global Offering and the Capitalization Issue, without taking into account the Share Transfer, the exercise of the Over-allotment Option, the Share Options and the options which may be granted under the Share Option Scheme, Accurate Gain Developments Limited and Proficient Success Limited will directly hold equity interests of approximately 22.5% and 18.75%, respectively, in the issued share capital of our Company. One of our Directors, Cheng Chung Hing, and his brother, Cheng Tai Po, together hold the entire issued share capital of Accurate Gain Developments Limited and 42% and 38%, respectively, in the issued share capital of Proficient Success Limited. Accurate Gain Developments Limited, Proficient Success Limited, Cheng Chung Hing and Cheng Tai Po will be regarded as our Controlling Shareholders.

In addition to their investment in our business, Cheng Chung Hing and Cheng Tai Po, two of our Controlling Shareholders, are also investors in other businesses which, the Directors believe, do not compete with the business of the Group. In particular, Cheng Chung Hing and Cheng Tai Po are shareholders of a company listed on the Main Board of the Stock Exchange, Man Sang International, which operates China Pearls and Jewellery City, and Cheng Chung Hing is also an investor in Northeast Logistics City, a trade center development in the northeastern part of the PRC. We provide below a description of these two investments.

China Pearls and Jewellery City

As of the Latest Practicable Date, Cheng Chung Hing and Cheng Tai Po directly held 11.106% and 6.212%, respectively, of Man Sang International, and 60% and 40%, respectively, of Cafoong Limited. Cafoong Limited is a private company that holds, through a number of intermediaries, 100,000 preferred shares and 3,437,501 ordinary shares of Man Sang BVI, representing approximately 69.24% of the total voting rights of Man Sang BVI. Man Sang BVI in turn holds 40.368% of Man Sang International. Cheng Chung Hing is also the chairman of Man Sang International and of Man Sang BVI. Man Sang International has a 55% interest in China Pearls and Jewellery City. China Pearls and Jewellery City is located in Zhuji, Zhejiang Province and commenced operations in April 2008 as a trading and promotion platform primarily for raw pearls, jewelries and ornaments made of pearls, gold, platinum, silver, diamonds, gemstones and jewelry accessories. It provides facilities specifically for the pearl and jewelry industries, such as product design and development, processing and manufacturing, assembling, and marketing services. China Pearls and Jewellery City attracts domestic and international manufacturers, suppliers, wholesalers and distributors in the pearl and jewelry industries.

China South City Shenzhen and China Pearls and Jewellery City were established at different times with operations in different geographical locations and with a different industry focus. More particularly, the products offered by, and the occupants of, China Pearls and Jewellery City are distinctively different from those of China South City Shenzhen. Accordingly, the Directors do not consider that the business of China Pearls and Jewellery City is in competition, or likely to be in competition, with that of the Group. The Directors also consider that, given the different nature of the businesses, there is no synergy between them if they are to be combined and therefore it is not commercially beneficial to the Group to acquire the business of China Pearls and Jewellery City.

In addition, China Pearls and Jewellery City is owned 55% by Man Sang International, which is a company listed on the Main Board of the Stock Exchange. If the Group proposes to acquire the business of China Pearls and Jewellery City or if Man Sang International offers to sell the business of China Pearls and Jewellery City to the Group, it will constitute a connected transaction to Man Sang International and Cheng Chung Hing and Cheng Tai Po will be required to abstain from voting on the resolution of the board of directors of Man Sang International relating to the proposed transaction under the Listing Rules, as they will be deemed to be materially interested in the proposed transaction. In other words, Cheng Chung Hing and Cheng Tai Po (whether jointly or independently) will not have control over the decision of whether to approve the transaction from Man Sang International's standpoint. The decision will rest in the hands of the other independent directors and shareholders (where appropriate) of Man Sang International.

Northeast Logistics City

As of the Latest Practicable Date, Cheng Chung Hing and Leung Moon Lam (another Director who is not a Controlling Shareholder but is interested in 15.0% of the issued share capital of our Company) indirectly controlled 72.3% and 27.7%, respectively, of the issued share capital of Kind United Holdings Limited, which in turn is indirectly interested in 65% of the equity capital of NE Logistics. The remaining interests of NE Logistics are held by Independent Third Parties. NE Logistics is a limited liability company incorporated under the laws of the PRC on May 15, 2007, and is the developer of Northeast Logistics City (東北物流城), a trade center situated in Liaoning Province, which is located in the northeastern part of the PRC, and complemented by a residential project in the neighbourhood. NE Logistics is held, and the business of Northeast Logistics City is operated and managed, outside our Group.

Background

The Company understands from the management of Northeast Logistics City that, on the national level, the northeastern region of China is a major base for agricultural products (such as corn, beans, rice, oil-bearing crops, fruits, meats, eggs and seeds) due to the fertile lands and farming machineries and tools (including fertilizers) are prevalent in the region. Accordingly, the primary goal of Northeast Logistics City is to capture the demand of the agricultural sector and other related economic advantages in the northeastern region of China.

Northeast Logistics City will be a comprehensive and integrated logistics and trade center providing products such as foodstuffs, local specialty products, works of art, construction materials, furniture, electrical equipment and textiles. Notably, the Company understands from the management of Northeast Logistics City that the production and selling of foodstuffs and local specialty products (primarily made of crops/substances that are locally farmed/sourced) will form a substantial part of the business of Northeast Logistics City, and the textile business will only be an ancillary line of the whole business of Northeast Logistics City. Accordingly, a substantial portion of the occupants of Northeast Logistics City will be local agricultural producers, farmers and villagers. Northeast Logistics City is expected to have a GFA of approximately 7.5 million square meters on a site area of approximately 5.1 million square meters. Construction of phase one of Northeast Logistics City commenced in August 2007 and is expected to be completed in 2009. The residential project adjacent to it is expected to have a GFA of 3.3 million square meters.

No Imminent Competition Between Our Group and Northeast Logistics City

Northeast Logistics City does not pose imminent competition with the business of our Group for the following reasons:

Geographical Distance

Northeast Logistics City is located in Liaoning Province. It is under construction and has not yet commenced operations. It is expected that Northeast Logistics City will commence operations in 2009. When Northeast Logistics City commences operations, it is expected to attract clientele from the vicinity of Liaoning Province. Cheng Chung Hing has informed us that Northeast Logistics City is the only trade center project undertaken by NE Logistics, and that NE Logistics has no other potential or planned projects which will be situated outside Liaoning Province. As of the Latest Practicable Date, our Group had no plan to expand its business operations into Liaoning Province or the northeastern part of the PRC. Based on these factors, the Directors believe we face no risk of imminent competition with the Group from Northeast Logistics City.

Management Independence

Cheng Chung Hing and Leung Moon Lam are also directors of NE Logistics. Cheng Chung Hing is also the legal representative of NE Logistics. In addition to them, there is one other director on the board of NE Logistics. Cheng Chung Hing and Leung Moon Lam do not participate in the daily management of NE Logistics. As directors of NE Logistics, they provide guidance in the formation of business strategy and the procurement of government licenses. The other director and senior management of NE Logistics are independent of, and are not connected with, the Directors, senior management of our Group, the Controlling Shareholders, or their respective associates. Following the Global Offering, Cheng Chung Hing will remain as the legal representative of NE Logistics, and he and Leung Moon Lam will remain as directors of NE Logistics but they will only be involved in high-level decisions regarding business strategy and will not participate in the daily management of NE Logistics. Daily management of NE Logistics is carried out by a separate management team, which operates independently from the management of our Group and is not involved in the operations of our Group.

Cheng Chung Hing and Leung Moon Lam understand that as Directors they have fiduciary duties towards us and the Shareholders as a whole, and have confirmed that they will devote a substantial majority of their time and attention to the business and affairs of our Group.

Furthermore, following the Listing, our Directors will be required to comply with provisions under the Listing Rules and certain matters, such as connected transactions, are required to be reviewed by our independent non-executive Directors. Our Directors are of the view that the independent non-executive Directors comprising our Board should enhance our overall corporate governance standards.

Non-inclusion of Northeast Logistics City in Our Group

Our Group and NE Logistics were established at different times with operations in different geographical locations and focus on different industry sectors. The products offered by, and the occupants of, Northeast Logistics City will be distinctively different from those of China South City Shenzhen. Despite sharing some of the same shareholders, our Group and NE Logistics have been operating independently of each other since their respective inceptions, as described above. Given the current stage of development of Northeast Logistics City and its geographical location in the northeastern part of China, our Group has no existing plans to acquire any interest in NE Logistics or the business operations of Northeast Logistics City, and the Directors are of the view that there is no competition between the business of NE Logistics and the business of our Group.

Protection of Our Shareholders' Interests

In order to protect the interests of our Shareholders, the Company has entered into the following agreements:

- a deed of option and undertaking with each of Cheng Chung Hing and Leung Moon Lam; and
- a deed of non-competition with Cheng Chung Hing, Cheng Tai Po and Leung Moon Lam.

Details of the above agreements are set out under the respective headings below.

Deed of Option and Undertaking

Pursuant to the deed of option and undertaking, each of Cheng Chung Hing and Leung Moon Lam has granted to our Company an option to acquire all their respective interests in NE Logistics at any time within a five-year period from the Listing Date or two years after the completion of the development of Northeast Logistics City (whichever is later) so long as: (i) for Cheng Chung Hing, he remains a Controlling Shareholder of our Company or a Director; or (ii) for Leung Moon Lam, he remains a Director. Our Company also has the right to buy all the respective interests held by Cheng Chung Hing and/or Leung Moon Lam in NE Logistics before they are offered to any other third party. We expect that the development of Northeast Logistics City will be completed within five years from the Listing Date, and upon completion of Northeast Logistics City, we will then be in a position to determine whether it is in the interest of the Group to acquire Northeast Logistics City. The price payable by us for such interests shall be determined with reference to the fair market value of such interests as determined by an internationally recognized valuer. In addition, as the acquisition will constitute a connected transaction, an independent financial adviser shall advise the independent board committee comprising the independent non-executive Directors as to whether the price is fair and reasonable. If we decide, after due consideration, not to exercise the option but wish to develop our business operations in Liaoning Province, which may result in competition between our Company and Northeast Logistics City, we shall be entitled to, at any time within the above option period, require Cheng Chung Hing (so long as he remains a Controlling Shareholder of our Company or a Director) and/or Leung Moon Lam (so long as he remains a Director) to dispose of all their respective interests in NE Logistics to Independent Third Parties as soon as practicable and in any event, prior to the occurrence of any competition between our Company and Northeast Logistics City pursuant to the undertakings provided by each of Cheng Chung Hing and Leung Moon Lam respectively under the deed of non-competition mentioned below.

The deed of option and undertaking is conditional upon the Listing.

For so long as Cheng Chung Hing and Leung Moon Lam remain our Connected Persons, any exercise of any of the rights under the deed of option and undertaking will constitute a connected transaction. When such event arises, we will comply strictly with the requirements of Chapter 14A of the Listing Rules, including seeking the appropriate shareholders' approval as required under Chapter 14A of the Listing Rules.

During the Track Record Period, our Group has not entered into any transactions with NE Logistics which would, upon Listing, constitute connected transactions under Chapter 14A of the Listing Rules.

Deed of Non-Competition

Pursuant to a deed of non-competition, each of Cheng Chung Hing, Cheng Tai Po and Leung Moon Lam has undertaken with our Company, for itself and on behalf of each other member of our Group, that he shall not, and shall procure his associates not to, either alone or jointly with any other person or entity, or for any person, firm or company, or as principal, partner, director, employee, consultant or agent through any body corporate, partnership, joint venture or other contractual arrangement, be engaged, invested, or otherwise involved, whether as a shareholder, director, employee, partner, agent or otherwise, directly or indirectly, in the carrying on of any business in any form or manner in the PRC that is in competition or is likely to be in competition, directly or indirectly, with the Restricted Business. Furthermore, each of Cheng Chung Hing and Leung Moon Lam has undertaken with our Company, for itself and on behalf of each other member of our Group, that he shall exercise his voting power in NE Logistics to ensure that the business of NE Logistics will not expand outside Liaoning Province.

The restrictions mentioned above shall take effect from the Listing Date and shall cease to be of any force and effect on the earlier of:

(a) (i) in respect of Cheng Chung Hing, the date on which he ceases to be a Controlling Shareholder of our Company and a Director. For the avoidance of doubt, the restrictions shall continue to apply in the event that Cheng Chung Hing ceases to be a Controlling Shareholder of our Company but remains as a Director, or in the event that he ceases to be a Director but remains as a Controlling Shareholder of our Company;

(ii) in respect of Cheng Tai Po, the date on which he ceases to be a Controlling Shareholder of our Company;

(iii) in respect of Leung Moon Lam, the date on which he ceases to be a Director; and

(b) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of the Shares due to any reason).

The restrictions mentioned above shall not apply with respect to the following:

(a) holding or being interested in any shares or other securities of any company which engages or involves in any business in the PRC which is in competition or is likely to be in competition, directly or indirectly, with the Restricted Business, provided that the aggregate shareholding held by each of Cheng Chung Hing, Cheng Tai Po and Leung Moon Lam, together with his associates, whether directly or indirectly, does not exceed 5% of the entire issued share capital of such company; or

(b) holding any securities in any member of our Group.

Furthermore, pursuant to the deed of non-competition, each of Cheng Chung Hing, Cheng Tai Po and Leung Moon Lam has undertaken that if he becomes aware of any business opportunity offered to him or his associates, which directly or indirectly competes, or may lead to competition, with the Restricted Business, he shall notify the Group of such business opportunity immediately upon becoming aware of it. Each of Cheng Chung Hing, Cheng Tai Po and Leung Moon Lam has also agreed to use his best efforts to procure that such business opportunity is first offered to the Group upon terms which are fair and reasonable. The Board shall decide whether to take up such business opportunity. It is only after the Group has declined such opportunity in accordance with the provisions of the deed of non-competition that Cheng Chung Hing, Cheng Tai Po and Leung Moon Lam or any of them or their respective associates may pursue such opportunity.

In addition, it is further provided in the deed of non-competition that if there is any disagreement between Cheng Chung Hing, Cheng Tai Po and Leung Moon Lam on the one hand and the Company on the other hand as to whether or not any activity or business (or proposed business) or business opportunity directly or indirectly competes or may lead to competition with the Restricted Business, the matter shall be determined by the independent board committee comprising the independent non-executive Directors whose decision shall be final and binding.

The deed of non-competition is conditional upon the Listing.

As disclosed above, the Directors are of a view that there is no competition between the business of our Group and those of China Pearls and Jewellery City and Northeast Logistics City respectively. As such, the Directors are of a view that the two businesses are not currently subject to the deed of non-competition.

Corporate Governance Measures and Conflicts of Interest

Pursuant to the deed of non-competition, we will also adopt the following corporate governance practices to manage any potential conflicts of interest arising from the potentially competing business and to safeguard the interests of the Shareholders:

(i) the independent non-executive Directors will review, at least on an annual basis, the compliance by Cheng Chung Hing, Cheng Tai Po and Leung Moon Lam with the deed of non-competition;

(ii) each of Cheng Chung Hing, Cheng Tai Po and Leung Moon Lam will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors, for the annual review by the independent non-executive Directors and the enforcement of the deed of non-competition;

(iii) the Company will disclose decisions on matters reviewed by its independent non-executive Directors relating to the breach and enforcement of the deed of non-competition (if any) in the annual report of the Company; and

(iv) each of Cheng Chung Hing, Cheng Tai Po and Leung Moon Lam will provide the Company with an annual confirmation in respect of the compliance with the deed of non-competition given by him, and the Company will disclose such confirmation in the annual report of the Company.

The independent non-executive Directors have sufficient experience in the commercial and economic sectors (as more particularly described in the section headed "Directors, Senior Management and Employees — Directors — Independent non-executive Directors") and the Directors are confident that they will be capable of monitoring any potential competition and conflict of interests issues. The independent non-executive Directors will also be able to seek independent professional advice in appropriate circumstances where the need arises.

Confirmation

Except as disclosed above, none of the Controlling Shareholders is interested in any business, other than that of the Group, which competes or is likely to compete, either directly or indirectly, with the Restricted Business and which requires disclosure pursuant to Rule 8.10(1) of the Listing Rules.

RELATIONSHIP WITH OUR DIRECTORS

Trendy Center

Apart from our Group's business, Ma Kai Cheung and Ma Wai Mo, being non-executive Directors, are also investors in Trendy Center, a trade center development that will be situated in Jiangsu Province, which is located in the eastern part of the PRC. Trendy Center is still in its early planning stage and has not yet commenced construction.

We have been informed by Ma Kai Cheung and Ma Wai Mo that, as of the Latest Practicable Date, Earn Fame (a wholly owned subsidiary of Tak Sing) and Luk Ka International Limited (one of our Existing Shareholders) held 72% and 6%, respectively, of the equity interests in China East, a company that wholly owns Lianyungang. For details of the shareholding structure of Tak Sing and Luk Ka International Limited, please see the section headed "Corporate History and Corporate Structure — Corporate Structure" in this Prospectus. The remaining 22% of the equity interests of China East are held by Independent Third Parties. Lianyungang is a wholly foreign-owned enterprise established under the laws of the PRC on September 25, 2007, which is proposed to be the developer of Trendy Center. We have been informed by Ma Kai Cheung and Ma Wai Mo that they do not and will not participate in the daily management of Trendy Center. Daily management of Trendy Center is and will be carried out by a separate management team, which operates independently from the management of our Group and it is not and will not be involved in the operations of our Group. In addition, we have been informed by Ma Kai Cheung and Ma Wai Mo that they do not control, whether individually or collectively, the composition of a majority of Lianyungang's board of directors. Furthermore, in the case of Ma Kai Cheung, as his equity investment in Lianyungang is held through Tak Sing, a company listed on the Main Board of the Stock Exchange, even though Ma Kai Cheung is the founder, chairman and controlling shareholder (within the meaning of the Listing Rules) of Tak Sing, he only holds 43.58% interests in Tak Sing (as a beneficial owner and as a beneficiary of a trust and through the interest of his spouse) and will not be in a position to control the majority of the votes in the shareholders' meetings of Tak Sing. In addition, the board of directors of Tak Sing consists of seven directors, which include three executive directors (Ma Kai Cheung is one of the executive directors), one non-executive director and three independent non-executive directors. Ma Kai Cheung does not control the majority of the votes in the board meetings of Tak Sing and decisions on the business of Tak Sing are made by its board as a whole. As such, the Company understands that, based on such shareholding and management structure of Tak Sing, Ma Kai Cheung does not control the majority of the voting power in the board's and shareholders' meetings of Tak Sing, and so Ma Kai Cheung does not have control over the exercise of the 72% voting power in China East, and ultimately, Lianyungang. As for Ma Wai Mo, he indirectly holds only 6% interest in Lianyungang, which is held through Luk Ka Overseas in which Ma Wai Mo holds a 50% interest. He is therefore not in a position to control the majority of the votes in the shareholders' meetings of Luk Ka Overseas. In addition, the board of directors of Luk Ka Overseas consists of two directors (Ma Wai Mo is one of the directors). Ma Wai Mo does not control the majority of the votes in the board meetings of Luk Ka Overseas either. As such, the Company understands that, based on such shareholding and management structure of Luk Ka Overseas, Ma Wai Mo does not control the majority of the voting power in the board's and shareholders' meetings of Luk Ka Overseas, and so he does not have control over the exercise of the 6% voting power in China East, and ultimately, Lianyungang. For the above reasons, the Company considers that Ma Kai Cheung and Ma Wai Mo are passive investors of Lianyungang.

As Trendy Center is still in its early planning stage, Ma Kai Cheung and Ma Wai Mo have informed the Company that the board of directors of Lianyungang has not yet decided on the business strategy of Trendy Center, such as the type of products that will be traded in Trendy Center or the type of services that Trendy Center will provide. Ma Kai Cheung and Ma Wai Mo have confirmed that, once the business strategy of Trendy Center has been formed, they will inform the Board as soon as possible.

It would be difficult to obtain the execution of any non-competition undertaking that limits the future business of Trendy Center from Earn Fame, which holds 72% equity interests in China East, as Earn Fame is a wholly owned subsidiary of Tak Sing and it is therefore subject to scrutiny and approval from another group of public shareholders. However, both Ma Kai Cheung and Ma Wai Mo understand that, as Directors, they owe the Company and the Shareholders as a whole their fiduciary duties and that they must, in the performance of their duties as directors, avoid actual and potential conflict of interest and duty. In addition, Ma Kai Cheung and Ma Wai Mo have confirmed that they will comply with their obligations under the Listing Rules, the Articles and the applicable laws and regulations, should any conflict of interests arise because of their interests in Lianyungang.

In order to avoid any actual or potential conflict of interest between the Group and the Directors, the Group has implemented the following measures:

(i) pursuant to the Articles, the Directors are obliged to declare to the Board where he is in any way, whether directly or indirectly, materially interested in a contract, arrangement or transaction with the Company and which is of significance in relation to the Company's business at the earliest meeting of the Board at which it is practicable for him to do so. In such case, the other Directors (including the independent non-executive Directors) will be responsible for making decisions for the Board. If necessary, the Company will engage external professionals such as auditors, valuers and other advisers to give advice on the matter; and

(ii) save as provided in the Articles, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract, arrangement or any matters which he or any of his associates, is/are to his knowledge materially interested. The Board (including the independent non-executive Directors) would monitor the potential conflict of interest of Directors and the Directors have to submit confirmation to the Board for disclosing details of any competing businesses in which they are interested in any annual reports to be issued by the Company.

Confirmation

Save as disclosed herein above, none of the Directors is interested in any business, other than that of the Group, which competes or is likely to compete, either directly or indirectly, with the Restricted Business and which requires disclosure pursuant to Rule 8.10(2) of the Listing Rules.

CONNECTED TRANSACTIONS

The Group has had, and will continue to have, certain business relationships with persons and entities who, immediately following the Listing, will become Connected Persons of the Company. To regulate such continuing business relations following the Listing, certain members of the Group have entered into various agreements in writing with such Connected Persons of the Company.

CONNECTED PERSONS

Upon Listing, the following persons and entities, who have entered into certain written agreements with certain members of the Group, will become Connected Persons of the Company.

(i) Sun Kai Lit Cliff

Sun Kai Lit Cliff is one of our Directors and therefore is a Connected Person of the Company.

(ii) Xu Yang

Xu Yang is one of our Directors and therefore is a Connected Person of the Company.

(iii) Guo Chang Jie

Guo Chang Jie is the wife of Xu Yang, our Director. Guo Chang Jie is therefore an associate of Xu Yang and a Connected Person of the Company.

(iv) Ma Ka Wai

Ma Ka Wai is the daughter of Ma Wai Mo, our Director. Ma Ka Wai is therefore an associate of Ma Wai Mo and a Connected Person of the Company.

(v) Cheng Hoi Man

Cheng Hoi Man is a director of China South Royal Restaurant (Shenzhen), a jointly controlled entity held as to 50.5% indirectly by the Company (which is also a subsidiary of the Company within the meaning under the Listing Rules). Cheng Hoi Man is therefore a Connected Person of the Company.

(vi) Liang Zhi Hao

Liang Zhi Hao is a director of Grand City Hotel (Shenzhen), a subsidiary of the Company. Liang Zhi Hao is therefore a Connected Person of the Company.

(vii) Chen Wei Guo

Chen Wei Guo is a director of Zhuji Pan-Asia, a subsidiary of the Company. Chen Wei Guo is therefore a Connected Person of the Company.

(viii) Xu Zhu Qi

Xu Zhu Qi is a director of Tieling First Asia Pacific, a subsidiary of the Company. Xu Zhu Qi is therefore a Connected Person of the Company.

(ix) Huang Wei Sheng

Huang Wei Sheng is a director of the following subsidiaries of the Company:

- Grand City Hotel (Shenzhen)
- Shenzhen First Asia Pacific
- Shenzhen China South Import and Export Trading Co. Ltd.
- China South City Enterprise
- Zhuji Pan-Asia
- Tieling First Asia Pacific

Huang Wei Sheng is also a director of China South Royal Restaurant (Shenzhen), a jointly controlled entity held as to 50.5% indirectly by the Company (which is also a subsidiary of the Company within the meaning under the Listing Rules), and China South NEL, a jointly controlled entity held as to 51% indirectly by the Company (which is also a subsidiary of the Company within the meaning under the Listing Rules). Huang Wei Sheng is therefore a Connected Person of the Company.

(x) Wetter (China) Limited

Wetter (China) Limited is held as to 77% by Poly Faith Investment Ltd., which is in turn held as to 50% by Leung Moon Lam, our Director. Wetter (China) Limited is therefore an associate of Leung Moon Lam and a Connected Person of the Company.

(xi) Luk Ka Packaging

Luk Ka Packaging is wholly owned by Luk Ka (China) Group Limited, which in turn is wholly owned beneficially by Luk Ka Overseas. Luk Ka Overseas is owned as to 50% by Ma Wai Mo and 50% by Ma Yu Hung, the brother of Ma Wai Mo. Luk Ka Packaging is therefore an associate of Ma Wai Mo and a Connected Person of the Company.

(xii) Man Sang Jewellery

Man Sang Jewellery is an indirectly wholly owned subsidiary of Man Sang International. Man Sang Jewellery is therefore an associate of Cheng Chung Hing and a Connected Person of the Company.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Each of the following arrangements or transactions will, upon Listing, constitute exempt continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

Leasing of Phase One Trade Center Units from our Directors and their Associates

China South International leases from (1) Sun Kai Lit Cliff; (2) Xu Yang and Guo Chang Jie; (3) Ma Ka Wai; (4) Cheng Hoi Man; (5) Liang Zhi Hao; (6) Chen Wei Guo; (7) Xu Zhu Qi; (8) Huang Wei Sheng; and (9) Wetter (China) Limited, all being the Landlords of certain trade center units of Phase One of China South City Shenzhen in relation to those trade center units owned by them pursuant to the respective Lease Agreements entered into between the respective parties between August 2007 and November 2007. Pursuant to the Lease Agreements, China South International will pay a fixed annual rental equal to approximately 8% of the original purchase price of those trade center units, minus tax and expenses paid by us, to the Landlords for the right to lease out those trade center units. This rate applies to all other leases under the lease arrangements offered by us and details of such are more particularly described in the "Business" section under the paragraph headed "Agreements with Certain Purchasers of Trade Center Units — China South City Shenzhen Phase One." Pursuant to the Lease Agreements, the lease period of those trade center units commenced from December 1, 2007 to November 30, 2010.

Historical figures. The following table sets out the approximate amounts of aggregate fees paid by China South International to each of the Landlords pursuant to the Lease Agreements for the fiscal years ended March 31, 2008 and 2009:

	Year ended March 31,	
	2008	2009
	HK$	HK$
Landlords		
(1) Sun Kai Lit Cliff	85,400	277,300
(2) Xu Yang and Guo Chang Jie	32,500	105,600
(3) Ma Ka Wai	56,200	182,400
(4) Cheng Hoi Man	17,300	56,300
(5) Liang Zhi Hao	17,000	55,100
(6) Chen Wei Guo	13,000	42,200
(7) Xu Zhu Qi	13,400	43,500
(8) Huang Wei Sheng	17,300	56,200
(9) Wetter (China) Limited	16,300	52,800

Annual consideration. Our Directors estimate that the amounts payable by China South International to each of the Landlords pursuant to the Lease Agreements for each of the fiscal years ending March 31, 2010 and 2011 will be as follows:

	Year ended March 31,	
	2010	2011
	HK$	HK$
Landlords		
(1) Sun Kai Lit Cliff	316,000	211,000
(2) Xu Yang and Guo Chang Jie	121,000	81,000
(3) Ma Ka Wai	208,000	139,000
(4) Cheng Hoi Man	65,000	43,000
(5) Liang Zhi Hao	63,000	42,000
(6) Chen Wei Guo	49,000	33,000
(7) Xu Zhu Qi	50,000	34,000
(8) Huang Wei Sheng	65,000	43,000
(9) Wetter (China) Limited	61,000	41,000

Given that the Directors currently expect each of the percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules for each of the fiscal years ending March 31, 2010 and 2011 is on an annual basis less than 0.1%, each of the above connected transactions is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.

Provision of Printing Services by Luk Ka Packaging to China South International

Luk Ka Packaging is a manufacturer of paper, packaging products and printed materials and it also provides printing services. Pursuant to a written agreement entered into between Luk Ka Packaging and China South International on August 26, 2009, Luk Ka Packaging agreed to provide paper products and printing services, such as printing of stationery, corporate brochures and leaflets, to China South International at prevailing market prices for a term of three years.

For the fiscal years ended March 31, 2007 and 2008, the aggregate service fees paid by China South International to Luk Ka Packaging for the provision of printing services amounted to approximately HK$254,000 and HK$139,000, respectively, representing approximately 0.2% and less than 0.1%, respectively, of the total costs and administrative expenses of the Group of that year. No service fees were paid by China South International to Luk Ka Packaging for the provision of printing services for the fiscal year ended March 31, 2009.

We anticipate the scale of our business will increase as Phase Two trade centers of China South City Shenzhen are expected to be completed in stages by the end of 2011. In addition, we expect to undertake construction of China South City Nanchang and China South City Nanning in the first half of 2010. It is also expected that the frequency of related sales activities will increase and there will be higher demand for corporate brochures, leaflets and stationery. As such, the aggregate amount of the service fees to be paid for each of the fiscal years ending March 31, 2010, 2011 and 2012 is estimated not to exceed HK$600,000, HK$700,000 and HK$700,000, respectively. Given that the Directors currently expect each of the percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules for each of the fiscal years ending March 31, 2010, 2011 and 2012 to be on an annual basis less than 0.1%, the above continuing connected transactions are therefore exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.

Sharing of Office Space with Man Sang Jewellery

Man Sang Jewellery has leased approximately 19,903 square feet of office space located at 22nd Floor, Sun Life Tower, The Gateway, Tsim Sha Tsui, Kowloon, Hong Kong from the landlord, an Independent Third Party, under a lease agreement for a term expiring on March 16, 2011. In turn, the Company leases part of this office space (constituting 3,873 square feet) from Man Sang Jewellery at a rental amount (including relevant charges and fees) of approximately HK$148,000 per month for a term commencing from July 1, 2008 to March 16, 2011. The rent payable by Man Sang Jewellery for the office space under the lease agreement is approximately HK$760,000 per month (including relevant charges and fees), which was negotiated on an arms' length basis with the landlord. The amount of the rent (including relevant charges and fees) payable by the Company to Man Sang Jewellery is pro-rated in accordance with the area occupied by the Company and has been reviewed by an independent professional valuer, Savills Valuation and Professional Services Limited, in June 2008. We have been informed by them that the rent payable to Man Sang Jewellery was not higher than the market rental rate of comparable properties on June 30, 2008.

For the fiscal year ended March 31, 2009, the aggregate amount paid by the Company for the office space amounted to approximately HK$1,406,000.

The aggregate amount to be paid by the Company for the office space for each of the fiscal years ending March 31, 2010 and 2011 is estimated not to exceed HK$2,109,380 and HK$2,024,325, respectively. Given that the Directors currently expect each of the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules for each of the fiscal years ending March 31, 2010 and 2011 to be on an annual basis less than 0.1%, the above continuing connected transactions are therefore exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.

OPINION OF THE DIRECTORS

The Directors (including the independent non-executive Directors) consider that all the continuing connected transactions described above have been entered into and will be carried out in the ordinary and usual course of business on normal commercial terms and are in the interests of the Shareholders as a whole and that all such continuing connected transactions and their annual considerations described above are fair and reasonable so far as the Shareholders as a whole are concerned. The Directors believe that it is in the Group's interests to continue with these transactions after the Listing.

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. Cheng Chung Hing and Ma Kai Cheung are our co-chairmen. As co-chairmen, they are together responsible for providing leadership for the Board. The co-chairmen supplement each other in carrying out such responsibilities. The table below shows certain information in respect of members of the Board as of the Latest Practicable Date:

Name	Age	Position(s) Held with the Company	Position(s) Held with Members of the Group (other than the Company)
CHENG Chung Hing	48	Co-Chairman and Executive Director	Director of China South International, Director of China South Royal Restaurant (Shenzhen), Director of Grand City Hotel (Shenzhen), Director of China South NEL, Director of Shenzhen China South City Advertising, Director of China South City Enterprise, Director of Shenzhen International Electronics Procurement Centre Co. Ltd., Director of Nanchang China South City, Director of Nanning China South City and Director of Grand City Hotel Investment Limited
LEUNG Moon Lam	53	Executive Director	Director of China South International, Director of China South NEL, Director of Shenzhen International Electronics Procurement Centre Co. Ltd., Director of Shenzhen China South Import and Export Trading Co. Ltd., Director of China South City Enterprise, Director of Nanchang China South City, Director of Nanning China South City and Director of Grand City Hotel Investment Limited
XU Yang	70	Executive Director	Director of China South International, Director of Grand City Hotel (Shenzhen), Director of China South NEL, Director of Shenzhen China South City Convention and Exhibition, Director of Shenzhen China South City Advertising and Director of Nanning China South City
MA Kai Cheung	67	Co-Chairman and Non-Executive Director	Director of China South International, Director of Shenzhen International Electronics Procurement Centre Co. Ltd., Director of Nanchang China South City and Director of Nanning China South City
SUN Kai Lit Cliff	56	Non-Executive Director	Director of China South International, Director of Nanchang China South City and Director of Nanning China South City
MA Wai Mo	65	Non-Executive Director	Director of China South International, Director of Nanchang China South City and Director of Nanning China South City
SHI Wan Peng	72	Independent Non-Executive Director	Nil
LEUNG Kwan Yuen Andrew	58	Independent Non-Executive Director	Nil
LI Wai Keung	52	Independent Non-Executive Director	Nil

Executive Directors

Mr. CHENG Chung Hing (鄭松興先生), aged 48, is our co-chairman and an executive Director. He is a co-founder of our Group. He was appointed as a Director on August 2, 2002. He is primarily responsible for our Company's overall management, direction, strategy and development projects. He has more than 25 years of management experience in the manufacturing and wholesale distribution business, which he gained from founding and managing the Man Sang group. Mr. Cheng is the chairman of Man Sang International Limited (民生國際有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 938), and Man Sang BVI, a company listed on the NYSE Amex, formerly known as the American Stock Exchange (stock code: MHJ). The Man Sang group has engaged in the manufacturing and wholesale distribution of pearls and pearl jewellery since the early 1980's and the Man Sang group had approximately 987 full-time employees in Hong Kong and China as of March 31, 2009. Mr. Cheng received the Distinguished International Entrepreneur of the Year Award 1997 from San Francisco State University, the Young Industrialist Awards of Hongkong 1997 from the Federation of Hong Kong Industries and the Chinese Outstanding Entrepreneur Award 2008 (中國優秀企業家) from the China Enterprise Confederation (中國企業聯合會) and the China Enterprise Directors Association (中國企業家協會). Mr. Cheng is a member of the 3rd and the 4th Shenzhen Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省深圳市第三屆及第四屆委員會). Mr. Cheng also served as a member of the Jewellery Advisory Committee of the Hong Kong Trade Development Council from 1998 to 2006, chairman of the Group 11 (jewellery including handicraft items of jade and ivory) and member of the general committee of the Federation of Hong Kong Industries from 2001 to 2005. Mr. Cheng is currently the honorary life president of the Hong Kong Gemstone Manufacturers' Association Limited, foundation honorary chairman of Gem and Jewelry Committee of China General Chamber of Commerce (中國商業聯合會珠寶首飾委員會), honorary chairman of Zhejiang Pearl Trade Association (浙江省珍珠行業協會), chairman of the 4th committee of Shenzhen Logistics and Supply Chain Management Association (深圳市物流與供應鏈管理協會), formerly known as Shenzhen Federation of Logistics and Purchasing (深圳市物流與採購聯合會), vice chairman of the Shenzhen Industrial and Economic Association (深圳市工業經濟聯合會), a standing member of the 8th committee of the China Enterprise Confederation (中國企業聯合會) and the China Enterprise Directors Association (中國企業家協會) and vice president of the China Chamber of International Commerce — Shenzhen (深圳國際商會). Mr. Cheng was also the vice chairman of the 3rd committee of Chamber of Commerce for Jewelry and Precious Metals Industry of All-China Federation of Industry and Commerce (中華全國工商業聯合會金銀珠寶業商會).

Mr. LEUNG Moon Lam (梁滿林先生), aged 53, is an executive Director. He is a co-founder of our Group. He was appointed as a Director on June 1, 2002. He is primarily responsible for the sales strategy, bank finance matters and development projects of the Company. He has more than 25 years of management experience in the garment manufacturing and wholesale distribution business. Mr. Leung is also the chairman of Wetter (China) Limited and Kings Faith International Limited. Wetter (China) Limited has been engaged in the garment manufacturing business since 1993 and it currently employs over 370 employees in Hong Kong and China. Mr. Leung received the Chinese Outstanding Entrepreneur Award 2008 (中國優秀企業家) from the China Enterprise Confederation (中國企業聯合會) and the China Enterprise Directors Association (中國企業家協會). Mr. Leung is a member of the 3rd and 4th Shenzhen Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省深圳市第三屆及第四屆委員會), and a member of the 10th Liaoning Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議遼寧省第十屆委員會). Mr. Leung is also the vice chairman of the 3rd general committee of the Guangdong Plastic Industries

Association (廣東省塑料工業協會), chairman of the 7th committee of Shenzhen Textile Industry Association (深圳市紡織行業協會), vice chairman of the Shenzhen Garment Industry Association (深圳市服裝行業協會), vice chairman of the 4th general committee of the Shenzhen Leather Industry Association (深圳市皮革行業協會), vice chairman of the 5th committee of Shenzhen Packaging Industry Association (深圳市包裝行業協會), honorary chairman of the 3rd committee of Hong Kong Synthetic Leather and Metal Material Suppliers Association (香港合成皮革暨金屬物料供應商商會), vice chairman of the 1st committee of Shenzhen Electronics Trade Association (深圳市電子商會), vice chairman of the 4th general committee of the Shenzhen Longgang General Chamber of Commerce (深圳市龍崗區總商會) and honorary chairman of the Shenzhen Longgang Charity Association (深圳市龍崗區慈善會).

Professor XU Yang *(許揚教授)*, aged 70, is an executive Director. Professor Xu joined our Group as a senior consultant of our Company in September 2002, and was appointed as a Director on February 4, 2008. He is primarily responsible for the general development direction, operational strategy, market promotion, and governmental relations of the Company. Professor Xu has over 20 years of experience in capital operations management, focusing on optimizing allocation and managing the use of capital in business operations. Such experience was acquired from his positions as general manager of the China National Aero Technology Shenzhen Trading Centre (中航技深圳工貿中心) in the late 1980s, and as chairman of Shenzhen Investment Limited, previously known as Shum Yip Investment Limited, from 1992 to 2000, which is listed on the Stock Exchange (stock code: 604). Professor Xu was the vice chairman of the 2nd Shenzhen Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省深圳市第二屆委員會), deputy chief secretary of the Shenzhen Municipal Government (深圳市人民政府) and director of the Shenzhen Economic Development Bureau (深圳市經濟發展局). He is currently the permanent honorary chairman of the Shenzhen Industrial and Economic Association (深圳市工業經濟聯合會), honorary chairman of Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneur Association (深圳市企業家協會) and deputy chairman of China National Industrial and Economic Association (中國工業經濟聯合會). Professor Xu graduated from Harbin Institute of Technology (哈爾濱工業大學) in February 1964. He completed the Stanford executive program at Stanford University in 1988. Professor Xu was appointed as an adjunct professor of Harbin Institute of Technology in 1994, and an adjunct professor and supervisor of master student of Tongji University (同濟大學) in 1996. He also holds the qualification of senior engineer.

Non-executive Directors

Dr. MA Kai Cheung, *SBS, BBS* (馬介璋博士), aged 67, is our co-chairman and a non-executive Director. He is a co-founder of our Group. He was appointed as a Director on August 2, 2002. He is primarily responsible for advising on the formulation of the Company's general business models and development strategies (such as project identification) and major issues (such as market promotion), based on his experience in and knowledge of the relevant industries, which include garment manufacturing and wholesale distribution. He does not participate in the day-to-day management and operation of the Company. With approximately 40 years of management experience in various wholesale distribution and manufacturing businesses and his strong representative presence in various Hong Kong and PRC commercial, community and political organizations (as set out below), Dr. Ma has made valuable contributions to the Group during the Track Record Period by contributing his in-depth experience in, and networks of contacts within, the relevant industries, and by bringing in business opportunities to the Group. Dr. Ma is the chairman of Tak Sing Alliance Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 126). Since 1967, the Tak Sing group has engaged in various businesses, including garment manufacturing and wholesale distribution, property development and hotel and restaurant operations. The Tak Sing group currently has approximately 2,300 employees. Dr. Ma was awarded a Bronze Bauhinia Star (BBS) and a Silver Bauhinia Star (SBS) by the Government of Hong Kong on July 1, 2003 and July 1, 2009, respectively, and is a member of the 9th, 10th and 11th National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第九，十及十一屆全國委員會). Dr. Ma is the president of Shenzhen Overseas Chinese International Association (深圳市僑商國際聯合會), permanent honorary president of Hong Kong Chiu Chow Chamber of Commerce Limited (香港潮州商會), president and standing committee member of Federation of Hong Kong Guangdong Community Organizations (香港廣東社團總會), president of Hong Kong & Kowloon Chiu Chow Public Association (香港九龍潮州公會) and president of Federation of Hong Kong Chiu Chow Community Organizations (香港潮屬社團總會). Dr. Ma received an honorary doctoral degree in philosophy from the Morrison University in the United States in 2004. He received a fellowship from the Asian Knowledge Management Association in 2008.

Mr. SUN Kai Lit Cliff, *BBS, JP* (孫啟烈先生), aged 56, is a non-executive Director. He is a co-founder of our Group. He was appointed as a Director on August 2, 2002. He is primarily responsible for advising on the formulation of the Company's general business models and development strategies (such as project identification) and major issues (such as market promotion), based on his experience in and knowledge of the relevant industries, which include wholesale distribution and manufacturing of metal and plastic products. He does not participate in the day-to-day management and operation of the Company. With more than 30 years of management experience in the businesses of wholesale distribution and manufacturing of kitchenware and other metal and plastic products and his strong representative presence in various Hong Kong and PRC commercial, industrial, community and political organizations (as set out below), Mr. Sun has made valuable contributions to the Group during the Track Record Period by contributing his in-depth experience in, and networks of contacts within, the relevant industries, and by bringing in business opportunities to the Group. Mr. Sun is an associate of the Institute of Industrial Engineers, Ohio. Mr. Sun is the executive director of Kinox Enterprises Limited and Kin Hip Metal and Plastic Factory Ltd.. Kin Hip Metal and Plastic Factory Ltd. has engaged in the manufacturing of kitchenware and other metal and plastic products since 1949, and currently both companies employ a total of approximately 800 employees in Hong Kong and China. He was appointed as Justice of the Peace by the Government of Hong Kong on July 1, 2003, and was awarded a Bronze Bauhinia Star (BBS) by the Government of Hong Kong Special Administration Region on July 1, 2006. He is a member of the 10th Zhejiang Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十屆浙江省委員會) and a member of the Standing Committee of the 13th Ningbo Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十三屆寧波市常務委員會). He is currently the chairman of the Federation of Hong Kong Industries, honorary chairman of The Hong Kong Exporters' Association, honorary chairman of the Hong Kong Q-Mark Council, and president of the Hong Kong Plastics Manufacturers Association Ltd.. He is an independent non-executive director of Ming Fai International Holdings Ltd. and Ka Shui International Holdings Ltd., which are listed on the Stock Exchange (stock codes: 3828 and 0822, respectively).

Dr. MA Wai Mo (馬偉武博士), aged 65, is a non-executive Director. He is a co-founder of our Group. He was appointed as a Director on August 2, 2002. He is primarily responsible for advising on the formulation of the Company's general business models and development strategies (such as project identification) and major issues (such as market promotion), based on his experience in and knowledge of the relevant industries, which include printing and packaging. He does not participate in the day-to-day management and operation of the Company. With more than 30 years of management experience in the printing and packaging, manufacturing and wholesale distribution businesses and his strong representative presence in various Hong Kong and PRC commercial, industrial, community and political organizations (as set out below), Dr. Ma has made valuable contributions to the Group during the Track Record Period by contributing his in-depth experience in, and networks of contacts within, the relevant industries, and by bringing in business opportunities to the Group. Dr. Ma is the chairman of Luk Ka International Limited, a wholly owned subsidiary of Luk Ka Overseas Investments Limited. Luk Ka Overseas Investments Limited and its subsidiaries engage in the printing and packaging business and employ more than 2,000 employees. Dr. Ma serves as a member of the Standing Committee of the 1st Chaoyang District Shantou City Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議汕頭市潮陽區第一屆常務委員會), and a member of the 3rd and the 4th Shenzhen Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省深圳市第三屆及第四屆委員會). Dr. Ma is also the vice chairman of the 7th general committee of the China Packaging Technology Association (中國包裝聯合會), vice president of the 7th Guangdong Printing and Replicate Association (廣東省印刷複製業協會), the 7th honorary chairman of the Shenzhen Packaging Association (深圳市包裝行業協會), executive vice president of the 1st general committee of the Guangdong Overseas Chinese Enterprises Association (廣東省僑商投資企業協會) and executive vice president of the 3rd session of the board of directors of Shenzhen Overseas Chinese International Association (深圳市僑商國際聯合會). Dr. Ma was also the chairman of the 13th, 14th, 16th and 17th Hong Kong Corrugated Paper Manufacturers' Association (香港瓦通紙業廠商會). In 2005, Dr. Ma was awarded the World's Outstanding Chinese (世界傑出華人). Dr. Ma received an honorary doctor of science degree from Armstrong University in 2005.

Independent non-executive Directors

Mr. SHI Wan Peng (石萬鵬先生), aged 72, is an independent non-executive Director. Mr. Shi is currently also serving as an independent director of HuaBei Expressway Co., Ltd. (華北高速公路股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 000916). From June 2003 to September 2008, he served as an independent non-executive director of China Telecom Corporation Limited (中國電信股份有限公司), which has been listed on the Stock Exchange since 2003 (stock code: 728). From April 2003 to May 2009, he served as an independent non-executive director of China Petroleum & Chemical Corporation (中國石油化工股份有限公司), which has been listed on the Stock Exchange since October 2000 (stock code: 386). Mr. Shi worked for the State Economic Commission (國家經濟委員會) and the State Planning Commission (國家計劃委員會), now known as National Development and Reform Commission (國家發展和改革委員會), and held several important government positions in China including the following: deputy director of the Transport Bureau of the State Economic Commission (國家經濟委員會交通局), director of the Economic and Technical Co-operation Bureau (經濟技術協作局), director of the Production and Dispatch Bureau (生產調度局), chairman of the China Textiles Association (中國紡織總會) and deputy officer (of ministerial grade) of the State Economic and Trade Commission (國家經濟貿易委員會). Mr. Shi was the alternate member of the 15th Central Committee of the Communist Party of China (中國共產黨十五屆中央委員會) and a standing member of the 10th National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十屆全國委員會). From October 2003 to present, Mr. Shi is the president of the China Packaging Federation (中國包裝聯合會), previously known as China Packaging Technology Association (中國包裝技術協會), and was elected as the president of the Asian Packaging Federation in November 2008. Mr. Shi has worked in the PRC government departments, such as the State Planning Commission (國家計劃委員會), the State Economic Commission (國家經濟委員會) and the State Economic and Trade Commission (國家經濟貿易委員會), and organizations for more than 40 years and has been engaged in the areas of planning, management and operation of government economic work for a long term, with extensive experience in the management of macroeconomic affairs in development of economy in the PRC. Mr. Shi graduated from Beijing Jiaotong University (北京交通大學), previously known as Northern Jiaotong University (北方交通大學) in 1960. Mr. Shi was appointed as an independent non-executive Director on September 4, 2009.

Mr. LEUNG Kwan Yuen Andrew, *SBS, JP* (梁君彥先生), aged 58, is an independent non-executive Director. He has more than 30 years of management experience in the textile manufacturing and wholesale distribution businesses. Mr. Leung is the chairman of Sun Hing Knitting Factory Limited, a company engaged in the textiles and garment business since 1970. Mr. Leung served as an independent non-executive director of Dah Sing Financial Holdings Limited (stock code: 0440) from March 2003 to June 2004, and was appointed as an independent non-executive director of Dah Sing Banking Group Limited (stock code: 2356) in 2004. He is also an independent non-executive director of Meadville Holdings Limited (stock code: 3313) since January 2007. Mr. Leung was elected as a member of the Industrial (First) Functional Constituency of the Legislative Council of Hong Kong in 2004, and again in 2008, for a 4-year term. He is also a member of the 11th National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆全國委員會). Mr. Leung is currently the chairman of the Vocational Training Council, the honorary chairman of Textile Council of Hong Kong, a council member of the Hong Kong Trade Development Council and a member of the Greater Pearl River Delta Business Council. He is also the honorary president of the Federation of Hong Kong Industries. Mr. Leung is a fellow of The Textiles Institute since 1997 and The Clothing and Footwear Institute in the United Kingdom since 1990. Mr. Leung was appointed as an independent non-executive Director on September 4, 2009.

Mr. LI Wai Keung (李偉強先生), aged 52, is an independent non-executive Director. Mr. Li graduated from the Hong Kong Polytechnic and holds a master's degree in Business Administration from the University of East Asia, Macau, currently known as the University of Macau. He is a fellow of The Chartered Association of Certified Accountants and the Hong Kong Institute of Certified Public Accountants, previously known as the Hong Kong Society of Accountants. Mr. Li has more than 32 years of experience in financial management. Mr. Li is an executive director and chief financial officer of GDH Limited. Mr. Li had worked for the group under Henderson Land Development Company Limited (stock code: 12). He is also a non-executive director of Guangdong Investment Limited (stock code: 270) and an independent non-executive director of Shenzhen Investment Limited and Hans Energy Company Limited (stock codes: 604 and 554, respectively). He was appointed as a director of Shenzhen City Airport (Group) Company Limited (深圳市機場（集團）有限公司). He was also appointed as a member on the Council of the Hong Kong Chinese Orchestra Limited. He is also the vice chairman of the Financial and Accounting Affairs Steering Committee of the Hong Kong Chinese Enterprises Association (香港中國企業協會財會專業委員會). He was a member of the Election Committee for 2007 HKSAR Chief Executive Election. Mr. Li was appointed as an independent non-executive Director on September 4, 2009.

Information Required to be Disclosed under Rule 13.51(2)(a) to (x) of the Listing Rules

The Directors are independent of, and are not related to, each other. They are also independent of, and are not related to, the members of our senior management. For details regarding the relationships among our Directors, Substantial Shareholders and Controlling Shareholders, please see "Corporate History and Corporate Structure," "Substantial Shareholders" and "Relationship with Our Controlling Shareholders and Directors."

Save as disclosed in the Prospectus, there is no information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Mr. FUNG Sing Hong Stephen (馮星航先生), aged 44, is our chief financial officer. Mr. Fung joined our Group in July 2006. He is responsible for formulating corporate financing strategy, investor relations and the overall financial management of our Group. Mr. Fung graduated from the University of Wales, United Kingdom with a master's degree in business administration. He is a member of both the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Fung has more than 16 years of experience in financial management, mergers and acquisitions, capital markets financing and corporate restructuring. Prior to joining our Group, Mr. Fung was an executive director and the chief financial officer of Guangdong Investment Limited ("GDI"). From December 2002 to November 2004, Mr. Fung served as an executive director and the chief financial officer of Kingway Brewery Holdings Limited ("Kingway"). Both GDI and Kingway are companies listed on the Main Board of the Stock Exchange (stock codes: 270 and 124, respectively). Mr. Fung was also a key member of the Guangdong Enterprises (Holdings) Limited ("GDE") restructuring team and has been extensively involved in the US$5.3 billion debt restructuring of GDE.

Ms. TSE Man Yu (謝文瑜女士), aged 38, is our deputy chief financial officer and company secretary. Ms. Tse joined our Group in February 2008. She is responsible for assisting the chief financial officer in the overall financial management of our Group. Ms. Tse graduated from the City University of Hong Kong with a bachelor of science (honours) degree in finance. She is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Ms. Tse has more than 13 years of experience in financial management, mergers and acquisitions, corporate finance and asset management. Prior to joining our Group, Ms. Tse was the assistant chief financial officer of GDI, which is a company listed on the Stock Exchange (stock code: 270). Ms. Tse was an alternate director of Guangdong Development Fund Limited ("GDF"), which is a company listed on the London Stock Exchange (code: gdf), and a director of Guangdong Investment Management Limited, which is the fund manager of GDF. Ms. Tse had also been senior corporate finance executive of Tung Fong Hung (Holdings) Limited (now known as Freeman Corporation Limited) and Sing Pao Media Group Limited (now known as Premium Land Limited), which were companies listed on the Main Board of the Stock Exchange (stock codes: 279 and 164, respectively).

Mr. HUANG Wei Sheng (黃偉生先生), aged 45, is the deputy general manager of China South International and has been with us since October 2002. Mr. Huang is responsible for the administration, government relations, information and legal departments of China South International. He is also involved, together with other management, in overall management and operational strategy of China South International. Mr. Huang taught at the business management faculty of Guangdong Shaoguan University. In 1989, he received a postgraduate programme diploma in business administration from

Jinan University. Mr. Huang has approximately 13 years of experience in international trade and business management. Mr. Huang had been working for the China Resources National Corporation as International Business Engineer (國際商務師) and Shenzhen Nanyang Trading Company (深圳市南洋貿易有限公司). Before he joined our Group, he had worked as deputy general manager for Man Hing Industry Development (Shenzhen) Co. Ltd., a PRC subsidiary of Man Sang International.

Mr. LIU Xiao Dong (劉曉東先生), aged 38, is the deputy general manager of China South International. He joined our Group in November 2004. He is responsible for sales and leasing, business promotion, strategic planning, administration and operational strategy of the Group. Mr. Liu graduated from Poiters University in France with a master's degree in business administration. Mr. Liu has approximately 15 years of experience in marketing. From 1992 to 1993, he worked for Jiangxi Shangrao Social Science Association (中共江西省上饒地委社科聯) as a reporter and editor. From 1993 to 1999, he worked for Jiangxi Jiang China-Japan Sales Co. Ltd. (江西江中日化銷售有限公司) and was responsible for marketing strategy and sales management. From 1999 to 2004, he worked for Jiangzhong Medicine Manufacturing Group (江西江中制藥(集團)有限責任公司) and held various positions including strategic planning manager, human resources department manager, regional director of Eastern China region and was responsible for developing new businesses in the Shanghai, Jiangsu, Zhejiang, Anhui and Jiangxi markets.

Mr. JIANG Kai (江凱先生), aged 56, is the deputy general manager and the chief engineer of the construction department of China South International. He joined our Group in January 2007. He is responsible for managing construction projects of China South International, including co-ordinating the planning and designs, managing tenders and bids, budgeting and costing, construction management and daily management of the construction department of China South International. Mr. Jiang has over 15 years of management experience in the construction industry. Mr. Jiang had been working for the 1st branch of the Shenzhen Architectural Design Institute (深圳市建築設計第一分院) as chief engineer, Shenzhen Construction Investment Holdings Ltd. (深圳市建設投資控股公司) as manager of the construction department and Shenzhen New World Group Co., Ltd. (深圳市新世界集團有限公司) as group deputy general manager. Mr. Jiang graduated from the Underground Construction Faculty of Tongji University in 1982 with a bachelor degree in underground construction, and holds a qualification of senior engineer.

Ms. ZHANG Li Ling (張李玲女士), aged 44, is the General Manager of Shenzhen First Asia Pacific. She joined our Group in June 2004. She is responsible for property management, planning, training, administration and liaison with various governmental departments in surrounding areas. Ms. Zhang graduated from Jiangxi Teachers University in 1995. Ms. Zhang has approximately 9 years of experience in the property development industry. From 1999 to 2001, she worked as an assistant manager in the property department of Shenzhen Ancheng Property Development Co. Ltd. (深圳市安誠置業發展有限公司), and from 2002 to 2003, as an assistant property manager of Hutchison Whampoa Properties (Shenzhen) Company Limited (和記物業服務(深圳)有限公司).

COMPANY SECRETARY

Ms. TSE Man Yu (謝文瑜女士), aged 38, is the company secretary of the Company. For Ms. Tse's biography, please refer to the section headed "Senior Management" above.

EMPLOYEES

For details on our employees, please see the paragraph headed "Employees" in the "Business" section of this Prospectus.

SHARE OPTION AGREEMENTS

Prior to the Global Offering, our Company entered into several Share Option Agreements. The principal terms of such agreements are summarised in the paragraph headed "Share Option Agreements" in Appendix V to this Prospectus.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme, the purpose of which is to provide incentives to the Participants to contribute to the Group and to enable the Group to recruit high-caliber employees and attract human resources that are valuable to the Group. The principal terms of such scheme are summarized in the paragraph headed "Share Option Scheme" in Appendix V to this Prospectus.

AUDIT COMMITTEE

The Company has established its audit committee on September 4, 2009 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee has three members comprising the Company's three independent non-executive Directors. The members are Shi Wan Peng, Leung Kwan Yuen Andrew and Li Wai Keung. The chairman of the audit committee is Li Wai Keung.

NOMINATION COMMITTEE

The Company established a nomination committee on September 4, 2009 with written terms of reference. The nomination committee is mainly responsible for making recommendations to the Board regarding the candidates to fill vacancies in the Board. The nomination committee has three members. The members are Cheng Chung Hing, Leung Kwan Yuen Andrew and Li Wai Keung. The chairman of the nomination committee is Leung Kwan Yuen Andrew.

REMUNERATION COMMITTEE

The Company established a remuneration committee on September 4, 2009. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management of the Group. The remuneration committee comprises three members. The members are Cheng Chung Hing, Leung Kwan Yuen Andrew and Li Wai Keung. The chairman of the remuneration committee is Li Wai Keung.

CONTRIBUTION OF THE FOUNDING SHAREHOLDERS AND DESIGNATION OF TITLE

During the Track Record Period, there was no designation of executive or non-executive title for the Directors. Cheng Chung Hing, Leung Moon Lam and Xu Yang have been responsible for the day-to-day management of the Group, whereas Ma Kai Cheung, Sun Kai Lit Cliff and Ma Wai Mo have been responsible for our Company's general business models, development strategies (such as project identification) and major issues (such as market promotion), contributing their relevant experience and networks of contacts and bringing in business opportunities to the Group, with no executive functions in the Group. Therefore, the Board considered that Cheng Chung Hing, Leung Moon Lam and Xu Yang shall be designated as executive Directors, and Ma Kai Cheung, Sun Kai Lit Cliff and Ma Wai Mo shall be designated as non-executive Directors.

DIRECTORS' EMOLUMENTS

In the fiscal years ended March 31, 2007, 2008 and 2009, the total amount of Directors' emoluments (comprising directors' fees, basic salaries, allowances, benefits-in-kind, performance related bonus, employee share option benefits and pension scheme contributions) was approximately HK$21,206,000, HK$39,687,000 and HK$14,681,000, respectively. Save as disclosed in this Prospectus, no other emoluments have been paid or are payable in respect of the fiscal years ended March 31, 2007, 2008 and 2009 by us to the Directors.

The amount of Directors' emoluments is determined by the Board based on their contribution to the Company and with reference to their duties and responsibilities, time spent on our Company's matters and market conditions. Following the Listing, the remuneration committee will determine the remuneration policies for the Directors with reference to similar factors and other factors such as salaries paid by comparable companies, time commitment and responsibilities of directors elsewhere in our Group and desirability of performance-based remuneration, in accordance with the terms of reference for the remuneration committee and the requirements under the Listing Rules.

Under the current arrangements, assuming the Listing Date is September 30, 2009, we estimate that our Directors will be entitled to receive remuneration and benefits in kind (excluding performance related bonus, share option benefits and pension scheme contributions) from us of approximately HK$11,261,160 in aggregate for the period from April 1, 2009 up to the Listing Date. Under the current arrangements, we do not expect our independent non-executive Directors to be entitled to any remuneration or benefits in kind from us prior to the Listing Date.

For the period from the Listing Date (assuming September 30, 2009) to March 31, 2010, we estimate that our Directors (including the independent non-executive Directors) will be entitled to receive emoluments (excluding any performance related bonus, share option benefits and pension scheme contributions) from us of approximately HK$5,930,580 in aggregate. A detailed breakdown of the estimated amount of emoluments receivable by each of the Directors for the period from the Listing Date to March 31, 2010 is shown in the table below.

Name	Total Emoluments (on an Annual Basis)	Pro Rata (Listing Date (assuming September 30, 2009) to March 31, 2010)
	(HK$)	
CHENG Chung Hing	3,900,000	2,100,000
LEUNG Moon Lam	3,900,000	2,100,000
XU Yang	1,361,160	680,580
MA Kai Cheung	300,000	150,000
SUN Kai Lit Cliff	300,000	150,000
MA Wai Mo	600,000	300,000
SHI Wan Peng	300,000	150,000
LEUNG Kwan Yuen Andrew	300,000	150,000
LI Wai Keung	300,000	150,000
Total	**11,261,160**	**5,930,580**

Following the Listing, the Directors' emoluments will also include: (a) the three independent non-executive Directors' remuneration; and (b) Ma Wai Mo's directors' fees (which he did not receive any prior to the Listing Date). Save for the above, there will not be any change in the Directors' remuneration policy immediately after the Listing Date. In addition, the Directors' emoluments following the Listing is set out in their service contracts (in the case of executive Directors) or letters of appointment (in the case of non-executive Directors and independent non-executive Directors). Further information about the Directors' service contracts and letters of appointment is set forth in the section headed "Further information about Directors, Management and Staff — Particulars of the Directors' service agreements and letters of appointment" in Appendix V to this Prospectus.

COMPLIANCE ADVISER

The Company has appointed Taifook Capital Limited as its compliance adviser in accordance with Rule 3A.19 of the Listing Rules. The material terms of the compliance adviser's agreement entered into between the Company and Taifook Capital Limited include the following:

(a) Taifook Capital Limited is to be appointed by the Company as its compliance adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date or on the date on which such agreement is terminated pursuant to the terms thereof, whichever is earlier; and

(b) pursuant to Rule 3A.23 of the Listing Rules, the Company will consult with and, if necessary, seek advice from Taifook Capital Limited on a timely basis in the following circumstances:

   (i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this Prospectus; or

(iv) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Shares.

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalization Issue, but without taking into account the Share Transfer or the Shares that may be issued pursuant to the exercise of the Over-allotment Option, the Share Options or options which may be granted under the Share Option Scheme or the stock borrowing arrangements set out under the paragraph headed "Stabilization" in the "Structure of the Global Offering" section, the following persons (not being our Directors):

- will have interests or short positions in any Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or
- will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Nature of Interest	Approximate Number of Shares	Approximate Percentage of Shareholding
Accurate Gain Developments Limited	**Beneficial owner(1)**	**1,350,000,000**	**22.5%**
Proficient Success Limited	**Beneficial owner(1)**	**1,125,000,000**	**18.75%**
Cheng Tai Po	*Deemed interest, interest in controlled corporation(2)*	*2,475,000,000*	*41.25%*
Carrianna Development Limited	**Beneficial owner(1)**	**900,000,000**	**15%**
Sincere United Holdings Limited	*Deemed interest, interest in controlled corporation(3)*	*900,000,000*	*15%*
Carrianna Holdings Limited	*Deemed interest, interest in controlled corporation(3)*	*900,000,000*	*15%*
Gartrend Development Limited	*Deemed interest, interest in controlled corporation(3)*	*900,000,000*	*15%*
Carrianna (BVI) Ltd	*Deemed interest, interest in controlled corporation(3)*	*900,000,000*	*15%*
Tak Sing Alliance Holdings Limited	*Deemed interest, interest in controlled corporation(3)*	*900,000,000*	*15%*
Kings Faith International Limited	**Beneficial owner(1)**	**675,000,000**	**11.25%**

(1) Long position in the Shares.

(2) Cheng Tai Po, the brother of Cheng Chung Hing, a Director, owns 50% of the issued share capital of Accurate Gain Developments Limited and 38% of the issued share capital of Proficient Success Limited. Cheng Tai Po is therefore deemed to be interested in the Shares that are beneficially owned by Accurate Gain Developments Limited and Proficient Success Limited for the purposes of the SFO.

(3) Carrianna Development Limited is wholly owned by Sincere United Holdings Limited, which in turn is wholly owned by Carrianna Holdings Limited. Carrianna Holdings Limited is wholly owned beneficially by Gartrend Development Limited with Ma Kai Cheung holding one share on trust for Gartrend Development Limited. Gartrend Development Limited has two classes of issued shares: ordinary shares and non-voting deferred shares. Ma Kai Cheung and his brother Ma Kai Yum each holds 50% of the non-voting deferred shares of Gartrend Development Limited, which (a) carry no right to attend or vote at, or to receive notice of general meetings, (b) do not entitle its holders to receive dividends until (i) after the holders of ordinary shares have been paid, (ii) the company's profits available for distribution as dividends exceed HK$100,000,000,000,000.00 and (iii) the company determines to make such distribution to the holders of non-voting deferred shares, and (c) rank after the claims of the ordinary shareholders as regards to repayment of capital in the event of insolvency in that only one half of the balance of HK$100,000,000,000,000.00 in the assets of the company (if any) is distributable among the holders of non-voting deferred shares. All of the ordinary shares of Gartrend Development Limited are beneficially held by Carrianna (BVI) Ltd, with one share held by Ma Kai Cheung on trust for Carrianna (BVI) Ltd. Carrianna (BVI) Ltd is wholly owned by Tak Sing. Ma Kai Cheung, a Director, as beneficial owner and beneficiary of trust and through the interests of his spouse, holds approximately 43.58% in the issued share capital of Tak Sing. Therefore, each of Sincere United Holdings Limited, Carrianna Holdings Limited, Gartrend Development Limited, Carrianna (BVI) Ltd, and Tak Sing is deemed to be interested in the Shares that are beneficially owned by Carrianna Development Limited for the purposes of the SFO.

Save as disclosed herein, our Directors are not aware of any other person who will, immediately following completion of the Global Offering and the Capitalization Issue but without taking into account the Share Transfer or the Shares that may be issued pursuant to the exercise of the Over-allotment Option, the Share Options and options which may be granted under the Share Option Scheme or the stock borrowing arrangements set out under the paragraph headed "Stabilization" in the "Structure of the Global Offering" section, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

For details of the lock-up arrangements restricting some of our Shareholders from selling or otherwise disposing of our Shares, please refer to the section headed "Underwriting" in this Prospectus.

The Existing Shareholders have no different voting rights in the Shares from those of other Shareholders. For information on changes in the percentage ownership held by our Existing Shareholders during the Track Record Period, please see "Corporate History and Corporate Structure — Change of Shareholdings of Existing Shareholders."

SHARE CAPITAL

The following is a description of our authorized share capital and our share capital in issue and to be issued as fully paid or credited as fully paid immediately after the completion of the Global Offering and the Capitalization Issue (without taking into account the exercise of the Over-allotment Option, the Share Options or any options that may be granted under the Share Option Scheme):

	(HK$)
Authorized share capital:	
30,000,000,000 Shares of HK$0.01 each	300,000,000
Issued share capital:	
20,000,000 Shares in issue at the date of this Prospectus	200,000
Shares to be issued:	
4,480,000,000 Shares to be issued pursuant to the Capitalization Issue	44,800,000
1,500,000,000 Shares to be issued in the Global Offering	15,000,000
Total shares issued and to be issued:	
6,000,000,000 Shares	60,000,000

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, we must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public.

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Capitalization Issue is completed, but takes no account of the exercise of the Over-allotment Option, the Share Options or any options that may be granted under the Share Option Scheme.

RANKING

The Offer Shares, including the Shares issuable pursuant to the Over-allotment Option, will rank pari passu in all respects with all other Shares in issue as mentioned in this Prospectus, and in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this Prospectus.

ISSUING MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue plus the aggregate nominal amount of our share capital repurchased by us under the repurchase mandate described below.

This mandate will expire at the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the expiration of the period within which our next annual general meeting is required by the Articles of Association or any applicable laws to be held; and

(iii) the day on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please see the paragraph headed "Resolutions of our Shareholders" in Appendix V to this Prospectus.

REPURCHASE MANDATE

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase aggregate nominal amount of Shares which shall not exceed 10% of the total nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue.

This mandate relates only to repurchases made on the Stock Exchange or any other stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Repurchase of our own securities" in Appendix V to this Prospectus.

This mandate will expire at the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the expiration of the period within which our next annual general meeting is required by the Articles of Association or any applicable laws to be held; and

(iii) the day on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further information about this repurchase mandate, please refer to the paragraph headed "Resolutions of Our Shareholders" in Appendix V to this Prospectus.

You should read the following discussion in conjunction with our financial statements, and selected historical combined financial data, in each case, together with the accompanying notes thereto included elsewhere in this Prospectus. Our combined financial statements have been prepared in accordance with the HKFRS.

OVERVIEW

We are one of the leading developers and operators of large-scale, integrated logistics and trade centers in the PRC, based on GFA, industry coverage and range of supporting services and facilities offered, according to Colliers International.

We currently have one integrated logistics and trade center platform in operation, China South City Shenzhen, which serves five complementary light manufacturing industries: (1) textile and clothing; (2) leather and accessories; (3) electronic accessories; (4) printing, paper and packaging and (5) metals, chemicals and plastics. Upon the completion of Phase Two, China South City Shenzhen will have a total GFA of 1.9 million square meters of trade centers as well as over 720,000 square meters of supporting facilities. We sell and lease trade center units at China South City Shenzhen to domestic and international suppliers, manufacturers and distributors of raw materials and finished goods, providing superior facilities and an integrated platform from which to display and sell their 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. As of March 31, 2009, 46.8% of our Phase One trade center units in terms of GFA were sold, 6.7% were held for sale and 46.5% were held as investment properties. As of July 31, 2009, we had entered into purchase agreements for 26,872 square meters of GFA, or 24.9% of total saleable GFA in Phase Two launched for sale to date, in the textile and clothing and leather and accessories trade centers of Phase Two, at an average selling price of HK$14,641 per square meter, and had entered into letters of intent to sell 25,669 square meters of GFA, or 23.8% of total saleable GFA in Phase Two launched for sale to date, at an average selling price of HK$16,028 per square meter.

We generate revenue from: (1) sales of trade center units in China South City Shenzhen; (2) leasing of residential units in China South City Shenzhen that is treated as finance lease income; (3) rental income from our trade center units and supporting facilities in China South City Shenzhen; (4) income from our hotel operations in China South City Shenzhen; (5) property management service income; and (6) other fee income associated with China South City Shenzhen. Our results of operations tend to fluctuate from period to period depending upon the proportion and GFA of trade center units and supporting commercial facilities that are sold or leased, and when our projects in various stages of development are completed.

We generally sell a portion of our trade center units, and thereby generate a significant amount of revenues and cash flows, in the initial stages following completion of a trade center development. For Phase One of China South City Shenzhen, which commenced operations in December 2004, we sold the majority of the trade center units allotted for sale in 2005 and early 2006. We commenced pre-sales for the Phase Two textile and clothing and leather and accessories trade centers of China South City Shenzhen in the third quarter of 2008. Sales of trade center units in the initial stages following completion of a trade center development assist in the financing of the development of our projects. In addition, we have arrangements with most of the purchasers to allow us to lease their trade center units to third parties pursuant to which we receive rental income.

As of March 31, 2009, our total investment for Phase One and Phase Two of China South City Shenzhen was approximately RMB977 million (HK$1.11 billion) and RMB2.68 billion (HK$3.04 billion), respectively. We expect our total remaining capital commitment for China South City Shenzhen's Phase Two trade centers and other facilities to be approximately RMB3.51 billion (HK$3.98 billion). We will require additional capital expenditures to develop Phase Two of China South City Shenzhen and our properties planned for future development in Nanchang and Nanning. We intend to rely on a combination of the proceeds from the Global Offering, bank borrowings and internally generated funds to finance these capital expenditures.

BASIS OF PRESENTATION

We prepare our financial statements in accordance with HKFRS. Our financial statements have been prepared under the convention of historical costs, except for investment properties and the embedded derivative component of financial instruments, which have been measured at fair value.

We use the purchase method of accounting to account for the acquisition of subsidiaries by us. We apply a policy of treating transactions with minority interests as transactions with parties external to us. We use the equity method to account for our investments in associates and jointly-controlled entities.

On December 10, 2006, pursuant to a resolution of our Board of Directors, we adopted a fiscal year of the 12 months ending March 31 rather than the 12 months ending December 31 in order to synchronize our reporting schedule with that of some of our major shareholders, thereby reducing administrative expenses and increasing the efficient use of resources by our management team.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

As part of our business, we are actively engaged in the development of new integrated trade center developments, as well as adjusting our occupant mix in order to maximize occupancy rates and rental rates of our trade center developments. We have identified the following important factors (as well as uncertainties associated with such factors) in relation to our business strategies that could impact our future financial performance.

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

Our results of operations and the sources and amount of our cash from operations may vary significantly from period to period depending upon the type and GFA of our completed trade center units that are sold or rented out to tenants, and when our projects in various stages of development are completed. The GFA of the trade center units we sell or lease depends on the progress we make on the construction of our development projects. Our results of operations and cash flows also vary depending on the market demand at the time we sell or rent our completed trade centers, the rental and occupancy rates of our investment properties and the sales prices for sold trade center units. The rental rates, sales prices and occupancy levels of our trade center developments are dependent on market prices in the local market, which depend on local demand and supply conditions, competitive conditions, general macroeconomic conditions (including unemployment rates, inflation rates and GDP growth rates). In addition, due to the large-scale nature of our projects, which take a number of years to complete, our revenues, cash flows, financial condition and results of operations are dependent on the timing of our trade center development and launch in the market for rental or for sale, as well as local market demand for our new and existing trade centers. Historically, periods in which we had a larger percentage of trade center units sold to buyers generated greater revenues and cash flows than periods in which we had a larger percentage of trade center units retained for investment and rented out to tenants.

Our sales of trade center units in Phase One and Phase Two of China South City Shenzhen is limited to 30% of the GFA of the properties located on the parcels of land on which these trade centers are located. For more information on property sales related to Phase One and Phase Two of China South City Shenzhen, please see "Business — Our Trade Center Projects — China South City Shenzhen — China South City Shenzhen Phase One — Property Sales."

Valuation of Our Investment Properties

Our investment properties consist of trade centers and supporting commercial facilities that are held for rental income and capital appreciation. We state our investment properties at their fair value on our balance sheet as non-current assets as of each balance sheet date based on the valuations by a qualified independent professional valuer. With respect to newly completed projects, the properties are measured initially at cost. The change in fair value of a newly completed project is calculated as the difference between the project's fair market value as of the first balance sheet date after completion and the project's construction costs. Thereafter, the fair market value of the project for the most recent balance sheet date is compared to the fair market value as of the previous balance sheet date. Net increases or decreases in the fair market value of investment properties are reflected as an income or expense item, as appropriate, in the income statement as "change in fair value of investment properties." The annual revaluation of the investment properties has in the past resulted in, and may in the future result in, significant fluctuations in our results of operations.

In this regard, movements in fair values of our investment properties have had a significant impact on our profit. We had fair value gains on investment properties of HK$601.1 million, HK$670.9 million and HK$1.15 billion in fiscal years ended March 31, 2007, 2008 and 2009, respectively. The changes in fair value of our investment properties in the fiscal years ended March 31, 2007 and 2008 were primarily due to an increase in occupancy rates and rental income for Phase One trade centers of China South City Shenzhen and an increase in property values in Shenzhen. During the fiscal year ended March 31, 2008, a significant upward adjustment in our effective rental rates for our Phase One trade center units in November 2007 also contributed towards the changes in fair value gain. The changes in fair value of our investment properties in the fiscal year ended March 31, 2009 were primarily due to the recognition of the fair market value of our Phase Two textile and clothing trade center upon its completion in March 2009, after deduction of related construction costs. This was partially offset by the decrease in the fair market value of our Phase One trade centers and business centers by 23.7% as compared to March 31, 2008, due to the downturn in the Shenzhen property market during fiscal year 2009. During each of the fiscal years ended March 31, 2007, 2008 and 2009, the increase in fair value of our investment properties was significantly higher than our revenues and substantial portions of our net income in these periods were attributable to the increase in fair value. During the fiscal years ended March 31, 2007, 2008 and 2009, changes in fair value of investment properties represented 117.2%, 89.7% and 114.1% of our net profit for the respective fiscal years after taking into account relevant deferred income tax. Upward revaluation adjustments reflect unrealized gains of our investment properties at the relevant balance sheet dates, and do not generate any cash inflow to us. Excluding the effect of gains on changes in fair value of investment properties and the deferred tax expenses in connection with such gains, we would have had a net loss of HK$29.9 million, a net profit of HK$57.2 million and a net loss of HK$106.5 million in fiscal years ended March 31, 2007, 2008 and 2009, respectively.

As of March 31, 2009, our investment properties included two types of properties: trade center units in Phase One and Phase Two of China South City Shenzhen and business centers in Phase One of China South City Shenzhen. The construction of Phase One trade center units and business centers was completed in December 2004 and June 2005, respectively. The construction of Phase Two textile and clothing trade center units was completed in March 2009. We expect construction of Phase Two leather and accessories trade center units to be completed in the second half of 2009. We recognize revaluation gains for those properties that have been completed and recharacterize the properties from properties under development to investment properties at such time. The following table sets forth a breakdown of the changes in fair value of our investment properties for the periods indicated.

	Fiscal Year Ended March 31,		
	2007	2008	2009
	(HK$ in thousands)		
Trade center units (Phase One and Phase Two of China South City Shenzhen)(1)	579,298	659,358	1,193,534
Business centers (Phase One of China South City Shenzhen)(2)	21,773	11,513	(39,631)
Total	601,071	670,871	1,153,903

(1) As construction of the trade center units in Phase One of China South City Shenzhen was completed in December 2004, we recognized revaluation gains for these trade center units starting in the fiscal year ended March 31, 2005. As construction of the textile and clothing trade center units in Phase Two of China South City Shenzhen was completed in March 2009, we recognized revaluation gains for these trade center units starting in the fiscal year ended March 31, 2009.

(2) As construction of the business centers in Phase One of China South City Shenzhen was completed in June 2005, we recognized revaluation gains for the business centers starting in the fiscal year ended March 31, 2006.

Upon completion, Phase Two of China South City Shenzhen will consist of trade center units and supporting facilities. We expect to sell a portion of Phase Two trade center units, which will be treated as properties held for sale, while keeping the remaining trade center units as investment properties. We intend to retain all commercial properties of Phase Two of China South City Shenzhen as investment properties. As we complete new projects in the future, we expect the addition of these new projects will positively contribute to changes in fair values of investment properties, especially in the years in which the projects are completed. We also expect that changes in rental income levels and property market conditions will lead to further changes in fair values of investment properties.

Costs Associated with Land Acquisition and Construction

Land acquisition costs and construction costs are the two principal components of our cost of properties sold. Land acquisition costs, which primarily consist of land grant fees and demolition costs, have increased in recent years due to a greater demand for properties as a result of the PRC's economic growth. In addition, competition among developers for available land has significantly increased, thereby increasing land acquisition costs, due to regulations introduced in July 2002 requiring departments and agencies to grant state-owned land-use rights for residential or commercial property development through competitive processes, including public tenders, auctions or listings for sale at land exchanges administered by local governments. In fiscal years 2007, 2008 and 2009, we were not affected by these developments because our land for China South City Shenzhen was acquired prior to the beginning of the Track Record Period.

Construction costs, which comprise all costs related to the design and construction of a project, can vary widely based on GFA, type and size of the development, building design, types of construction materials, height of the buildings, and geology of the construction site. Changes in the market price for construction materials can also cause fluctuations in construction costs. We did not experience any material increases in construction costs during fiscal years 2007, 2008 and 2009 for Phase One of China South City Shenzhen, from which we have generated most of our revenues, because construction of Phase One trade centers was completed in December 2004 and our construction costs were fixed with respect to the construction of other facilities of Phase One of China South City Shenzhen. We experienced increases in construction costs during fiscal year 2009 for Phase Two of China South City Shenzhen, primarily due to (1) the design and architecture of the Phase Two textile and clothing trade center, which, unlike a Phase One trade center, is a large-scale shopping mall complex fully equipped with escalators, air-conditioning and other amenities, and (2) an increase in the cost of construction materials and labor. Land-use rights costs and construction costs may fluctuate from period to period depending upon the timing of our acquisitions of land, our ability to fix our construction costs and the construction schedules of our properties under development.

Economic and Other Conditions in Our Areas of Operation and the PRC

The trade center market is sensitive to broader economic developments. The economic growth China has experienced over the past two decades has led to growth in both wholesale trade aimed at large-scale industrial and commercial purchasers and retail trade aimed at individual consumers, which has enabled the development of trade centers where merchant wholesalers and retailers can sell goods to purchasers. Our continued growth will, to a certain extent, depend on the continued development of trade among industrial and commercial purchasers, the continued growth of the local and national economies in China and the growth in size and purchasing power of the middle class in China. China South City Shenzhen is located in Guangdong Province and we expect our trade centers planned for future development to be located in the province of Jiangxi and the autonomous region of Guangxi. China's GDP grew at a CAGR of approximately 17.1% between 2004 and 2008, and the GDP of Guangdong, Jiangxi and Guangxi Provinces grew at a CAGR of approximately 17.3%, 17.0% and 20.2% between 2004 and 2008, respectively. The real estate and logistics markets in these jurisdictions are also affected by a number of other macroeconomic factors, including the level of interest rates, the exchange rate of the Renminbi and the PRC political, economic and regulatory environment.

Regulatory Environment

Our results of operations have been, and will continue to be, affected by the regulatory environment in the PRC, including policies relating to land acquisition, property development and property developers, logistics services, property management, the availability of project and mortgage financing, sales or other transfers of land-use rights and completed properties, taxes, planning, zoning and building design and construction.

CRITICAL ACCOUNTING POLICIES

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

Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Appendix I of this Prospectus.

Revenue Recognition

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

With respect to sales of trade center units sold to purchasers and subject to cooperation agreements, we received separate payments of the sales proceeds and cooperation fund payments from the purchasers. We recognize the sales proceeds as sales revenue, and record the cooperation fund payments received as a payable balance on our balance sheet. For further information on these arrangements, please see "— Payments Made Under Agreements with Certain Purchasers of Trade Center Units."

We recognize rental income in the period in which the properties are leased and on a straight-line basis over the lease term. These properties include trade center units sold to the trade center purchasers who entered into cooperation agreements with us as well as those purchasers who entered into leasing agreements with us after the cooperation agreements expired. The rent free period offered as an incentive to our trade center tenants is amortized over the term of the related lease agreements.

We receive in advance from each tenant of the residential units of West Garden the present value of the total rental payments due over the term of the relevant lease. Because the building ownership certificates granted to us for West Garden are green-cover building ownership certificates which restrict the transfer of the underlying property, we have entered into lease agreements with tenants of West Garden, in accordance with relevant PRC laws and regulations. However, because the aggregate of the lease terms with any single tenant will last in duration for the major part of the economic life of the residential units and the lease agreements with tenants of units in West Garden transfer to the tenants substantially all the risks and rewards incidental to ownership, we treat the leases for accounting purposes as finance leases, in accordance with current accounting standards in Hong Kong. We also recognize the West Garden lease arrangements as finance leases in the financial statements of the relevant PRC subsidiary, China South International. We commenced delivery of the residential units to tenants for occupation in February 2008. We recognize revenue from the West Garden residential units once all of the following criteria are satisfied: (1) construction is completed; (2) construction completion registration procedures are completed; and (3) delivery is made to the tenants.

For the fiscal years ended March 31, 2008 and 2009, we recognized revenue of HK$403.2 million and HK$9.9 million, respectively, for leases relating to the West Garden residential units. Tenants make their rental payments for the West Garden residential units at the beginning of the lease term, either in the form of a lump-sum payment, or with an initial deposit followed by payment of the outstanding balance within two months of the payment of the initial deposit. We include the revenue from the residential units in the income statement and the related construction costs are accounted for as cost of properties under finance lease in the income statement. In addition, we record the value of properties that have yet to be leased as properties held for finance lease on our balance sheet. We also record the receivables for entrusted loans we extend to certain tenants as finance lease receivables in the balance sheet.

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. Please see "— Description of Components of Results of Operations — Taxation — Land Appreciation Tax" for a description of the PRC regulations in relation to land appreciation tax and our provisions for land appreciation tax in the three years ended March 31, 2009. 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 at their fair value as non-current assets on our balance sheet on the basis of valuations by a qualified independent professional valuer. We provide the independent professional valuer with various information including relevant data pertaining to the leases existing on our investment properties for the valuer to use as a basis for valuation. Please see "— Factors Affecting Our Results of Operations — Valuation of Our Investment Properties" for more information on the valuation of our investment properties.

We state our properties held for sale and properties held for finance lease, both classified as current assets on our balance sheet, 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 properties under development as non-current assets on our balance sheet. We state our properties under development at cost less impairment losses, which are not depreciated. Cost includes the 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, investment properties or properties held for sale when completed and ready for use.

SELECTED FINANCIAL STATEMENT INFORMATION

Our subsidiaries' financial information is first prepared in Renminbi and then translated into Hong Kong dollars at (1) the average exchange rates for the applicable year or period for income statement data and (2) the applicable year- or period-end exchange rates for balance sheet data. For information on the exchange rates used for or as of the ends of the applicable periods, please see "Information About this Prospectus and the Global Offering — Exchange Rates."

The following table sets forth information regarding our consolidated statements of operations during the periods indicated.

	Fiscal Year Ended March 31,		
	2007	2008	2009
	(HK$ in thousands)		
Consolidated Income Statement Data:			
Revenue	136,081	562,880	224,399
Cost of sales	(38,513)	(285,976)	(153,640)
Gross profit	97,568	276,904	70,759
Other income	19,015	21,701	19,077
Change in fair value of investment properties	601,071	670,871	1,153,903
Selling and distribution costs	(30,659)	(45,270)	(89,531)
Administrative expenses	(82,175)	(117,491)	(109,249)
Fair value change in embedded derivative financial instruments	—	(1,167)	—
Other expenses	(10,148)	(7,911)	(13,188)
Finance costs	(7,584)	(960)	(6,824)
Share of profits and losses of:			
Jointly controlled entities	(9,778)	502	1,120
An associate	(380)	(329)	(327)
Profit before tax	576,930	796,850	1,025,740
Tax	(403,091)	(241,726)	(272,170)
Profit for the year/period	173,839	555,124	753,570
Attributable to:			
Equity holders of the parent	174,375	556,075	754,048
Minority interests	(536)	(951)	(478)
	173,839	555,124	753,570

The following table sets forth selected balance sheet data as of the dates indicated.

	As of March 31,		
	2007	2008	2009
	(HK$ in thousands)		
Consolidated Balance Sheet Data:			
Non-current assets	4,009,832	5,774,890	8,398,009
Current assets	371,089	1,531,378	923,306
Total assets	4,380,921	7,306,268	9,321,315
Non-current liabilities	1,474,084	2,728,237	3,259,712
Current liabilities	384,408	935,479	1,565,645
Total liabilities	1,858,492	3,663,716	4,825,357
Total equity	2,522,429	3,642,552	4,495,958
Total equity and liabilities	4,380,921	7,306,268	9,321,315

DESCRIPTION OF COMPONENTS OF RESULTS OF OPERATIONS

Revenues

Although we have properties under development and planned for future development, we currently rely on Phase One and a portion of Phase Two of China South City Shenzhen for all of our revenues. We generate revenues from (1) sales of trade center units (2) leasing of residential units in West Garden, a residential development, which we characterize as finance lease income; (3) rental income from leases of trade center units, and the rental of warehouses, supporting commercial facilities and, to a lesser extent, motor vehicles and other properties located in Shenzhen; (4) income from the operation of our hotel in China South City Shenzhen; and (5) property management fees and other fees from providing management and other services to our tenants in China South City Shenzhen.

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

	Fiscal Year Ended March 31,					
	2007		2008		2009	
	HK$	%	HK$	%	HK$	%
	(in thousands, except for percentages)					
Sale of properties	83,104	61.1	46,759	8.3	67,758	30.2
Finance lease income	—	—	403,178	71.6	9,913	4.4
Rental income						
Lease of trade center units sold under cooperation and lease arrangements	17,463	12.8	29,548	5.3	33,709	15.0
Lease of trade center units held as investment properties not for sale	15,313	11.2	35,374	6.3	37,142	16.5
Other rental income [1]	7,183	5.3	12,529	2.2	29,316	13.1
Total rental income	39,959	29.3	77,451	13.8	100,167	44.6
Hotel income[2]	—	—	19,596	3.5	25,505	11.4
Property management service income	11,258	8.3	14,267	2.5	20,426	9.1
Other fee income	1,760	1.3	1,629	0.3	630	0.3
Total	136,081	100.0	562,880	100.0	224,399	100.0

(1) Other rental income comprises rental income from warehouse facilities, supporting commercial facilities, temporary units, motor vehicles leases and other properties located in Shenzhen.

(2) Hotel income is derived from the operation of Grand City Hotel by Grand City Hotel (Shenzhen), which became a wholly owned subsidiary in July 2007. Prior to July 27, 2007, income from the hotel operations was reflected in the share of results of jointly controlled entities.

Sale of Properties

Sale of properties represents revenue only from the sales of trade center units. In addition, our sales of trade center units in Phase One and Phase Two of China South City Shenzhen is limited to 30% of the GFA of the properties located on the parcels of land on which these trade centers are located. For further details, please see "Business — Our Trade Center Projects — China South City Shenzhen — China South City Shenzhen Phase One — Property Sales." We present revenues from property sales net of sales tax levied on the relevant contracted sales value. We recognize revenue from the sale of trade center units when the significant risks and rewards of ownership have been transferred to the buyer. We consider the significant risks and rewards of ownership to have been transferred when the construction of properties is completed, the properties are delivered to the buyers pursuant to the sales agreement and the collectibility of the related receivables is reasonably assured.

Finance Lease Income

Finance lease income represents revenue from the lease arrangements for the residential units in West Garden in Phase Two of China South City Shenzhen, which were completed in February 2008. We recognize revenue from the lease of West Garden residential units when we deliver the units to the tenants. We commenced delivery of the residential units to tenants for occupation in February 2008. Please see "— Critical Accounting Policies — Revenue Recognition."

Rental Income

Rental income represents revenue from the rental of trade center units, warehouses, supporting commercial facilities, and to a lesser extent, motor vehicle leases and rental of other properties located in Shenzhen. These properties also include trade center units sold to certain trade center unit purchasers and subsequently leased by us to third parties under agreements with the purchasers. We calculate rental revenue based on the effective rental rate multiplied by leased GFA. Our effective rental income and occupancy rates have generally increased since the completion of China South City Shenzhen's trade centers in December 2004.

Since March 2007, we have also leased temporary units in facilities adjacent to China South City Shenzhen Phase One trade centers to tenants who are unable to obtain a rental space of their preference in the trade center appropriate to their industry, as their desired location within a trade center has already been occupied. As of March 31, 2009, the temporary units comprised a GFA of approximately 10,400 square meters, representing 1.2% of total GFA of completed Phase One and Phase Two trade center units and supporting facilities at China South City Shenzhen. The temporary units generated effective rental income of HK$2.7 million and HK$4.6 million, or 3.5% and 4.6% of our total rental income, for the fiscal years ended March 31, 2008 and 2009, respectively. Once construction and development of Phase Two of China South City Shenzhen is completed, we plan to discontinue leasing temporary units and close down those facilities. We expect the majority of tenants currently leasing temporary units will choose to lease Phase Two trade center units in China South City Shenzhen.

Hotel Income

Hotel income revenue represents income from the operation of our hotel by Grand City Hotel (Shenzhen), which became a wholly owned subsidiary in July 2007. For the fiscal year ended March 31, 2007 and the period from April 1, 2007 to July 27, 2007, income from our hotel operations was reflected in share of results of jointly controlled entities. As a result, we have only reflected hotel income in our revenues since July 28, 2007.

Property Management Service Income

Property management service income represents income from the provision of property management services, such as security, cleaning, repair and maintenance services, through our wholly owned subsidiary Shenzhen First Asia Pacific, to our tenants in China South City Shenzhen. We charge tenants a property management fee for their lease term, which is currently fixed at RMB3.8 per square meter for trade center units to RMB15.0 per square meter for office buildings of the GFA leased.

Other Fee Income

Other fee income represents income from the provision of advertising services and other services. In the fiscal years ended March 31, 2007, 2008 and 2009, we received fees charged by our wholly owned subsidiary, Shenzhen China South City Advertising, for the rental of advertising space on billboards and sales of advertisement space to tenants in newsletters that we publish and circulate within the Pinghu area. In April 2008, we ceased to enter into new contracts for the rental of advertising space on billboards, but continued to provide advertising space under existing contracts until the expiration of these contracts in May 2009. We currently outsource these advertising services to an independent third party. Please see "Risk Factors — Risks Relating to Our Business and Our Industry — In previous years, we engaged in advertising services without proper authorization, which could subject us to penalties." We also receive other fee income from leasing our exhibition facilities.

Cost of Sales

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

	Fiscal Year Ended March 31,					
	2007		2008		2009	
	HK$	%	HK$	%	HK$	%
	(in thousands, except for percentages)					
Cost of properties sold						
Land-use rights costs	4,778	12.4	1,251	0.4	933	0.6
Construction costs	22,672	58.9	5,914	2.1	16,734	10.9
Capitalized expenses	1,860	4.8	487	0.2	3,666	2.4
Total cost of properties sold	29,310	76.1	7,652	2.7	21,333	13.9
Cost of properties under finance lease	—	—	217,638	76.1	5,006	3.2
Cost of services provided	9,203	23.9	60,686	21.2	127,301	82.9
Total	38,513	100.0	285,976	100.0	153,640	100.0

Cost of Properties Sold

Cost of properties sold consists primarily of costs we have incurred directly in the course of our property development activities related to trade center units which are sold. These consist primarily of (1) land-use rights costs (principally the payment of land grant fees); (2) construction costs (principally infrastructure costs, consulting fees paid to architects and designers and payments to construction contractors); and (3) capitalized expenses (principally interest and other expenses that are directly attributable to the cost of construction and development of the properties). In fiscal years 2007, 2008 and 2009, cost of properties sold represented 76.1%, 2.7% and 13.9%, respectively, of our total cost of sales.

Land-Use Rights Costs

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

We acquired our land for China South City Shenzhen through negotiations with local government authorities in accordance with local regulations. Our land-use rights costs for China South City Shenzhen are fixed under our master agreement with the local government authorities. We have not yet acquired the land for our properties planned for future development in Nanchang and Nanning. Our master agreements with local government authorities for these projects provide that the land-use rights costs for the development sites for these properties planned for future development will be determined through competitive bidding at public tender, auction or listing for sale. Under the master agreements, we are not required to pay relocation costs with respect to the properties planned for future development in Nanchang and Nanning. In addition, in each of the master agreements, the local government has agreed to pay the actual expenses for clearing the land and relocation of the residents residing on the relevant site, as well as building certain infrastructure for the project, such as roads.

Construction Costs

We outsource the construction of all of our projects to third party contractors, whom we select through competitive tender process. Our construction contracts provide for payments which cover substantially all labor, materials, fittings and equipment costs, subject to adjustments for some types of excess, such as design changes during construction or changes in government-suggested steel prices. Our construction costs consist primarily of the payments to our third party contractors, which are paid over the construction period based on specified milestones. Our construction costs also include land leveling expenses, surveying expenses and designing fees. All costs relating to construction and development of our investment properties are capitalized.

Capitalized Expenses

Our capitalized expenses include all costs relating to construction or development of the properties, and interest expenses, to the extent that such costs are directly attributable to the costs of the construction and development of the properties. Finance costs we incur after we complete construction are not capitalized, but are instead expensed in our income statement.

Cost of Properties under Finance Lease

Cost of properties under finance lease consists primarily of costs we have incurred directly in the course of our property development activities related to the residential units of West Garden. These consist primarily of (1) land-use rights costs (principally the payment of land grant fees); (2) construction costs (principally infrastructure costs, consulting fees paid to architects and designers and payments to construction contractors); and (3) capitalized expenses (principally interest and other expenses that are directly attributable to the cost of construction and development of the properties). In fiscal years 2007, 2008 and 2009, cost of properties under finance lease represented none, 76.1% and 3.2% of our total cost of sales, respectively.

Cost of Services Provided

Our cost of services provided mainly include costs associated with property management services, including security, cleaning and maintenance services. Beginning in the fiscal year ended March 31, 2008, cost of services provided also included rental costs that we incurred in leasing units for certain purchasers of trade center units under leasing agreements as well as the operating expenses incurred by Grand City Hotel (Shenzhen) since it became a wholly owned subsidiary in July 2007. In fiscal years 2007, 2008 and 2009, cost of services provided represented 23.9%, 21.2% and 82.9%, respectively, of our total cost of sales. The increase in cost of services provided in the fiscal year ended March 31, 2009 was primarily due to an increase in rental expenses incurred for the lease of trade center units from our buyers.

Other Income

Other income consists primarily of interest income from banks and loan receivables, penalty income and tax refunds. Interest income from loan receivables consists of interest income from entrusted loans, which we provide through authorized banks in the PRC to purchasers of trade center units and tenants of West Garden residential units. Our income from entrusted loans reflects the combination of average effective entrusted loan yield and average outstanding balances of entrusted loans. The majority of our entrusted loans are long-term loans, having a maturity greater than one year. Entrusted loan interest income accrues over the duration of the loan. As of March 31, 2009, the loan receivables bear interest at 6.435% per annum on loans to trade center unit purchasers and 8.613% per annum on loans to West Garden tenants. The loans to trade center unit purchasers are secured by the underlying properties sold to the purchasers. As of March 31, 2009, the outstanding balance of entrusted loans was HK$7.4 million. As of July 31, 2009, we had experienced payment delays for approximately 0.73% of the outstanding principal amount of the entrusted loans. However, we are not aware of any default by tenants of their obligations under the bank loans that would trigger our obligations to the banks under guarantees to them, and, accordingly, we did not make any write-offs of these entrusted loans and guarantees during the Track Record Period. Purchasers of trade center units who do not make timely payments to the cooperation fund pursuant to cooperation agreements are charged a penalty fee, which we recognize as penalty income. We also recognize penalty income from certain tenants who forfeit their rental deposits upon a breach of the lease terms or an early termination of the lease, in accordance with the terms of their lease agreements. We collect these amounts by retaining the rental deposits paid by the tenants and recognize the amounts as penalty income. For more information on the cooperation and leasing agreements, please see "Business — Agreements with Certain Purchasers of Trade Center Units." Tax refunds consist of incentives provided by the Shenzhen local government to encourage Shenzhen businesses to re-invest profits into the local area.

The following table sets forth a breakdown of our other income for the periods indicated:

	Fiscal Year Ended March 31,					
	2007		2008		2009	
	HK$	%	HK$	%	HK$	%
	(in thousands, except for percentages)					
Interest income from:						
Banks	2,196	11.6	59	0.3	2,860	15.0
Loan receivables	713	3.7	746	3.4	7,804	40.9
Total interest income	2,909	15.3	805	3.7	10,664	55.9
Penalty income	6,573	34.6	13,890	64.0	830	4.4
Tax refunds	7,059	37.1	—	—	—	—
Others[(1)]	2,474	13.0	7,006	32.3	7,583	39.7
Total	19,015	100.0	21,701	100.0	19,077	100.0

(1) Others includes sales of scrap goods, income from other services, and agency income.

Change in Fair Value of Investment Properties

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

Selling and Distribution Expenses

Our selling and distribution expenses include:

- staff salaries (including commissions), employee benefit expenses and office expenses for sales and marketing personnel;
- advertising fees associated with advertisements placed in various mass media outlets, and design and promotion expenses, which include print advertisement costs, marketing materials, billboard and other display advertising costs;
- depreciation and amortization of facilities used by marketing personnel; and
- miscellaneous expenses, including fees associated with sponsoring conferences, business related traveling expenses, referral fees paid to tenants who introduce new tenants to our trade centers, and organizational membership fees for our selling and marketing staff.

Our selling and distribution expenses fluctuate based on the launch and commencement of operations of our projects, business cycles and the timing of the sales of our properties. In the fiscal year ended March 31, 2008, we increased advertising fees and increased costs associated with building resources to facilitate the growth of our business operations and expansion of Phase Two of China South City Shenzhen. In the fiscal year ended March 31, 2009, selling and distribution expenses increased primarily due to an increase in advertising and promotional expenses associated with sales of the Phase Two textile and clothing trade center and leather and accessories trade center of China South City

Shenzhen. We expect our selling and distribution expenses, in particular costs related to wages, advertising, designing, and office expenses, to increase in the future as we expand and develop Phase Two of China South City Shenzhen and our properties planned for future development in Nanchang and Nanning.

Administrative Expenses

Administrative expenses principally include:

- staff salaries and employee benefit expenses for our management, administrative, finance and accounting staff, employee share option benefits and directors fees;
- depreciation of fixed assets;
- consultancy fees paid in relation to corporate strategy, marketing and promotion, property management and property development and legal and professional fees;
- office expenses;
- water and electricity fees;
- business development expenses and promotional activities; and
- miscellaneous expenses, such as rental and rate expenses, for the rental of residential quarters, motor vehicles and shuttle buses for administrative staff, utilities expenses, property insurance expenses and business related traveling expenses.

Administrative expenses increased in the fiscal year ended March 31, 2008 as we aggressively built up our human resources, financial, legal, accounting and operational infrastructure to support the growth of our business. In the fiscal year ended March 31, 2009, administration expenses decreased by approximately 7.0%, primarily due to a decrease in expenses related to employee share option benefits. Wages and employee benefit expenses have increased during the Track Record Period not only as a result of an increase in our head count, but also as a result of an increase in the number of experienced senior personnel who command higher salaries. We expect that our general and administrative expenses will continue to increase in the future as we grow our operations in Phase Two of China South City Shenzhen, as well as properties planned for future development in Nanchang and Nanning.

Fair Value Change in Embedded Derivative Financial Instruments

In July 2007, we issued the Notes under the original arrangement, which were convertible at the option of the holders into Shares after a qualified public offering and prior to July 2012, the maturity date of the Notes. The option to convert is accounted for as an embedded derivative liability. The fair value of the embedded option is assigned as the derivative component, representing the conversion option, of the Notes and the change in fair value at each balance sheet date is included in the income statement. The value of the conversion option is determined by a qualified independent valuer. On March 28, 2008, we entered into the Note Amendment Agreement with the 2008 Noteholders and Existing Shareholders, pursuant to which the 2008 Noteholders agreed to certain amendments of the terms and conditions of the Notes and the Trust Deed that would remove the conversion feature of the Notes under the original arrangement and make certain conforming revisions. Please see "— Indebtedness and Contingent Liabilities — The Notes."

Other Expenses

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

Finance Costs

Our finance costs consist primarily of interest paid on bank borrowings by our wholly owned subsidiary China South International, and on our Notes issued under the original arrangement in July 2007, less capitalized interest. Interest rates on our bank borrowings, most of which are granted by PRC commercial banks and denominated in Renminbi, are typically linked to PBOC rates. As of July 31, 2009, the PBOC benchmark rate for one-year loans was 5.31% per annum and the benchmark rate for one-year to three-year loans was 5.40% per annum. In the fiscal year ended March 31, 2009, our finance costs from the Notes were HK$188.3 million. We intend to use a portion of the proceeds of the Global Offering to repay the Notes at their principal amount.

We capitalize certain of our interest expenses based on the purposes for which the underlying borrowings or proceeds from offerings of debt securities are used. Under HKFRS, we are permitted to capitalize interest expenses related to debt incurred for construction costs, which are directly attributable to the acquisition, construction or production of qualifying assets and we are required to cease capitalization of such costs when the assets are substantially ready for their intended use or sale. As the proceeds from the Notes were used for the development and construction of Phase Two of China South City Shenzhen, we capitalized all related interest expenses. For bank borrowings during the Track Record Period that were used for general working capital purposes, including the amounts of HK$7.6 million, HK$1.0 million and HK$6.8 million in the fiscal years ended March 31, 2007, 2008 and 2009, respectively, we recorded those interest expenses on the income statement.

Share of Results of Jointly Controlled Entities

Share of results of jointly controlled entities consists primarily of profit or loss, as applicable, from China South NEL and China South Royal Restaurant (Shenzhen). Profit or loss from Grand City Hotel (Shenzhen) was reflected as share of results of jointly controlled entities for the year ended March 31, 2007 and the period from April 1, 2007 to July 27, 2007, when Grand City Hotel (Shenzhen) became a wholly owned subsidiary. After July 27, 2007, the results of Grand City Hotel (Shenzhen) have been consolidated into our financial statements.

Share of Results of Associates

Share of results of associates consists primarily of profit or loss, as applicable, of China South Intimex, in which we hold a 30% interest. The associate engages in website development, construction, maintenance and exploration of software, provision of consultancy services and trading of e-commerce hardware and software.

Taxation

The following table sets forth the components of income taxes for the periods indicated.

	Fiscal Year Ended March 31,					
	2007		2008		2009	
	HK$	%	HK$	%	HK$	%
	(in thousands, except for percentages)					
Corporate income tax	—	—	—	—	22,500	8.3
Land appreciation tax	7,377	1.8	20,423	8.4	17,713	6.5
Deferred PRC tax	395,714	98.2	221,303	91.6	231,957	85.2
Total income tax	403,091	100.0	241,726	100.0	272,170	100.0

Corporate Income Tax

Taxation represents the corporate income tax at the statutory rates prevailing in the jurisdictions in which we operate on our pre-tax profit as adjusted for non-deductible expenses, income or profit not subject to taxation, tax losses utilized from previous periods and tax losses not recognized. Our effective tax rates were 69.9%, 30.3% and 26.5% in the fiscal years ended March 31, 2007, 2008 and 2009, respectively. The change in our effective tax rate from fiscal year 2007 to fiscal year 2008 was due primarily to (1) an increase in accrual of land appreciation tax of approximately HK$13 million in fiscal year 2008; and (2) the non-recurrence of a one-time provision made in fiscal year 2007 for additional deferred taxes on the accumulated gains on the changes in fair value of investment properties for previous years that was necessary in fiscal year 2007 to reflect the change in corporate income tax rate from 15% to 25%, as described above, but such provision was not applicable in fiscal year 2008. The change in our effective tax rate from fiscal year 2008 to fiscal year 2009 was due primarily to (1) a decrease in share option expenses in fiscal year 2009, resulting in a decrease in non-tax-deductible expenses; (2) an increase in construction costs and discounts offered for sales of our Phase Two trade center units in fiscal year 2009, resulting in a decrease in land appreciation tax as a percentage of profit before tax; and (3) a decrease in deferred tax expense of approximately HK$51.7 million arising from profit generated from West Garden finance lease arrangements in fiscal year 2008. When we prepared our PRC tax annual filing for calendar year 2008, we were informed by the tax bureau that the current income tax arising from finance lease income should be settled fully as 2008 tax expense, the year in which the finance lease income was received. Therefore, HK$51.7 million was included as tax expense for calendar year 2008 for PRC income tax calculation. As a result, HK$51.7 million was included as taxable income for our fiscal year 2009 in calculating current tax expense. After deducting fiscal year 2009 operating expenses, current tax expense was approximately HK$22.5 million.

In addition to land appreciation tax and the effect of change in tax rates, we also consider "income not subject to tax" and "expenses not deductible for tax" in determining our effective tax rates. "Income not subject to tax" primarily represents sources of income such as interest income from our Hong Kong bank accounts and tax refunds that are not subject to income tax under current tax regulations applicable to us. "Expenses not deductible for tax" refers primarily to expenses such as share option expenses, fair value change of embedded option of convertible bonds, and donations that are not deductible under current tax regulations applicable to us.

No provision for Hong Kong profits tax has been made as we did not have any assessable profits arising in Hong Kong during the Track Record Period.

Our subsidiaries incorporated in the PRC are subject to taxation in the PRC. As of March 31, 2009, we had 11 subsidiaries incorporated in the PRC that were subject to taxation in the PRC. Please see Note 16 to our Accountants' Report in Appendix I to this Prospectus for a description of our subsidiaries incorporated in the PRC. In the fiscal years ended March 31, 2007, 2008 and 2009, we had corporate income tax expenses of zero, zero and HK$22.5 million. We did not record corporate income tax for the fiscal year ended March 31, 2007 as no chargeable profit was made by our subsidiaries during the year. In the fiscal year ended March 31, 2008, no chargeable profit was made by our subsidiaries as the profit generated from West Garden residential units was classified as deferred tax expense. The profit generated from West Garden finance lease arrangements in calendar year 2008 was included in taxable income for fiscal year 2009 when calculating current tax expenses. Fiscal year 2009 operating expenses were utilized to deduct current tax expenses of approximately HK$29.2 million, resulting in current tax expense of approximately HK$22.5 million.

We had deferred PRC corporate income tax of HK$395.7 million, HK$221.3 million and HK$232.0 million in the fiscal years ended March 31, 2007, 2008 and 2009, respectively. Until December 31, 2007, our subsidiaries incorporated in the PRC were governed by the PRC Enterprise Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises and local laws and regulations. Under preferential policies of the local government, our seven subsidiaries incorporated in Shenzhen, which accounted for substantially all of our revenue and operating profit during the Track Record Period, were subject to tax at a preferential rate of 15%. This preferential tax rate has been recognized by, and relevant approvals have been obtained from, competent local tax authorities in Shenzhen. For further information regarding the risks associated with the tax expenses of our PRC subsidiaries, please see "Risk Factors — Risks Relating to Our Business and Our Industry — The implementation of the PRC Enterprise Income Tax Law may significantly increase our income tax expenses."

Under the Implementation Regulations, the enterprise income tax rates for PRC enterprises subject to tax at a preferential rate are expected to increase gradually over a five-year period, beginning in the taxable year 2008. Under these phase-out rules, PRC enterprises subject to tax at a preferential rate were subject to a reduced 18% enterprise income tax rate for 2008 and a 20% rate for 2009, and are expected to be subject to a 22% rate for 2010, a 24% rate for 2011, and a 25% rate from 2012 onwards. In 2008 and 2009 the local tax authority in Shenzhen has subjected us to tax in accordance with these phase-out rules and we expect will continue to charge us according to these rules in 2010, 2011 and 2012.

Based on the opinions of our PRC legal counsel, Commerce & Finance Law Offices, and the PRC legal counsel of the Sole Sponsor and Underwriters, Jun He Law Offices, the Sole Sponsor is of the view that we have made all required tax filings with all applicable local tax authorities and paid (or made appropriate provisions for) all amounts due with respect to our tax obligations at tax rates recognized by applicable local tax authorities. In addition, we did not have any disputes with any applicable local tax authorities during the Track Record Period and we did not, as of the Latest Practicable Date, have any disputes with applicable local tax authorities, nor have we received any notification of any investigation or disagreement with the applicable tax authorities with respect to our tax filings.

Land Appreciation Tax

The local taxation bureau of Shenzhen did not impose the land appreciation tax until November 2005. On November 1, 2005, it began to levy land appreciation tax at a fixed rate of 0.5% on the total sales proceeds of our commercial properties. Accordingly, we have paid land appreciation tax expenses since November 2005. In July 2008, the local taxation bureau of Shenzhen began to levy land appreciation tax at a fixed rate of 2.0%. In the fiscal years ended March 31, 2007, 2008 and 2009, we paid land appreciation tax to the Shenzhen municipal tax authority in the amounts of HK$0.3 million, HK$0.3 million and HK$0.3 million, respectively.

Since February 1, 2007, the date of the LAT Notice's implementation, we have calculated and accrued all land appreciation tax payable on our property sales and transfers made since November 2005 in accordance with the progressive rates specified in relevant tax laws, including the LAT Notice. However, the relevant tax authorities have not yet commenced the assessment of our land appreciation taxes in order to collect the additional tax payments from us, and, therefore, we have not made such additional payments of land appreciation tax under the LAT Notice during the Track Record Period. In the fiscal years ended March 31, 2007, 2008 and 2009, we made provisions for land appreciation taxes in the amounts of HK$7.4 million, HK$20.4 million and HK$17.7 million, respectively.

Deferred Tax

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

	Fiscal Year Ended March 31,		
	2007	**2008**	**2009**
	(HK$ in thousands)		
Deferred PRC corporate income tax(1)	395,714	221,303	231,957
Deferred tax charged to the income statement during the year(2)			
Deferred tax liabilities	(397,353)	(224,654)	(237,906)
Deferred tax assets	1,639	3,351	5,949
	(395,714)	(221,303)	(231,957)

(1) For more information, please see Note 9 to the Accountants' Report on our financial information included in Appendix I to this Prospectus.

(2) For more information, please see Note 30 to the Accountants' Report on our financial information included in Appendix I to this Prospectus.

In fiscal years 2007, 2008 and 2009, deferred tax liabilities included deferred tax charges arising from accelerated tax depreciation, change in fair value of investment properties and finance leases of West Garden. Deferred tax charges arising from revaluation of investment properties were HK$390.1 million, HK$168.3 million and HK$288.5 million in fiscal years 2007, 2008 and 2009, respectively, representing 64.9%, 25.1% and 25.0%, respectively, of the revaluation gains in each of these periods. The decrease of deferred tax charges from fiscal year 2007 to fiscal year 2008 was due primarily to the exclusion in fiscal year 2008 of additional deferred tax liability on accumulated gains that was included in fiscal year 2007, because of the change in the statutory corporate income tax rate. The increase of deferred tax charges from fiscal year 2008 to fiscal year 2009 was due primarily to the increase in revaluation gain of our investment properties. We recorded deferred tax expenses for the West Garden residential units in fiscal year 2008. Deferred tax charges arising from the finance leases of West Garden were zero and HK$51.7 million in fiscal years 2007 and 2008. In fiscal year 2009, during the preparation of our PRC annual tax filing for 2008, we were informed by local tax authorities that taxes on income from West Garden should be recorded as current rather than deferred tax charges. As a result, we have transferred the deferred tax expense associated with West Garden to current tax expense and reversed the over-provided deferred tax liability for fiscal year 2008.

In fiscal years 2007, 2008 and 2009, deferred tax assets reflected the effect of land appreciation tax on our income tax. We recognize the tax assets arising from land appreciation tax when provisions are made, and we will realize the tax assets when the payments are collected from us. Deferred tax assets arising from the tax effect of land appreciation tax were HK$1.6 million, HK$3.4 million and HK$5.9 million in fiscal years 2007, 2008 and 2009, respectively. The increase in deferred tax assets arising from the tax effect of land appreciation tax from fiscal year 2007 to fiscal year 2009 was due primarily to the increase in the accrual of land appreciation tax over the Track Record Period.

Minority Interests

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

CONSOLIDATED RESULTS OF OPERATIONS

The following is a discussion of our consolidated results of operations for the years ended March 31, 2007, 2008 and 2009.

Fiscal Year Ended March 31, 2009 Compared with Fiscal Year Ended March 31, 2008

Revenue

Revenues decreased by approximately HK$338.5 million, or 60.1%, from approximately HK$562.9 million in the fiscal year ended March 31, 2008 to approximately HK$224.4 million in the fiscal year ended March 31, 2009. The decrease was primarily due to a decrease in finance lease income for residential units in West Garden.

Sale of properties. Revenue from sale of properties increased by approximately HK$21.0 million, or 44.9%, from approximately HK$46.8 million in the fiscal year ended March 31, 2008 to approximately HK$67.8 million in the fiscal year ended March 31, 2009. The increase was primarily due to the recognition of revenue from the sales of Phase Two textile and clothing trade center units in the fiscal year ended March 31, 2009.

GFA sold increased by approximately 1,260 square meters, or 35.1%, from approximately 3,590 square meters in the fiscal year ended March 31, 2008 to approximately 4,850 square meters in the fiscal year ended March 31, 2009. The increase in GFA sold was primarily due to the sale of approximately 4,068 square meters in our Phase two textile and clothing trade center. In addition to an increase in GFA (and number of units) sold, average sales price per square meter increased by HK$943.0, or 7.2%, from HK$13,018 per square meter in the fiscal year ended March 31, 2008 to HK$13,961 per square meter in the fiscal year ended March 31, 2009.

The following table sets forth information regarding GFA and average sales prices of trade center units in Phase One and Phase Two of China South City Shenzhen sold in the fiscal years ended March 31, 2008 and 2009.

	Fiscal Year Ended March 31,			
	2008		2009	
Trade Center	GFA Sold	Average Sales Price	GFA Sold	Average Sales Price
	(square meters)	(HK$/square meter)	(square meters)	(HK$/square meter)
Phase One				
Textile and clothing	578	9,456	152	10,885
Leather and accessories	1,487	8,476	303	9,874
Electronic accessories	1,273	20,679	327	21,771
Printing, paper and packaging	252	9,285	—	—
Metals, chemicals and plastic	—	—	—	—
Sub-total	3,590	13,018	782	15,045
Phase Two				
Textile and clothing	—	—	4,068	13,753
Sub-total	—	—	4,068	13,753
Total/weighted average	3,590	13,018	4,850	13,961

Finance lease income. Finance lease income related to residential units in West Garden of Phase Two of China South City Shenzhen decreased substantially from approximately HK$403.2 million in the fiscal year ended March 31, 2008 to approximately HK$9.9 million in the fiscal year ended March 31, 2009. The decrease reflected that we leased 1,191 units, or 73.2% of all available units in terms of GFA, in the fiscal year ended March 31, 2008, compared to 20 units, or approximately 1.2% of all available units in terms of GFA, in the fiscal year ended March 31, 2009. The decrease was also due in part to our decision to set aside the majority of remaining West Garden units for Phase Two trade center purchasers and tenants. As of March 31, 2009, approximately 74.4% of the West Garden units had been leased out under finance lease arrangements. Since February 2008, when we commenced delivery of the West Garden residential units to tenants for occupation, we have recognized the lease payments received from the tenants of the units as finance lease income. For more information on the West Garden finance lease arrangements, please see "— Critical Accounting Policies — Revenue Recognition."

For the fiscal year ended March 31, 2009, GFA leased for West Garden was approximately 1,570 square meters and we leased 20 units in West Garden. The average lease price for West Garden for the fiscal year ended March 31, 2009 was HK$6,325 per square meter.

Rental income. Rental income increased by approximately HK$22.7 million, or 29.3%, from approximately HK$77.5 million in the fiscal year ended March 31, 2008 to approximately HK$100.2 million in the fiscal year ended March 31, 2009. The increase was primarily due to increases in average rental occupancy rate and average effective rental rate of the Phase One trade centers of China South City Shenzhen during fiscal year 2009 as compared to fiscal year 2008.

As of March 31, 2009, the average rental occupancy rate of the Phase One trade centers of China South City Shenzhen increased by approximately 1.7%, from 77.5% as of March 31, 2008 to approximately 79.2%. However, the average rental occupancy rate of the Phase One trade centers of China South City Shenzhen increased by approximately 7.5%, from 77.5% as of March 31, 2008 to approximately 85.0% as of September 2008. The increase in the average rental occupancy rate during the first half of fiscal year 2008 was primarily due to the continued enhancement of our brand recognition due to the successful implementation of our promotional and marketing strategies and the increase in market demand for the comprehensive range of trade, logistics and supporting services offered at China South City Shenzhen. This increase in rental occupancy rate was slowed by the decrease in rental occupancy rate during the second half of the year and fell to 79.2% as of March 31, 2009 due to the deterioration of local economic conditions in Shenzhen resulting from the current financial market and economic crisis.

The average effective rental rate of the Phase One trade centers of China South City Shenzhen decreased by 4.1%, from RMB24.2 per square meter as of March 31, 2008 to RMB23.2 per square meter as of March 31, 2009. However, during the fiscal year ended March 31, 2009, average effective rental rates increased, primarily due to an increase in rental rates generally in the first half of fiscal year 2009. The increase in average effective rental rates during the year was partially offset by a decrease in average effective rental rates in the second half of fiscal year 2009, primarily due to a two-month rent-free discount program introduced by us in December 2008. This offer was made in response to the current economic crisis.

The following table sets forth information regarding the revenue from rental income, which is defined as total rental income, as adjusted to amortize the effect of any discounts and rent-free periods offered to tenants over the lease periods for such leases, for Phase One of China South City Shenzhen for the fiscal years ended March 31, 2008 and 2009.

	Fiscal Year Ended March 31,	
	2008	2009
Property	Rental Income	
	(HK$ in thousands)	
Phase One Trade Centers		
Textile and clothing	18,240	19,544
Leather and accessories	24,591	26,038
Electronic accessories	3,567	4,960
Printing, paper and packaging	4,298	7,208
Metals, chemicals and plastic	12,835	13,101
Sub-total	63,531	70,851
Supporting Facilities		
Warehouse facilities	4,714	11,138
Supporting commercial facilities	4,917	10,046
Others(1)	4,289	8,132
Sub-total	13,920	29,316
Total	77,451	100,167

(1) Others consists of rental income from temporary units, motor vehicle leases and rental of other properties located in Shenzhen.

The following table sets forth information regarding leased GFA and rental occupancy rates in Phase One of China South City Shenzhen as of March 31, 2008 and 2009.

	As of March 31,			
	2008		2009	
Property	Leased GFA	Rental Occupancy Rate	Leased GFA	Rental Occupancy Rate
	(square meters)		(square meters)	
Phase One Trade Centers				
Textile and clothing	59,861	73.8%	55,501	68.4%
Leather and accessories	71,386	90.9%	71,323	90.4%
Electronic accessories	26,324	61.3%	27,626	64.3%
Printing, paper and packaging	33,542	71.5%	42,269	90.4%
Metals, chemicals and plastics	55,362	81.0%	55,087	81.0%
Sub-total/weighted average	246,475	77.5%	251,806	79.2%
Supporting Facilities				
Warehouse facilities	35,000	100%	40,726	58.4%
Supporting commercial facilities	14,151	63.3%	13,450	60.1%
Sub-total/weighted average	49,151	85.7%	54,176	58.8%
Total	295,626	78.8%	305,982	74.7%

We did not have any rental income attributable to Phase Two trade centers in fiscal years 2008 and 2009.

Hotel income. Hotel income from the Grand City Hotel (Shenzhen), a wholly owned subsidiary since July 27, 2007, increased by approximately HK$5.9 million, or 30.2%, from approximately HK$19.6 million in the fiscal year ended March 31, 2008 to approximately HK$25.5 million in the fiscal year ended March 31, 2009. The increase was primarily due to receiving hotel income for a full fiscal year, compared to the fiscal year ended March 31, 2008 when hotel income was recognized for only eight months.

Property management service income. Property management service income increased by approximately HK$6.2 million, or 43.2%, from approximately HK$14.3 million in the fiscal year ended March 31, 2008 to approximately HK$20.4 million in the fiscal year ended March 31, 2009. The increase was primarily due to higher average occupancy rates for our Phase One trade centers for the fiscal year ended March 31, 2009 compared to the fiscal year ended March 31, 2008 and the additional income earned in the fiscal year ended March 31, 2009 due to the occupation by tenants of West Garden after the completion of the West Garden residential facility in February 2008.

Other fee income. Other fee income decreased by approximately HK$1.0 million, or 61.3%, from HK$1.6 million in the fiscal year ended March 31, 2008 to HK$0.6 million in the fiscal year ended March 31, 2009 due to a decrease in revenues from our advertisement services and the lease of our exhibition facilities.

Cost of Sales

Cost of sales decreased by approximately HK$132.3 million, or 46.3%, from approximately HK$286.0 million in the fiscal year ended March 31, 2008 to approximately HK$153.6 million in the fiscal year ended March 31, 2009.

Cost of properties sold. Cost of properties sold increased by approximately HK$13.7 million, or 178.8%, from approximately HK$7.7 million in the fiscal year ended March 31, 2008 to approximately HK$21.3 million in the fiscal year ended March 31, 2009. The increase in cost of properties sold was primarily due to (1) the higher per unit construction costs for the Phase Two textile and clothing trade center of China South City Shenzhen, which is a large-scale shopping mall complex fully equipped with escalators, air-conditioning and other amenities, as compared to Phase One trade centers, and (2) the increase in the GFA of properties sold.

Cost of properties under finance leases. Cost of properties under finance leases decreased by approximately HK$212.6 million, or 97.7%, from approximately HK$217.6 million in the fiscal year ended March 31, 2008 to approximately HK$5.0 million in the fiscal year ended March 31, 2009. The decrease in cost of properties under finance leases was primarily due to a decrease in new finance leases for residential units in West Garden. Cost of properties under finance leases is recognized upon the delivery of West Garden residential units to tenants for occupation which began in February 2008.

Cost of services provided. Cost of services provided increased by approximately HK$66.6 million, or 109.8%, from approximately HK$60.7 million in the fiscal year ended March 31, 2008 to approximately HK$127.3 million in the fiscal year ended March 31, 2009. The increase in cost of services provided was primarily due to an increase in rental expenses of approximately HK$48.3 million incurred for leasing trade center units pursuant to our leasing agreements with the purchasers of the trade center units and an increase of HK$5.5 million in depreciation of fixed assets primarily due to the depreciation of hotel assets for a full year as compared to eight months in the fiscal year ended March 31, 2008.

Gross Profit

As a result of the foregoing, gross profit decreased by approximately HK$206.1 million, or 74.4%, from approximately HK$276.9 million in the fiscal year ended March 31, 2008 to approximately HK$70.8 million in the fiscal year ended March 31, 2009. Gross profit margin, or gross profit as a percentage of total revenue, decreased from 49.2% in the fiscal year ended March 31, 2008 to 31.5% in the fiscal year ended March 31, 2009. The decrease in gross profit margin was primarily due to the following factors:

- *Sales income.* The gross profit margin for property sales income decreased from approximately 83.6% in fiscal year 2008 to approximately 68.5% in fiscal year 2009. This decrease was primarily due to the higher costs associated with the construction of our Phase Two textile and clothing trade center, which is fully equipped with escalators, air-conditioning and other amenities.

- *Finance lease income.* The gross profit margin for finance lease income increased from approximately 46.0% in fiscal year 2008 to approximately 49.5% in fiscal year 2009. This increase was primarily due to an increase in the price of our West Garden residential units. However, due to the reduction of finance lease income as a percentage of total revenue from approximately 71.6% in fiscal year 2008 to approximately 4.4% in fiscal year 2009, this increase had a limited impact on our overall gross profit margin.

- *Rental income.* The gross profit margin for rental income decreased from approximately 72.5% in fiscal year 2008 to approximately 30.5% in fiscal year 2009. This decrease was primarily due to an increase in rental expenses incurred for a full year in fiscal year 2009, as compared to four months in fiscal year 2008, for the lease of trade center units pursuant to leasing arrangements which commenced in December 2007. Due to the increase of rental income as a percentage of total revenue from approximately 13.8% in fiscal year 2008 to approximately 44.6% in fiscal year 2009, this decrease had a larger impact on our overall gross profit margin.

Other Income

Other income decreased by approximately HK$2.6 million, or 12.1%, from approximately HK$21.7 million in the fiscal year ended March 31, 2008 to approximately HK$19.1 million in the fiscal year ended March 31, 2009. The decrease in other income was primarily due to a decrease in penalty income arising from late payments to the cooperation fund as a result of the expiration of cooperation agreements. This decrease was partially offset by an increase in loan interest income from entrusted loans to West Garden tenants as a result of receiving this income for a full year as compared to one month in the fiscal year ended March 31, 2008 and an increase in bank interest income as a result of more cash on deposit for most of fiscal year 2009.

Change in Fair Value of Investment Properties

The change in fair value of investment properties was approximately HK$670.9 million in the fiscal year ended March 31, 2008 compared to approximately HK$1.15 billion in the fiscal year ended March 31, 2009. The change in fair value of investment properties in the fiscal year ended March 31, 2009 related to the recognition of the fair value of the China South City Shenzhen Phase Two textile and clothing trade center, after deduction of construction cost, as income of HK$2.25 billion following the completion of its construction in March 2009. This change was partially offset by a decrease in the fair value of our China South City Shenzhen Phase One trade centers and business centers by approximately 23.7% as compared to March 31, 2008. The fair value of our China South City Shenzhen Phase One trade centers and business centers decreased by HK$1,055.3 million and HK$39.6 million, respectively.

Selling and Distribution Costs

Selling and distribution costs increased by approximately HK$44.3 million, or 97.8%, from approximately HK$45.3 million in the fiscal year ended March 31, 2008 to approximately HK$89.5 million in the fiscal year ended March 31, 2009. The increase in selling and distribution costs was primarily due to an increase in advertising and promotional expenses of HK$37.0 million, or 159.5%, from HK$23.2 million in the fiscal year ended March 31, 2008 to HK$60.2 million in the fiscal year ended March 31, 2009, primarily related to advertising and promotional activities for Phase Two of China South City Shenzhen.

Administrative Expenses

Administrative expenses decreased by approximately HK$8.3 million, or 7.0%, from approximately HK$117.5 million in the fiscal year ended March 31, 2008 to approximately HK$109.2 million in the fiscal year ended March 31, 2009. The decrease in administrative expenses was primarily due to a decrease in expenses related to employee share option benefits as a result of the extension of the amortization period for the share options. Expenses related to employee share option benefits decreased by approximately HK$32.9 million, or 83.3%, from approximately HK$39.5 million in the fiscal year ended March 31, 2008 to approximately HK$6.6 million in the fiscal year ended March 31, 2009. The decrease was partially offset by an increase in staff remuneration costs of HK$6.2 million, due primarily to an increase in the number of experienced senior personnel who command higher salaries and the levy of property taxes and land-use tax of HK$5.8 million and HK$4.5 million, respectively. The increase in property taxes is due to the expiration of a five-year exemption granted by the local tax authority.

Fair Value Change in Embedded Derivative Financial Instruments

For the fiscal year ended March 31, 2009, as a result of entering into the Note Amendment Agreement in March 2008 with the Noteholders and Existing Shareholders to remove the conversion feature of the Notes, we did not record any expenses based on the fair value change of the embedded option of the Notes.

Other Expenses

Other expenses increased by approximately HK$5.3 million, or 66.7%, from approximately HK$7.9 million in the fiscal year ended March 31, 2008 to approximately HK$13.2 million in the fiscal year ended March 31, 2009. The increase in other expenses was primarily due to an increase in bad debt provision of approximately HK$3.6 million, from approximately HK$0.7 million in the fiscal year ended March 31, 2008 to approximately HK$4.3 million in the fiscal year ended March 31, 2009 primarily due to an increase in unrecoverable accounts receivable as a result of an increase in the early termination of Phase One trade center lease agreements resulting from the current financial and economic downturn. The increase in other expenses was also due to an increase in charitable contributions of approximately HK$3.4 million, from approximately HK$1.4 million in the fiscal year ended March 31, 2008 to approximately HK$4.8 million in the fiscal year ended March 31, 2009.

Finance Costs

Finance costs increased by approximately HK$5.9 million, or 610.8%, from approximately HK$1.0 million in the fiscal year ended March 31, 2008 to approximately HK$6.8 million in the fiscal year ended March 31, 2009 primarily due to interest on bank loans obtained for general working capital purposes.

Share of Profits and Losses of Jointly Controlled Entities

Share of profits of jointly controlled entities was approximately HK$1.1 million in the fiscal year ended March 31, 2009 compared to HK$0.5 million in the fiscal year ended March 31, 2008. This increase was primarily due to increased profits from China South National Express Logistics (Shenzhen) Co., Ltd. as a result of increased demand and operation of a new warehouse in China South City Shenzhen.

Share of Results of an Associate

Share of losses of an associate remained at approximately HK$0.3 million in the fiscal year ended March 31, 2009.

Profit Before Tax

As a result of the foregoing, profit before tax increased by approximately HK$228.8 million, or 28.7%, from approximately HK$796.9 million in the fiscal year ended March 31, 2008 to approximately HK$1.03 billion in the fiscal year ended March 31, 2009.

Taxation

Income taxes increased by approximately HK$30.4 million, or 12.6%, from income taxes of approximately HK$241.7 million in the fiscal year ended March 31, 2008 to approximately HK$272.2 million in the fiscal year ended March 31, 2009. This increase was due primarily to the increase in the revaluation gain of our investment properties which was partially offset by the decrease in deferred tax expense arising from profit generated by West Garden finance lease arrangements of HK$51.7 million and the utilization of operation expenses of 2009 which led to a deduction of current tax expense of approximately HK$29.2 million.

Profit for the Year

Profit for the year increased by approximately HK$198.5 million, or 35.7%, from approximately HK$555.1 million in the fiscal year ended March 31, 2008 to approximately HK$753.6 million in the fiscal year ended March 31, 2009, as a result of the cumulative effect of the factors discussed above.

Minority Interests

Losses attributable to minority interests decreased by approximately HK$0.5 million, from approximately HK$1.0 million in the fiscal year ended March 31, 2008 to approximately HK$0.5 million in the fiscal year ended March 31, 2009, as a result of a decrease in losses incurred by certain of our non-wholly owned subsidiaries.

Profit Attributable to Equity Holders of the Parent

Profit attributable to equity holders of the parent increased by approximately HK$198.0 million, or 35.6%, from approximately HK$556.1 million in the fiscal year ended March 31, 2008 to approximately HK$754.0 million in the fiscal year ended March 31, 2009, as a result of the cumulative effect of the factors discussed above.

Fiscal Year Ended March 31, 2008 Compared with Fiscal Year Ended March 31, 2007

Revenue

Revenues increased by approximately HK$426.8 million, or 313.6%, from approximately HK$136.1 million in the fiscal year ended March 31, 2007 to approximately HK$562.9 million in the fiscal year ended March 31, 2008. The increase was primarily due to finance lease income for residential units in West Garden, for which we commenced delivery in February 2008.

Sale of properties. Revenue from sale of properties decreased by approximately HK$36.3 million, or 43.7%, from approximately HK$83.1 million in the fiscal year ended March 31, 2007 to approximately HK$46.8 million in the fiscal year ended March 31, 2008. The decrease was due in part to our decision to make fewer trade center units available for sale in Phase One of China South City Shenzhen for the fiscal year ended March 31, 2008.

GFA sold decreased by approximately 9,700 square meters, or 72.9%, from approximately 13,300 square meters in the fiscal year ended March 31, 2007 to approximately 3,600 square meters in the fiscal year ended March 31, 2008. The decrease in GFA and number of units sold was partially offset by increases in average sales prices. Average sales prices increased by HK$6,761, or 108.1%, from HK$6,257 per square meter in the fiscal year ended March 31, 2007 to HK$13,018 per square meter in the fiscal year ended March 31, 2008.

The following table sets forth information regarding GFA and average sales prices of trade center units in Phase One of China South City Shenzhen sold in the fiscal years ended March 31, 2007 and 2008.

	Fiscal Year Ended March 31,			
	2007		**2008**	
Trade Center	**GFA Sold**	**Average Sales Price**	**GFA Sold**	**Average Sales Price**
	(square meters)	**(HK$/square meter)**	**(square meters)**	**(HK$/square meter)**
Textile and clothing	1,560	5,175	578	9,456
Leather and accessories	5,857	6,913	1,487	8,476
Electronic accessories	—	—	1,273	20,679
Printing, paper and packaging	1,729	5,252	252	9,285
Metals, chemicals and plastic	4,135	6,098	—	—
Total/weighted average	13,281	6,257	3,590	13,018

Finance lease income. Finance lease income related to residential units in West Garden of Phase Two of China South City Shenzhen was approximately HK$403.2 million in the fiscal year ended March 31, 2008 compared to zero in the fiscal year ended March 31, 2007.

For the fiscal year ended March 31, 2008 GFA leased for West Garden was approximately 80,000 square meters and we leased 1,191 units in West Garden. The average lease price for West Garden for the fiscal year ended March 31, 2008 was HK$5,048 per square meter.

Rental income. Rental income increased by approximately HK$37.5 million, or 93.8%, from approximately HK$40.0 million in the fiscal year ended March 31, 2007 to approximately HK$77.5 million in the fiscal year ended March 31, 2008. The increase was primarily due to higher occupancy rates and effective rental rates and the elimination of a downward adjustment in our calculation of effective rental income under an incentive policy that took effect during the fiscal year ended March 31, 2007. Under an incentive policy we introduced in September 2006, we offered discounts on rental rates to tenants who paid the remainder of their three-year lease terms in advance, which reduced the effective rental income we recorded in the fiscal year ended March 31, 2007.

The weighted average rental occupancy rate for our trade centers increased from 71.7% as of March 31, 2007 to 77.5% as of March 31, 2008, and the weighted average monthly effective rental rate increased in our trade centers from RMB19.6 per square meter as of March 31, 2007 to RMB24.2 per square meter per month as of March 31, 2008. The increases in rental occupancy rate and effective rental rate were partially offset by a decrease in leased GFA. The leased GFA in our trade centers decreased by approximately 6,902 square meters, or 2.7%, from approximately 253,377 square meters as of March 31, 2007, to approximately 246,475 square meters as of March 31, 2008. Although rental occupancy rates increased due to higher demand and effective rental rates increased since we raised rental prices in November 2007, leased GFA decreased due to increased self-use by purchasers of the trade center units.

The following table sets forth information regarding the revenue from rental income in Phase One of China South City Shenzhen for the fiscal years ended March 31, 2007 and 2008.

Property	Fiscal Year Ended March 31, 2007 Rental Income[1]	Fiscal Year Ended March 31, 2008 Rental Income[1]
	(HK$ in thousands)	
Trade Centers		
Textile and clothing	14,006	18,240
Leather and accessories	10,973	24,591
Electronic accessories	836	3,567
Printing, paper and packaging	2,226	4,298
Metals, chemicals and plastic	4,735	12,835
Sub-total	32,776	63,531
Supporting Facilities		
Warehouse facilities	1,925	4,714
Supporting commercial facilities	2,346	4,917
Others[2]	2,912	4,289
Sub-total	7,183	13,920
Total	39,959	77,451

(1) Represents effective rental income, which is defined as total rental income, as adjusted to amortize the effect of any discounts and rent-free periods offered to tenants over the lease periods for such leases.

(2) Others consists of rental income from temporary units, motor vehicle leases and rental of other properties located in Shenzhen.

The following table sets forth information regarding leased GFA and rental occupancy rates in Phase One of China South City Shenzhen as of March 31, 2007 and 2008.

Property	2007 Leased GFA	2007 Rental Occupancy Rate	2008 Leased GFA	2008 Rental Occupancy Rate
	(square meters)		(square meters)	
Trade Centers				
Textile and clothing	83,977	90.4%	59,861	73.8%
Leather and accessories	84,078	93.3%	71,386	90.9%
Electronic accessories	13,034	30.1%	26,324	61.3%
Printing, paper and packaging	18,462	38.3%	33,542	71.5%
Metals, chemicals and plastic	53,826	68.2%	55,362	81.0%
Sub-total/weighted average	253,377	71.7%	246,475	77.5%
Supporting Facilities				
Warehouse facilities	28,091	80.3%	35,000	100%
Supporting commercial facilities	13,313	59.5%	14,151	63.3%
Sub-total	41,404	72.2%	49,151	85.7%
Total/weighted average	294,781	71.8%	295,626	78.8%

Hotel income. Hotel income from the Grand City Hotel (Shenzhen), a wholly owned subsidiary since July 27, 2007, was HK$19.6 million in the fiscal year ended March 31, 2008.

Property management service income. Property management service income increased by approximately HK$3.0 million, or 26.7%, from approximately HK$11.3 million in the fiscal year ended March 31, 2007 to approximately HK$14.3 million in the fiscal year ended March 31, 2008. The increase was primarily due to greater demand for services such as cleaning and security arising from higher occupancy rates as of March 31, 2008 compared to occupancy rates as of March 31, 2007.

Other fee income. Other fee income decreased by approximately HK$0.1 million, or 7.4%, from HK$1.8 million in the fiscal year ended March 31, 2007 to HK$1.6 million in the fiscal year ended March 31, 2008 due to a decrease in revenues from our advertisement services and the lease of our exhibition facilities.

Cost of Sales

Cost of sales increased by approximately HK$247.5 million, or 642.9%, from approximately HK$38.5 million in the fiscal year ended March 31, 2007 to approximately HK$286.0 million in the fiscal year ended March 31, 2008. The increase was due primarily to an increase in cost of properties under finance leases.

Cost of properties sold. Cost of properties sold decreased by approximately HK$21.7 million, or 73.9%, from approximately HK$29.3 million in the fiscal year ended March 31, 2007 to approximately HK$7.7 million in the fiscal year ended March 31, 2008. The decrease in cost of properties sold was primarily due to lower sales based on our decision to reduce saleable GFA during the period from approximately 13,300 square meters to 3,600 square meters in keeping with our strategy to hold trade center units for future property price appreciation.

Cost of properties under finance leases. Cost of properties under finance leases was approximately HK$217.6 million in the fiscal year ended March 31, 2008. This amount is recognized upon the delivery of West Garden residential units to tenants for occupation which began in February 2008.

Cost of services provided. Cost of services provided increased by approximately HK$51.5 million, or 559.4%, from approximately HK$9.2 million in the fiscal year ended March 31, 2007 to approximately HK$60.7 million in the fiscal year ended March 31, 2008. The increase in cost of services provided was due to rental expenses of approximately HK$21.3 million incurred for leasing units from certain purchasers of trade center units pursuant to our leasing agreements with the purchasers to lease their units to third parties and operating expenses of HK$26.0 million for the hotel operated by Grand City Hotel (Shenzhen), which became a wholly owned subsidiary in July 2007. Cost of services provided for the fiscal year ended March 31, 2008 also increased due to higher occupancy rates, leading to greater demand for security, cleaning and maintenance services.

Gross Profit

As a result of the foregoing, gross profit increased by approximately HK$179.3 million, or 183.7%, from approximately HK$97.6 million in the fiscal year ended March 31, 2007 to approximately HK$276.9 million in the fiscal year ended March 31, 2008. Gross profit margin, or gross profit as a percentage of total revenue, decreased from 71.7% in the fiscal year ended March 31, 2007 to 49.2% in the fiscal year ended March 31, 2008. The decrease in gross profit margin was primarily due to the following factors:

- *Sales income.* The gross profit margin for property sales income increased from approximately 64.7% in fiscal year 2007 to approximately 83.6% in fiscal year 2008. This increase was primarily due to an increase in the selling price of our Phase One trade center units due to the improved market position of China South City Shenzhen.

- *Finance lease income.* The gross profit margin for finance lease income in fiscal year 2008 was approximately 46.0%. We first recognized finance lease income in fiscal year 2008, following the completion of construction of our West Garden residential units in February 2008. Given finance lease income represented 71.6% of our total revenue in fiscal year 2008, this had a large impact on our overall gross profit margin.

- *Rental income.* The gross profit margin for rental income decreased from approximately 100.0% in fiscal year 2007 to approximately 72.5% in fiscal year 2008. This decrease was primarily due to rental expenses incurred for the lease of trade center units pursuant to leasing arrangements which commenced in December 2007.

Other Income

Other income increased by approximately HK$2.7 million, or 14.2%, from approximately HK$19.0 million in the fiscal year ended March 31, 2007 to approximately HK$21.7 million in the fiscal year ended March 31, 2008. The increase in other income was primarily due to an increase in penalty income resulting from fees collected for late payments made to the cooperation fund by certain purchasers of trade center units and fees charged to tenants for early termination of their leases.

Change in Fair Value of Investment Properties

The change in fair value of investment properties was approximately HK$601.1 million in the fiscal year ended March 31, 2007 compared to approximately HK$670.9 million in the fiscal year ended March 31, 2008. The change in fair value of investment properties in each of these periods related to Phase One of China South City Shenzhen. Of the change in fair value of HK$670.9 million in the fiscal year ended March 31, 2008, HK$659.4 million related to the recognition of the fair value of the Phase One trade centers, and HK$11.5 million related to an increase in the fair value of the Phase One business centers, of China South City Shenzhen. The change in fair value of investment properties in each of fiscal years 2007 and 2008 related to Phase One of China South City Shenzhen resulted from an increase in occupancy rates and rental rates for Phase One of China South City Shenzhen and rising property values in Shenzhen.

Selling and Distribution Costs

Selling and distribution costs increased by approximately HK$14.6 million, or 47.6%, from approximately HK$30.7 million in the fiscal year ended March 31, 2007 to approximately HK$45.3 million in the fiscal year ended March 31, 2008. The increase in selling and distribution costs was primarily due to the growth in our business, leading to increased expenses incurred for advertising, marketing and office expenses. Advertising expenses increased by HK$8.8 million, or 61.1%, from HK$14.4 million in the fiscal year ended March 31, 2007 to HK$23.2 million in the fiscal year ended March 31, 2008, primarily due to advertising and promotional activities for Phase Two of China South City Shenzhen and West Garden. In addition, we incurred higher wage costs and increases in headcount and the hiring of more experienced staff with larger compensation packages. We increased our selling and marketing personnel in the fiscal year ended March 31, 2008 to prepare for the expansion of our business in Phase Two of China South City Shenzhen and other projects planned for development. Staff remuneration costs increased by HK$3.5 million, or 56.5%, from HK$6.2 million in the fiscal year ended March 31, 2007 to HK$9.7 million in the fiscal year ended March 31, 2008 due to increased headcount in sales and marketing personnel.

Administrative Expenses

Administrative expenses increased by approximately HK$35.3 million, or 43.0%, from approximately HK$82.2 million in the fiscal year ended March 31, 2007 to approximately HK$117.5 million in the fiscal year ended March 31, 2008. The increase in administrative expenses was primarily due to increased staff remuneration costs and amortization expenses. Staff remuneration costs increased by HK$37.1 million, or 98.1%, from HK$37.8 million in the fiscal year ended March 31, 2007 to HK$74.9 million in the fiscal year ended March 31, 2008 due to an increase in personnel (excluding sales and distribution), in terms of headcount and larger compensation packages associated with the hiring of more experienced staff, and an increase in expenses related to employee share option benefits, which commenced in October 2006. Amortization costs increased by HK$4.6 million, or 67.7%, from HK$6.8 million in the fiscal year ended March 31, 2007 to HK$11.5 million in the fiscal year ended March 31, 2008 due primarily to hotel renovation and hotel furniture depreciation, and to a lesser extent, amortization of fixed assets.

Fair Value Change in Embedded Derivative Financial Instruments

For the fiscal year ended March 31, 2008, we recorded HK$1.2 million of expenses based on the fair value change of the embedded option of the Notes.

Other Expenses

Other expenses decreased by approximately HK$2.2 million, or 22.0%, from approximately HK$10.1 million in the fiscal year ended March 31, 2007 to approximately HK$7.9 million in the fiscal year ended March 31, 2008. The decrease in other expenses was primarily due to a decrease in impairment of interests in our jointly controlled entities, Grand City Hotel (Shenzhen) (until July 27, 2007 when it became a wholly owned subsidiary) and China South Royal Restaurant (Shenzhen), by approximately HK$3.1 million, from HK$8.7 million in the fiscal year ended March 31, 2007 to HK$5.6 million in the fiscal year ended March 31, 2008, partially offset by an increase in donations to charitable organizations of HK$0.8 million.

Finance Costs

Finance costs decreased to approximately HK$1.0 million in the fiscal year ended March 31, 2008 from approximately HK$7.6 million in the fiscal year ended March 31, 2007 because we were able to capitalize most of our interest payable. In the fiscal year ended March 31, 2008, we capitalized HK$137.7 million of HK$138.7 million of interest expense, or 99.3% of total interest expense, as part of construction costs, while we capitalized HK$35.2 million of HK$42.7 million of interest expense or 82.3% of total interest expense, in the fiscal year ended March 31, 2007.

Share of Profits and Losses of Jointly Controlled Entities

Share of profits of jointly controlled entities was approximately HK$0.5 million in the fiscal year ended March 31, 2008 compared to a loss of HK$9.8 million in our share of losses of jointly controlled entities in the fiscal year ended March 31, 2007. This increase was primarily due to the change in status of Grand City Hotel (Shenzhen) in July 2007 from a jointly controlled entity of the Group to a wholly owned subsidiary.

Share of Results of an Associate

Share of losses of an associate decreased by approximately HK$0.1 million, or 13.4%, from approximately HK$0.4 million in the fiscal year ended March 31, 2007 to HK$0.3 million in the fiscal year ended March 31, 2008.

Profit Before Tax

Profit before tax increased by approximately HK$220.0 million, or 38.1%, from approximately HK$576.9 million in the fiscal year ended March 31, 2007 to approximately HK$796.9 million in the fiscal year ended March 31, 2008, as a result of the cumulative effect of the factors discussed above.

Taxation

Income taxes decreased by approximately HK$161.4 million, or 40.0%, from approximately HK$403.1 million in the fiscal year ended March 31, 2007 to approximately HK$241.7 million in the fiscal year ended March 31, 2008. The decrease in income taxes for the fiscal year ended March 31, 2008 was primarily due to a decrease in the effect of changes in tax rates in the fiscal year ended March 31, 2008 compared to the fiscal year ended March 31, 2007. In the fiscal year ended March 31, 2007, we accrued deferred tax expenses arising from revaluation gains in investment properties of HK$305.2 million to take into account the change in PRC tax rates to 25% from 15%, in accordance with the new PRC Enterprise Income Tax Law. Instead of increasing our corporate tax rate gradually over five years as permitted under the new law, we adopted the full change in tax rates in the fiscal year ended March 31, 2007. In the fiscal year ended March 31, 2008, without the one-off effect of change in tax rate, the deferred tax expense arising from revaluation gains in investment properties decreased by HK$221.8 million, which was offset by the increase in deferred tax expense arising from revenue generated by West Garden.

Profit for the Year

Profit for the year increased by approximately HK$381.3 million, or 219.3%, from approximately HK$173.8 million in the fiscal year ended March 31, 2007 to approximately HK$555.1 million in the fiscal year ended March 31, 2008, as a result of the cumulative effect of the factors discussed above.

Minority Interests

Losses attributable to minority interests increased by approximately HK$0.5 million, from approximately HK$0.5 million in the fiscal year ended March 31, 2007 to approximately HK$1.0 million in the fiscal year ended March 31, 2008, as a result of increased losses incurred by certain of our non-wholly owned subsidiaries.

Profit Attributable to Equity Holders of the Parent

Profit attributable to equity holders of the parent increased by approximately HK$381.7 million, or 218.9%, from approximately HK$174.4 million in the fiscal year ended March 31, 2007 to approximately HK$556.1 million in the fiscal year ended March 31, 2008, as a result of the cumulative effect of the factors discussed above.

PAYMENTS MADE UNDER AGREEMENTS WITH CERTAIN PURCHASERS OF TRADE CENTER UNITS

China South City Shenzhen Phase One

We have entered into cooperation agreements with most purchasers of trade center units. Under these cooperation agreements, we are responsible for developing and promoting China South City Shenzhen and paying advertising and development expenses. In return, the purchaser agrees to assign to us the right to lease the trade center units to third parties for a period of one to three years. In the past, in order to secure the terms of the agreements with purchasers of Phase One trade center units, we received one-time deposits, above and in addition to the purchase price of these units, from the purchasers of these units. These amounts typically equal approximately 10.0% to 37.0% of the purchase price paid for the purchased units. These amounts were deposited into a cooperation fund held by China South International. We return this amount to the purchasers of the relevant trade center units in annual installments over the course of the term of the agreement. The majority of properties sold and related cooperation agreements were entered into from December 2004 through December 2005 and all of the properties sold and all the cooperation agreements related to Phase One of China South City Shenzhen. As a result, the cooperation deposits were highest during 2004 and 2005, and declined over time as fewer trade center units were sold and the amounts payable under the cooperation agreements decreased over time. The total amount of cooperation fund deposits received by us was RMB293.4 million (HK$332.7 million), which balance had been reduced to RMB6.9 million (HK$7.8 million) as of March 31, 2009. For a further description of our cooperation arrangement with purchasers of trade center units, please see "Business — Agreements with Certain Purchasers of Trade Center Units."

We had sold trade center units having a GFA of approximately 161,000 square meters subject to the cooperation agreements through March 31, 2009. The average selling price for the units subject to cooperation agreements was RMB5,391 (HK$6,104) per square meter, inclusive of sales tax, while the average selling price for the units not subject to cooperation agreements was RMB11,581 (HK$13,113) per square meter, inclusive of sales tax. We recognize the purchase price paid for the trade center units, which excludes the amount of the one-time cooperation fund payment, as sales revenue. Total revenue derived from the sale of the trade center units subject to cooperation agreements during the Track Record Period was RMB103.2 million (HK$116.9 million).

We include the one-time deposits held in the cooperation fund on our balance sheet as other payables, accruals and deposits received. As of March 31, 2007, 2008 and 2009, the current portions of the cooperation fund were HK$24.7 million, HK$18.0 million and HK$7.8 million, respectively. According to the terms of the remaining cooperation agreements entered into with purchasers, the cooperation fund of HK$7.8 million will be fully paid out to these purchasers by May 2010.

Within other payables, accruals and deposits received, we recognize the one-time deposits as co-operative deposits and long-term portion of co-operative deposits. Co-operative deposits are the portion of the cooperative payments received that are paid out as an annual installment to purchasers of trade center units during the 12 months immediately following the current balance sheet date. The "long-term portion of cooperative deposits" within other payables, accruals and deposits received is the remaining portion of the cooperative payments that are not to be paid until 12 months after the current balance sheet date. We also incurred total advertising and development expenses of HK$146.4 million during December 2004 through November 2007, the period in which the majority of cooperation agreements were in existence.

In addition to sales revenue from sales of the trade center units, under the cooperation agreements with trade center purchasers we are also able to receive rental income for the units sold subject to the cooperation agreements. We received rental income of RMB17.7 million (HK$17.4 million), RMB18.4 million (HK$19.3 million) and RMB0.3 million (HK$0.3 million) from the tenants in trade center units subject to the cooperation agreements in the fiscal years ended March 31, 2007, 2008 and 2009, respectively. With respect to these arrangements, during the course of the cooperation agreement, the return of the one-time deposits to the purchasers, which is made in annual installments, is recorded on the balance sheet as a reduction of other payables, accruals and deposits received and is not reflected in our income statement. The purchasers of the trade center units do not receive rental income during the term of the cooperation agreements. As a result, during the Track Record Period, we did not record any expenses in relation to the cooperation arrangement in our income statement.

Under subsequent three-year lease arrangements with purchasers of trade center units, we pay a fixed annual rental equal to approximately 8% of the original purchase price, minus tax and expenses paid by us, for the right to lease out the trade center units sold to these purchasers. The annual rental payments associated with these leasing agreements are recognized as cost of services provided in costs of sales. As a result, we record expenses in relation to the leasing agreements in our income statement. For the years ended March 31, 2008 and 2009, pursuant to leasing agreements entered into with certain purchasers of trade center units, we incurred expenses of RMB20.3 million (HK$21.2 million) and RMB60.9 million (HK$69.0 million), respectively, for leasing units and recognized rental income of RMB9.8 million (HK$10.3 million) and RMB31.1 million (HK$35.2 million), respectively, from trade center units subject to the leasing agreements. Depending upon market conditions, the amounts of the annual rental we pay to purchasers of trade center units may not always equal to the amounts of rental income we receive from renting out the trade center units. Prior to the expiration of these lease arrangements, we may negotiate subsequent lease arrangements with trade unit purchasers, depending on market conditions and the development of the trade centers of China South City Shenzhen. As of March

31, 2007, 2008 and 2009, we had leased 139,000 square meters, 112,000 square meters and 107,000 square meters of our trade center units under the cooperation agreements and leasing agreements, or 39.4%, 35.1% and 33.6%, of total leaseable area of trade center units. The respective rental income received represented 43.7%, 38.2% and 35.5% of total rental income for the fiscal years ended March 31, 2007, 2008 and 2009, respectively.

We account for the lease arrangements as operating leases under Hong Kong accounting standards because the lease agreements entered into by us and certain purchasers of trade center units specify the lease term and the payment to the purchasers for the right to use the trade center units. We recognize the lease payments paid to the purchasers under the lease arrangements as an expense on a straight line basis over the lease term according to Hong Kong accounting standards.

China South City Shenzhen Phase Two

Purchasers of Phase Two trade center units may either enter into purchase agreements for self-use or that provide for a cooperation arrangement with us. Under the purchase agreements for self-use, the purchasers agree to open their units for business at least 300 days per year and are required to pay a deposit to secure their compliance with this provision. Under the purchase agreements subject to cooperation arrangements entered into with certain purchasers, purchasers grant us the right to lease their trade center units to third parties for a period of one to three years and to receive all rental income from these leases. In return, we agree to offer these purchasers an additional discount of approximately 2% on the purchase price of the trade center units. We do not require purchasers of Phase Two trade center units to pay any deposit for the cooperation arrangements.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to pay for construction costs, land costs (principally the payment of land grant fees), infrastructure costs, and consulting fees paid to architects and designers, as well as to service our indebtedness and fund working capital and normal recurring expenses. For the fiscal years ended March 31, 2007, 2008 and 2009, we have financed our operations primarily through internally generated funds, bank borrowings, offerings of the Notes and loans from our shareholders. We expect to have sufficient sources of funds within the 12 months following the Listing Date to support our current operations, as well as finance ongoing and future projects. For the first six months following the Listing Date, these sources are expected to include: (1) rental and sales revenues from China South City Shenzhen, including sales revenues from newly completed trade center units and finance lease income from West Garden residential units in Phase Two of China South City Shenzhen; (2) the proceeds of the Global Offering; and (3) debt financing arrangements with banks, including project financing and working capital facilities. Following the expiration of the expected lock-up arrangements that will be applicable to the Global Offering, our sources of funds may also include additional offerings of debt and equity securities. In addition, once new projects are completed, our sources of funds would also include rental and sales revenues from these new projects. Please see "— Capital Expenditures" for additional information regarding the sources of funds for our future projects.

Working Capital

Our current assets consist of properties held for finance lease, properties held for sale, trade receivables, prepayments, deposits and other receivables and cash and cash equivalents. Our current liabilities primarily consist of other payables, accruals and deposits received, interest-bearing bank borrowings, bills payable, which primarily consists of the cost of equipment relating to construction of our projects, and tax payable.

As of March 31, 2007, we had net current liabilities, representing the amount by which our current liabilities exceeded our current assets, of HK$13.3 million. In comparison, as of March 31, 2008, we had net current assets, representing the amount by which our current assets exceeded our current liabilities, of HK$595.9 million. As of March 31, 2009, we had net current liabilities of HK$642.3 million. The fluctuation in our working capital position during the Track Record Period primarily reflected changes in cash provided by and used in operating, investing and financing activities, when development of our trade centers, supporting commercial facilities, warehouse facilities and other facilities in China South City Shenzhen were completed and changes in the amount of construction fee payables and bank borrowings related to the development of China South City Shenzhen.

The change in our working capital position from a net current liability position as of March 31, 2007 to a net current asset position as of March 31, 2008 was primarily due to an increase in our cash and cash equivalents primarily as a result of the issuance of the Notes, which were included in our balance sheet as long-term indebtedness, partially offset by increases in construction fee and retention payables, receipts in advance and other payables related to the construction and development of China South City Shenzhen, as well as increases in the current portion of long-term bank borrowings.

The change in our working capital position from a net current asset position as of March 31, 2008 to a net current liability position as of March 31, 2009 was primarily due to increased capital expenditures associated with the construction and development of Phase Two of China South City Shenzhen, which resulted in a reduction of our cash and cash equivalents. In addition, we had increases in construction fee and retention payables, receipts in advance and bills payable, primarily with respect to Phase Two of China South City Shenzhen. A portion of the receipts in advance, in the amount of HK$243.5 million, was received in connection with the sales and leasing of Phase One and Phase Two properties at China South City Shenzhen, which, although currently treated as current liabilities, will be recorded as income when the sales and leasing transactions are completed. Excluding these receipts in advance, our net current liabilities were HK$398.8 million as of March 31, 2009. A portion of the bills payable was repaid subsequent to March 31, 2009, however, we expect to continue to have bills payable in the ordinary course of our business for the settlement of equipment costs relating to construction.

As of July 31, 2009, our net current liabilities were HK$190.6 million. As of such date, our current assets primarily comprised properties held for finance lease of HK$100.8 million, properties held for sale of HK$427.2 million and cash and cash equivalents of HK$1.45 billion. Our current liabilities primarily comprised other payables, accruals and deposits received of HK$838.5 million and interest-bearing bank borrowings and bills payable of HK$1.38 billion. Subsequent to March 31, 2009, the Group obtained approximately RMB3.39 billion (HK$3.85 billion) in new banking facilities from local banks. The new banking facilities are primarily intended for the development of Phase Two of China

South City Shenzhen as well as working capital. As of July 31, 2009, the Group had drawn down RMB1.57 billion from these new banking facilities. We believe that the Group has sufficient liquidity to support its future development.

Based on the unaudited management accounts of our Group, as of July 31, 2009, we had net current liabilities as set forth in the following table:

	As of July 31, 2009
	(unaudited) (HK$ in thousands)
Current assets	
Properties held for finance lease	100,815
Properties held for sale	427,211
Trade receivables	79,671
Prepayments, deposits and other receivables	82,281
Cash and cash equivalents	1,450,473
	2,140,451
Current liabilities	
Other payables, accruals and deposits received	838,461
Interest-bearing bank borrowings	1,247,934
Bills payable	134,449
Tax payable	110,253
	2,331,097
Net current liabilities	190,646

Cash Flows

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

	Fiscal Year Ended March 31,		
	2007	2008	2009
	(HK$ in thousands)		
Cash flows provided by (used in) operating activities	(80,810)	308,989	71,847
Cash flows used in investing activities	(125,602)	(524,794)	(1,087,445)
Cash provided by financing activities	361,244	1,079,863	11,394
Net increase/(decrease) in cash and cash equivalents	154,832	864,058	(1,004,204)
Effect of foreign exchange rate changes on cash and cash equivalents	5,351	72,717	21,390
Cash and cash equivalents at beginning of year	131,940	292,123	1,228,898
Cash and cash equivalents at end of year	292,123	1,228,898	246,084

Restriction on Cash Transfers from our Subsidiaries

Certain of our loan agreements for our bank borrowings and the terms and conditions of the Notes restrict the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances. For more information on our bank borrowings and the Notes, please see "— Indebtedness and Contingent Liabilities." For a discussion of legal restrictions on the ability of our subsidiaries in China to transfer funds to us in the form of cash dividends, loans or advances, please see "Regulation —

Regulation of Foreign Currency Exchange and Dividend Distribution." Such restrictions have not historically had, and are not expected in the future to have, a material impact on our ability to meet our cash obligations.

Cash Flow Used in Operating Activities

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

In the fiscal year ended March 31, 2009, net cash provided by operating activities was HK$71.8 million, which consisted of operating cash outflow before working capital of HK$74.2 million, and working capital cash inflow of HK$146.0 million. Working capital changes primarily reflected a positive change resulting from an increase in other payables, accruals and deposits received of HK$127.6 million, a decrease in properties held for sale of HK$20.9 million and a decrease in finance lease receivables of HK$10.7 million, partially offset by negative changes resulting from an increase in trade receivables of HK$18.6 million. The increase in other payables, accruals and deposits received was attributable to receipts in advance for sale of properties and leasing of properties of Phase One and Phase Two China South City Shenzhen. The decrease in properties held for sale was attributable to the decrease in Phase One and Phase Two trade center units available for sale. The increase in trade receivables was attributable to the sales of Phase Two trade centers.

In the fiscal year ended March 31, 2008, net cash provided by operating activities was HK$309.0 million, which consisted of operating profit before working capital changes of HK$203.6 million, and working capital cash inflow of HK$105.4 million. Working capital changes primarily reflected a positive change resulting from a decrease in properties held for finance lease of HK$231.5 million, partially offset by negative changes resulting from an increase in finance lease receivables of HK$75.0 million and an increase in prepayments, deposits and other receivables of HK$56.8 million. The decrease in properties held for finance lease was attributable to the finance lease income recognized for the West Garden residential units leased during fiscal year 2008. The increase in finance lease receivables was attributable to the portion of rental payments for West Garden that we had yet to receive from tenants. The increase in prepayments, deposits and other receivables was attributable to an increase in prepaid advertising fees associated with promoting Phase Two of China South City Shenzhen.

In the fiscal year ended March 31, 2007, net cash used in operating activities was HK$80.8 million, which consisted of operating profit before working capital changes of HK$30.6 million, offset by working capital cash outflow of HK$111.4 million. Working capital changes primarily reflected a negative change resulting from a decrease in other payables, accruals and deposits received of HK$114.4 million partially offset by a positive change resulting from a decrease in properties held for sale of HK$27.1 million. The decrease in other payables, accruals and deposits received was primarily attributable to the decrease in co-operative deposits and long-term portion of co-operative deposits related to the cooperation fund in fiscal year 2007, as well as a decrease in rental deposits. The decrease in properties held for sale was attributable to the cost of sales recognized for the trade center units sold during fiscal year 2007.

Cash Flow Used in Investing Activities

Our principal investment activity is the development of integrated logistics and trade center projects. In fiscal years 2007, 2008 and 2009 we experienced net cash outflows from our investing activities.

In the fiscal year ended March 31, 2009, net cash used in investing activities was HK$1.09 billion, which primarily consisted of a cash outflow of HK$1,104.6 million for the development of Phase Two of China South City Shenzhen.

In the fiscal year ended March 31, 2008, net cash used in investing activities was HK$524.8 million, which primarily consisted of a cash outflow of HK$600.4 million for the development of Phase Two of China South City Shenzhen, partially offset by cash inflows of HK$36.2 million for net advances from jointly-controlled entities and HK$11.2 million from capital contributions to subsidiaries from minority shareholders.

In the year ended March 31, 2007, net cash used in investing activities was HK$125.6 million, which primarily consisted of a cash outflow of HK$150.2 million for additions to Phase One of China South City Shenzhen, partially offset by cash inflows of HK$20.8 million for capital contributions to subsidiaries from minority shareholders.

Cash Flow from Financing Activities

Our cash from financing activities was derived from offerings of the Notes and bank and other borrowings. Our cash used in financing activities has historically been used primarily for repayment of principal of and interest on our bank and other borrowings.

In the fiscal year ended March 31, 2009, net cash provided by financing activities was HK$11.4 million, which consisted primarily of proceeds from new bank loans of HK$713.3 million, partially offset by repayment of bank loans of HK$541.5 million.

In the fiscal year ended March 31, 2008, net cash provided by financing activities was HK$1.08 billion, which consisted primarily of proceeds from new bank loans of HK$654.8 million and proceeds from the Notes of HK$926.5 million, partially offset by repayment of bank loans of HK$390.7 million.

In the year ended March 31, 2007, net cash provided by financing activities was HK$361.2 million, which consisted primarily of proceeds from new bank loans of HK$627.1 million, partially offset by repayment of bank loans of HK$223.1 million.

Discussion of Certain Balance Sheet Items

Other Payables, Accruals and Deposits Received

Other payables, accruals and deposits received comprises other payables, receipts in advance, rental deposits, construction fee and retention payables, accruals and co-operative deposits, which are incurred primarily in the development of China South City Shenzhen. As of March 31, 2007, 2008 and 2009, we recorded other payables, accruals and deposits received of HK$171.1 million, HK$466.0 million and HK$778.0 million, respectively. The increase in other payables, accruals and deposits received as of March 31, 2008 compared to March 31, 2007 was due primarily to increases in construction fee and retention payables, receipts in advance and other payables incurred in connection with the development and operation of China South City Shenzhen. The increase in other payables, accruals and deposits received as of March 31, 2009 compared to March 31, 2008 was due primarily to increases in receipts in advance, reflecting primarily payments received in advance for sales of our Phase Two textile and clothing and leather and accessories trade center units and construction fee and retention payables, reflecting primarily the development of Phase Two of China South City Shenzhen.

Receipts in Advance

Receipts in advance is grouped in other payables, accruals and deposits received and comprises rental income and sales deposits paid in advance by our tenants and purchasers. Certain of our tenants prefer to make rental payments in advance so as to obtain a discount on rental payments. Sales deposits received from purchasers are recorded as receipts in advance until the risks and rewards incidental to ownership of the properties have been substantially transferred to the purchasers.

As of March 31, 2007, 2008 and 2009, we recorded receipts in advance of HK$59.7 million, HK$104.2 million and HK$243.5 million, respectively. The increase in receipts in advance as of March 31, 2008 compared to March 31, 2007 was primarily attributable to rental income received in advance from tenants. In November 2007, upon the expiration of a significant amount of our leases, a substantial portion of tenants who renewed their lease agreements opted to prepay their rent in order to obtain a discount on rental payments. The increase in receipts in advance as of March 31, 2009 compared to March 31, 2008 was primarily attributable to payments received in advance for sales of our Phase Two textile and clothing and leather and accessories trade center units.

Investment Properties

As of March 31, 2007, 2008 and 2009, the carrying amount of investment properties was HK$3.47 billion, HK$4.52 billion and HK$6.54 billion, respectively. Investment properties during each year of the Track Record Period consisted of the trade centers and business centers of Phase One of China South City Shenzhen. The following table sets forth the carrying amounts of Phase One trade centers and business centers as of the dates indicated.

	As of March 31,		
	2007	2008	2009
	(HK$ in millions)		
Trade centers	3,307.6	4,328.6	3,366.0
Business centers	165.9	194.2	158.8
Total	3,473.5	4,522.8	3,524.8

We completed construction of our Phase Two textile and clothing trade center in March 2009. As of March 31, 2009, the carrying amount of our Phase Two textile and clothing trade center was HK$3.02 billion.

Properties under Development

As of March 31, 2007, 2008 and 2009, the carrying amount of properties under development was HK$271.6 million, HK$818.8 million and HK$1.40 billion, respectively. As of March 31, 2007, the properties under development were supporting facilities of Phase One and West Garden residential units of Phase Two of China South City Shenzhen. As of March 31, 2008, properties under development primarily consisted of textile and clothing and leather and accessories trade centers of Phase Two of China South City Shenzhen. As of March 31, 2009, the properties under development were primarily the leather and accessories trade center and supporting facilities of Phase Two of China South City Shenzhen.

Prepaid Land Premiums

As of March 31, 2007, 2008 and 2009, we recorded prepaid land premiums of HK$13.1 million, HK$7.2 million and HK$7.1 million, respectively. Prepaid land premiums refers to land we have developed and on which we have commenced or completed construction for our proprietary use and operations, including land used for office buildings, the sales and leasing center, and the restaurant and hotel of Phase One of China South City Shenzhen.

Goodwill

As of March 31, 2009, we recorded goodwill of HK$20.1 million for our acquisition of Grand City Hotel (Shenzhen) in July 2007. Although Grand City Hotel (Shenzhen) operated at a loss throughout the Track Record Period, the subsidiary started to achieve positive cash flows from operations during the fiscal year ended March 31, 2008, and generated cash flows from operations of RMB2.0 million (HK$2.1 million) and RMB2.3 million (HK$2.6 million) in the fiscal years ended March 31, 2008 and 2009, respectively. In addition, our cash flow forecast for Grand City Hotel (Shenzhen) indicates that no impairment on goodwill is necessary, as we expect future cash inflow generated by Grand City Hotel (Shenzhen) to increase as operations improve.

Properties Held for Finance Lease

As of March 31, 2007, 2008 and 2009, the value of properties held for finance lease was zero, HK$96.8 million and HK$101.7 million, respectively. During the Track Record Period, properties held for finance lease consisted of residential units in West Garden of Phase Two of China South City Shenzhen, which were completed in February 2008. The increase in properties held for finance lease as of March 31, 2009 compared to March 31, 2008 was due primarily to exchange rate differences arising from the appreciation of the Renminbi to the Hong Kong dollar and additional construction cost in relation to development of West Garden during fiscal year 2009 arising from the final settlement of construction cost.

Properties Held for Sale

As of March 31, 2007, 2008 and 2009, the value of properties held for sale was HK$59.8 million, HK$121.9 million and HK$481.8 million, respectively. During the Track Record Period, properties held for sale primarily consisted of trade center units in Phase One and Phase Two of China South City Shenzhen available for sale. During the fiscal year ended March 31, 2007, due to the sale of properties of China South City Shenzhen Phase One, the balance of properties held for sale decreased. The increase in properties held for sale in the fiscal year ended March 31, 2008 was primarily due to the completion of a new warehouse in Phase Two of China South City Shenzhen, whose treatment was changed from properties under development to properties held for sale upon its completion in March 2008. The increase in properties held for sale in the fiscal year ended March 31, 2009 was primarily due to the completion of the textile and clothing trade center in Phase Two of China South City Shenzhen, the treatment of which changed from a property under development to a property held for sale.

Trade Receivables

Trade receivables represent rentals receivable from tenants and service income receivable from customers that are payable on presentation of invoices and sales receivables from purchasers of Phase Two trade center units. As of March 31, 2007, 2008 and 2009, trade receivables was HK$7.0 million, HK$11.0 million and HK$25.5 million, respectively. We typically grant credit terms of 30 days to the tenants in our trade center units and commercial facilities in China South City Shenzhen. We grant credit terms of 30 to 60 days to tenants of the West Garden residential units.

Deposits Paid for the Purchase of Land

As of March 31, 2007, 2008 and 2009, deposits paid for the purchase of land was HK$53.5 million, HK$84.4 million and HK$74.7 million, respectively. The deposits paid for the purchase of land represent deposits paid for future acquisitions of parcels of land in Mainland China.

Tax Payable

We recorded tax payable of HK$17.9 million, HK$40.5 million and HK$80.0 million as of March 31, 2007, 2008 and 2009, respectively. The following table sets forth a breakdown of tax payable as of the dates indicated.

	As of March 31,		
	2007	2008	2009
	(HK$ in thousands)		
Corporate income tax payable	2,402	1,852	22,427
Land appreciation tax payable	15,514	38,683	57,268
Total	17,916	40,535	79,695

Prepayments, Deposits and Other Receivables

We recorded prepayments, deposits and other receivables of HK$12.1 million, HK$72.8 million and HK$68.1 million as of March 31, 2007, 2008 and 2009, respectively. Prepayments, deposits and other receivables increased in fiscal year 2008, due to a significant increase in advertising and marketing costs paid in advance to promote Phase Two of China South City Shenzhen. In fiscal year 2009, prepayments, deposits and other receivables decreased due to the amortization of prepaid advertising expenses.

Discussion of Certain Statements of Changes in Equity Items

Exchange Fluctuation Reserves

As of March 31, 2007, 2008 and 2009, exchange fluctuation reserves were HK$156.9 million, HK$484.1 million and HK$576.0 million, respectively. The increase in exchange fluctuation reserves during the Track Record Period was primarily due to the appreciation of the Renminbi.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Overview

As of March 31, 2009, the outstanding balance of our total indebtedness amounted to approximately HK$2.53 billion. Our indebtedness as of such date consisted of the Notes, without any conversion feature, with a carrying value of HK$915.8 million and bank borrowings (including bills payable) in the amount of HK$1.61 billion. As of July 31, 2009, the outstanding balance of our total indebtedness amounted to approximately HK$4.05 billion.

As of March 31, 2009, the outstanding principal amount of the Notes was HK$975 million. On July 6, 2009 and July 24, 2009, we entered into letter agreements with three of the 2009 Noteholders to buy back the Notes beneficially owned by them (in the aggregate outstanding principal amount of US$94.5 million and any accrued and unpaid interest). As of the Latest Practicable Date, these Notes had been cancelled and the outstanding principal amount of the Notes had been reduced to US$30.5 million. On the Listing Date, we expect to redeem the Notes at 100% of the outstanding principal amount.

In addition to such indebtedness, we have shareholders' loans in the amount of HK$85.8 million, which will be capitalized upon the consummation of the Global Offering. We also have certain commitments and contingent liabilities, consisting of commitments in respect of properties under development, commitments to purchase land and guarantees provided to banks. The aggregate amount of these capital commitments and contingent liabilities was HK$428.5 million as of March 31, 2009.

Due to the current financial crisis, many companies' access to credit markets has been adversely affected by the accompanying credit tightening by financial institutions. In response to the financial crisis, the PRC Government has adopted increasingly flexible macroeconomic policies designed to overcome the credit tightening resulting from the financial crisis. Subsequent to March 31, 2009, we obtained new banking facilities of approximately RMB3.39 billion (HK$3.85 billion) from local PRC banks, which we intend to use to further develop China South City Shenzhen Phase Two as well as for working capital.

As of the Latest Practicable Date, we had not been subject to any notice of withdrawal of our existing or committed bank credit facilities, nor had we received any requests by bank or other creditors to repay outstanding loans or debt securities before their maturity dates or to increase the amount of collateral for any secured bank borrowings or debt securities.

The Notes

General

On July 11, 2007, we issued the Notes to the 2008 Noteholders in return for gross proceeds of a principal amount of US$125 million. When issued, the Notes were convertible into Shares and constituted by the Trust Deed. We used the proceeds of the Notes primarily for the construction and development of Phase Two of China South City Shenzhen.

The Notes contained a conversion option that allowed the 2008 Noteholders to convert the Notes into the Shares. We were required under accounting rules to record the option to convert as an embedded derivative liability, which was stated at fair value on the issuance date and each balance sheet date thereafter. Upon initial recognition, the fair value of the embedded derivative liability was assigned as the derivative component, representing the conversion option, of the Notes and the change in fair value at each balance sheet date is included in the income statement. For a further description of the accounting treatment, please see "Financial Information — Description of Components of Results of Operations — Fair Value Change in Embedded Derivative Financial Instruments." In order for our financial statements to better reflect our financial condition and results of operations, the 2008 Noteholders agreed to an amendment to remove the conversion option. As a result, on March 28, 2008, we entered into the Note Amendment Agreement with the 2008 Noteholders and the Existing Shareholders for the purpose of removing the conversion feature attached to the Notes under their original terms and restructuring the Notes into a straight debt of the Company.

On March 28, 2008, the Existing Shareholders entered into the Share Transfer Agreements with the 2008 Noteholders pursuant to which the Existing Shareholders agreed to transfer the Transfer Shares to the 2008 Noteholders at nil consideration on the Listing Date so as to compensate the 2008 Noteholders for the loss of the conversion feature originally attached to the Notes and in recognition of their contribution as pre-IPO investors. Further, on March 28, 2008, we have entered into the Amended Trust Deed with the Existing Shareholders and Trustee, pursuant to which the Trust Deed and the ancillary documents were also amended to give effect to these changes.

The terms of the Notes as amended on March 28, 2008 are effectively the same as those prior to the amendments except that (1) the Notes will be fully redeemed by us upon Listing and (2) the Transfer Shares to be received by the 2008 Noteholders under the new arrangement on the Listing Date, will be less in number when compared to the Shares that they would be entitled to receive prior to the amendments. This is because, under the original arrangement, the number of conversion shares to which the 2008 Noteholders were entitled was based on the outstanding principal amount of the Notes, equivalent to 11.75% of the enlarged share capital (including the conversion shares) of the Company as of July 11, 2007, whereas under the new arrangement, the number of Transfer Shares to which the 2008 Noteholders are entitled is based on the agreed value of return net of coupon interest accrued, paid or payable and the outstanding principal amount of the Notes immediately prior to the completion of the Global Offering. However, the economic returns to be realized by a 2008 Noteholder upon Listing will be the same under each arrangement. In addition, although the total number of Shares to be received by the 2008 Noteholders after the restructuring will be less than the total number which would have been received prior to the restructuring, the relative proportions of the Shares to be allocated among the 2008 Noteholders will not change.

The Notes originally held by Deutsche Bank AG, Singapore Branch (in the outstanding principal amount of US$40 million) and Blue Line Capital (in the outstanding principal amount of US$45 million) beneficially, being two of the 2008 Noteholders, were entirely sold to Prosper Port Investments Limited on October 30, 2008 and January 8, 2009, respectively. The rights, benefits and obligations of Deutsche Bank AG, Singapore Branch and Blue Line Capital under the relevant Share Transfer Agreements were also assigned and transferred to Prosper Port Investments Limited on the said respective dates. In addition, on June 22, 2009, Prosper Port Investments Limited transferred part of the Notes held by it (in the outstanding principal amount of US$1.2 million) to Lote Investments Limited, a subsidiary of Prosper Port Investments Limited. The rights, benefits and obligations of Prosper Port Investments Limited under the relevant Share Transfer Agreement to the extent that they relate or are attributable to the Notes concerned were also assigned and transferred to Lote Investments Limited on the same date.

On June 26, 2009, we entered into the Second Note Amendment Agreement with the 2009 Noteholders for the purpose of amending certain terms of the Notes in order to enhance the Company's liquidity position and to support the Company's growth. The 2009 Noteholders agreed to reduce the coupon interest and to remove the put option feature that was previously granted to the Noteholders to require the Company to redeem the Notes. On the same date, the Existing Shareholders entered into the Supplemental Agreements pursuant to which the Existing Shareholders agreed to change certain terms in the Share Transfer Agreements. On the same date, we also entered into the Second Amended Trust Deed with the Existing Shareholders and the Trustee, pursuant to which the Amended Trust Deed and the ancillary documents were amended to give effect to these changes.

On July 6, 2009, we entered into two agreements with Prosper Port Investments Limited and Lote Investments Limited, two of the 2009 Noteholders, to buy back the Notes beneficially held by them (relating to the aggregate outstanding principal amount of US$85 million and all accrued and unpaid interest) at a consideration of US$70.55 million. On July 22, 2009, we entered into a letter agreement with TRG Global Opportunities Master Fund Ltd., one of the 2009 Noteholders, to buy back some of the Notes beneficially held by it (relating to the outstanding principal amount of US$9.5 million and all accrued and unpaid interest) at a consideration of US$7.98 million. Subsequently, TRG Global Opportunities Master Fund Ltd. has transferred the remaining Notes it beneficially held, in the outstanding principal amount of US$500,000, to TRG Special Opportunity Master Fund Ltd.

As of the Latest Practicable Date, the Notes which we have bought back had been cancelled and the outstanding principal amount of the Notes had been reduced from US$125 million to US$30.5 million.

On the Listing Date, the Notes will be fully redeemed in accordance with the terms and conditions of the Notes, the Share Transfer will be completed and the Second Note Amendment Agreement, the Second Amended Trust Deed and the ancillary documents will be terminated.

The following table sets forth the background of, and principal amount of the Notes held by, each of the Noteholders as of the Latest Practicable Date:

Name of Noteholder	Background of Noteholder	Principal Amount of Notes Held
Medley Opportunity Fund, Ltd.[1]	Investment fund	US$18,000,000
Medley Opportunity Fund L.P.[1]	Investment fund	US$2,000,000
TRG Special Opportunity Master Fund Ltd.[2]	Investment fund	US$10,500,000
Total		US$30,500,000

(1) Medley Opportunity Fund, Ltd. and Medley Opportunity Fund L.P. are investment funds, both launched in 2006 and managed by Medley Capital, LLC, which had aggregate funds under management of approximately US$850 million as of June 30, 2009. Medley Capital LLC is a private investment management firm with offices in New York, San Francisco and Hong Kong and has a team of investment professionals with experience in asset, credit, real estate and equity investing globally.

(2) TRG Special Opportunity Master Fund Ltd. is an investment fund managed by TRG Management L.P. which had aggregate funds under management in excess of US$2.4 billion as of May 31, 2009. TRG Special Opportunity Master Fund Ltd. was launched in March 2006 and invests in less liquid and illiquid assets in emerging markets.

To the best of our knowledge after making all reasonable inquiries, the Noteholders are not, and are Independent Third Parties to the, Connected Persons of the Company.

To the best of our knowledge, when deciding whether to invest in the Group, the Noteholders considered, among other things, factors such as our operational and financial performance, our business strategies and directions, the prevailing market and general macroeconomic conditions, and the terms of the Notes.

Upon issuance of the Notes, the total investment cost by the 2008 Noteholders was US$125 million, being the initial principal amount of the Notes. As discussed below, the number of Transfer Shares is determined with reference to the agreed value of return to the Noteholders (net of coupon interest accrued, paid or payable and the outstanding principal amount of the Notes immediately prior to the completion of the Global Offering) divided by the Offer Price. Hence, there is no discount or premium to the Offer Price on the Transfer Shares as such.

Interest Rate

Prior to the amendment of the Notes on June 26, 2009, the Notes bore coupon interest at progressive rates from 7% to 11% per annum.

Pursuant to the terms and conditions of the Notes as amended on June 26, 2009, the Notes will bear coupon interest at the following rates, which will increase over time:

- 0% per annum from June 26, 2009 to the earlier of the Listing Date and if a qualifying public offering or a change of control event has not occurred by July 11, 2010;
- 3% per annum from July 11, 2010 to the earlier of the Listing Date and if a qualifying public offering or a change of control event has not occurred by July 11, 2011; and
- 6% per annum from July 11, 2011 to the earlier of the Listing Date and if a qualifying public offering or a change of control event has not occurred by July 11, 2012.

Coupon interest on the Notes is payable semi-annually in arrears on January 11 and July 11 in each year. If we are unable to pay any amount due under the Notes when it becomes due and payable, we will be required to pay additional interest, which will accrue at 5.0% per annum in addition to the otherwise applicable interest rate on the Notes. Pursuant to the terms and conditions of the Notes as amended on June 26, 2009, any coupon interest on the Notes accrued and unpaid for the period from and including January 11, 2009 to but excluding June 26, 2009 has been or is deemed to be waived. As of the Latest Practicable Date, we had fully paid the coupon interest on the Notes that was due and payable.

Qualifying Public Offering

Under the terms and conditions of the Notes, we have agreed to use our reasonable efforts to effect a qualifying public offering on or before June 30, 2009, or such later date as we may approve, subject to commercial considerations and satisfaction with the then prevailing market conditions and receipt of regulatory approvals. The listing of the Shares on the Stock Exchange will satisfy the definition of a qualifying public offering under the terms and conditions of the Notes.

Maturity and Redemption

We are required to purchase or redeem the outstanding Notes on the Listing Date or upon the occurrence of a change of control event at a price equal to 100% of the principal amount. We expect to redeem all of the outstanding Notes on the Listing Date using a portion of the proceeds of the Global Offering.

Security

The Notes are secured by share charges granted by the Existing Shareholders in favor of the Security Trustee in respect of 51% of the Shares held by each of the Existing Shareholders. All these share charges will be released and discharged upon redemption of the Notes, which will occur on the Listing Date.

Certain Covenants and Events of Default

The terms and conditions of the Notes and the Second Amended Trust Deed contain certain customary covenants, such as covenants to maintain specified financial ratios and to abide by certain restrictive covenants, and covenants that limit our ability and the ability of our subsidiaries to, among other things, incur indebtedness, incur liens or make restricted payments, prior to a qualifying public offering. We were in compliance with all relevant covenants and financial ratios pertaining to the Notes as of the Latest Practicable Date. These financial ratios and covenants, other than with respect to preemptive rights, restrictions on affiliate transactions and limitations on business activities, will no longer apply following a change of control, and all financial ratios and covenants will no longer apply following a qualifying public offering. None of these financial ratios and restrictive and affirmative covenants will continue to exist on or after the Listing Date.

Under the terms and conditions of the Notes, the Noteholders have preemptive rights in relation to the issue of any securities by us to third parties (other than in a qualifying public offering, such as this Global Offering) and tag-along rights to require us to redeem a portion of the Notes in the event an Existing Shareholder sells or transfers any Shares to a third party (other than a Noteholder). As of the

Latest Practicable Date, no events that would trigger any of such rights had occurred and therefore none of such rights has been exercised by the Noteholders. We have no intention of issuing any new Shares to third parties (other than in the Global Offering which constitutes a qualifying public offering or pursuant to the Over-allotment Option) and the Existing Shareholders have confirmed to us that they will not sell or transfer any of their Shares to third parties (other than to the Noteholders pursuant to the Share Transfer Agreements) prior to the Listing Date. Therefore, we are not aware of any circumstances which would trigger the Noteholders' entitlement to exercise any of such rights after the Latest Practicable Date and prior to the Listing Date, which is when the Notes will be fully redeemed. Upon redemption of the Notes, which will take place on the Listing Date, all of such rights attached to the Notes will no longer exist.

The Second Amended Trust Deed also includes customary events of default which, if any of them occurs, would permit or require the principal of and accrued interest on the Notes to become or to be declared due and payable. In such a case, the Security Trustee may exercise all available remedies under the Second Amended Trust Deed and the share charges including enforcement of the security granted under the share charges.

Share Transfer Agreements

Pursuant to the Share Transfer Agreements, on the Listing Date, each of the Existing Shareholders will, on a pro rata basis, transfer certain number of the Transfer Shares to the Noteholders. The number of Transfer Shares to be transferred to each Noteholder is calculated based on the following pre-agreed formula:

$$\{(A \times B) - C - D\} \div \text{Offer Price}$$

where:

A = Number of issued Shares at the time immediately prior to the Global Offering x Offer Price;

B = 11.75% x the outstanding principal amount of the Notes immediately prior to the Global Offering ÷ US$125 million;

C = The HK$ Equivalent (as defined in the Share Transfer Agreements) of the aggregate amount of all coupon interest accrued, paid or payable to the Noteholders under the Notes on or prior to the completion of the Share Transfer; and

D = The HK$ Equivalent (as defined in the Share Transfer Agreements) of the outstanding principal amount of the Notes immediately prior to the Global Offering.

Pursuant to the Share Transfer Agreements, if the pre-agreed guarantee value of return of the Notes cannot be achieved by the Listing Date, the number of the Transfer Shares to be transferred to each Noteholder by the Existing Shareholders will be increased to make up for such shortfall. Alternatively, the Existing Shareholders may elect to pay to the Noteholders an amount in cash representing such shortfall. Such adjustment rights will only be triggered if the pre-agreed guarantee value of return of the Notes cannot be achieved.

We are not a party to the Share Transfer Agreements. As of the Latest Practicable Date, we did not and will not upon Listing have any obligation to the Noteholders or the Existing Shareholders thereunder. We confirm that the Share Transfer will not have any impact on the results of operations or the financial condition of the Group.

Shareholding of the Noteholders following the Share Transfer

Completion of the Share Transfer will take place at 9:00 a.m. on the Listing Date.

The following tables set forth the shareholding of the Noteholders in our Company following the Share Transfer.

(i) Assuming the Offer Price is HK$2.10 per Share, being the high end of the indicative Offer Price range:

Name of Noteholder	Number of Shares(1)	Percentage of Total Shares(1)(2)
Medley Opportunity Fund, Ltd.	19,841,784	0.33%
Medley Opportunity Fund L.P.	2,204,643	0.04%
TRG Special Opportunity Master Fund Ltd.	11,574,375	0.19%

(ii) Assuming the Offer Price is HK$1.40 per Share, being the low end of the indicative Offer Price range:

Name of Noteholder	Number of Shares(1)	Percentage of Total Shares(1)(2)
Medley Opportunity Fund, Ltd.	40,225,582	0.67%
Medley Opportunity Fund L.P.	4,469,509	0.08%
TRG Special Opportunity Master Fund Ltd.	23,464,923	0.39%

(1) We have assumed an exchange rate of HK$7.7503 to US$1.00, the exchange rate between Hong Kong dollars and U.S. dollars as of the Latest Practicable Date, as set forth on the H.10 statistical release of the U.S. Federal Reserve Board.

The number of Shares used in calculating the percentage for each Noteholder reflects the 6,000,000,000 Shares in issue after completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option, the Share Options and the options which may be granted under the Share Option Scheme have not been exercised).

Assuming that the Existing Shareholders have elected to transfer more Transfer Shares to the Noteholders to make up any shortfall as described in this section.

(2) The percentages have been rounded to the nearest two decimal places.

Undertaking by Each of the Noteholders

Each of the Noteholders has provided an undertaking to the Existing Shareholders that, until the date which is 180 calendar days after the Listing Date, it shall not and shall procure that none of its nominees and companies controlled by it (whether individually or together and whether directly or indirectly) shall (1) offer, issue, sell, contract to sell, sell any contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, directly or indirectly, or otherwise) any Transfer Shares or any interests therein or any securities convertible into or exercisable or exchangeable for any such shares or interests or (2) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Transfer Shares, whether any such transaction described in (1) or (2) above is to be settled by delivery of shares or such other securities, in cash or otherwise or (3) announce any intention to enter into or effect any such transaction described in (1) or (2) above.

Undertaking by Each of the Existing Shareholders

Each of the Existing Shareholders severally undertakes to each of the Noteholders that until the date which is 210 calendar days after the Listing Date, it shall not and shall procure that none of its nominees and companies controlled by it (whether individually or together and whether directly or indirectly) shall (1) offer, issue, sell, contract to sell, sell any contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, directly or indirectly, or otherwise) any Shares which are beneficially owned by such Existing Shareholders immediately after the Global Offering or any interests therein or any securities convertible into or exercisable or exchangeable for any such shares or interests or (2) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such shares, whether any such transaction described in (1) or (2) above is to be settled by delivery of shares or such other securities, in cash or otherwise or (3) announce any intention to enter into or effect any such transaction described in (1) or (2) above.

Accounting Treatment of the Expenses to the Company in Relation to the Notes

The Transfer Shares constitute shareholders' contributions of HK$183 million which were recognized as expenses in the consolidated income statements and capital reserve in the consolidated balance sheets. Also, a gain on derecognition of the Notes of HK$183 million, being the difference between the aggregate carrying values of the liability portion and the embedded financial derivatives of the Notes and the fair value of the new straight debt recognized, was recognised as a gain in the consolidated income statements. As the Share Transfer Agreements and Note Amendment Agreement were entered into at the same time, the above gain and expenses net off each other and there was no impact on the consolidated income statements.

Bank Borrowings

Bank borrowings are important sources of funding for our operations. As of March 31, 2009, we had aggregate loan facilities of approximately HK$1.61 billion, all of which we had drawn down. As of July 31, 2009, we had available banking facilities of approximately HK$5.21 billion, of which HK$3.11 billion were drawn down and HK$2.10 billion were available to be drawn down. These loan facilities included both short-term working capital loans and long-term project construction loans. During the Track Record Period, we have not experienced any difficulties with renewing our bank loans with our lenders. The following table sets forth a breakdown of our short-term and long-term bank loans as of the dates indicated.

	As of March 31,			As of July 31,
	2007	2008	2009	2009
	(HK$ in thousands)			
Short-term bank loans[1]	191,489	422,975	707,984	1,382,383
Long-term bank loans	605,845	749,183	898,774	1,730,375
Total	797,334	1,172,158	1,606,758	3,112,758

(1) Includes current portion of long-term borrowings and bills payable.

As of July 31, 2009, all of our bank borrowings bore interest at floating rates ranging from 4.78% to 5.94% per year.

As of March 31, 2007, 2008 and 2009, the weighted average interest rate on our bank borrowings was 6.34%, 7.65% and 5.83%, respectively. As of each of these dates, our bank borrowings were all denominated in Renminbi.

The following table sets forth a breakdown of our secured and unsecured loans (including bills payable) as of the dates indicated.

	As of March 31,			As of July 31,
	2007	2008	2009	2009
	(HK$ in thousands)			
Unsecured loans	245,411	59,483	8,506	1,096,868
Secured loans	551,923	1,112,675	1,598,252	2,015,890
Total	797,334	1,172,158	1,606,758	3,112,758

Most of our secured loans are project construction loans, which are generally secured by mortgages over a portion of our land-use rights and a portion of our properties (primarily China South City Shenzhen). In addition, as of March 31, 2007, 2008 and 2009, certain of our Company's Directors and Tak Sing guaranteed certain of our bank loans up to HK$156.3 million, HK$59.5 million and HK$8.5 million, respectively.

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

	As of March 31,			As of July 31,
	2007	2008	2009	2009
	(HK$ in thousands)			
Within one year[(1)]	191,489	422,975	707,984	1,382,383
Between 1–5 years	605,845	749,183	898,774	1,460,979
Over 5 years	—	—	—	269,396
Total	797,334	1,172,158	1,606,758	3,112,758

(1) Includes current portion of long-term borrowings and bills payable.

Our gearing ratio, derived by dividing total interest-bearing bank and other borrowings and the Notes by total assets, was 18.2%, 26.9% and 27.1% as of March 31, 2007, 2008 and 2009. Since March 31, 2009 and up to July 31, 2009, we had obtained approximately RMB3.39 billion (HK$3.85 billion) in new banking facilities from local banks. The new banking facilities are primarily intended for the development of Phase Two of China South City Shenzhen as well as working capital. Our Directors confirm that, other than the new banking facilities, there has been no material change in our indebtedness or contingencies since March 31, 2009.

The agreements under our banking facilities contain certain customary covenants, including to maintain certain financial ratios and to abide by certain restrictive and affirmative covenants. We were in compliance with all relevant covenants and financial ratios in our loan agreements as of the Latest Practicable Date. Several of our loan agreements for our bank borrowings restrict the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances until the loans are repaid, or unless certain net income thresholds applicable to the subsidiary borrowers are satisfied, or, in certain cases, limit their ability to pay dividends to us if the amount of the dividends exceed 30% of their after-tax profits.

Amounts Due to and Advances from Directors and Related Parties

The amounts due to and advances from Directors and related parties are detailed below.

Shareholders' Loans

As of July 31, 2009, our outstanding shareholders' loans amounted to HK$85.8 million. Upon the consummation of the Global Offering, the shareholders' loans will be capitalized into the share capital of the Company. For more information, please see paragraph 3(i)(c) under the heading "Further Information About Our Company — Resolutions of our Shareholders" in Appendix V of this Prospectus.

The amounts due to our shareholders are unsecured, interest-free, and are not repayable within the next twelve months from the balance sheet date.

Amount Due to Directors

As of March 31, 2009, we did not have any amounts due to our Directors.

Amount Due from Jointly Controlled Entities

As of March 31, 2009, the HK$9.1 million amount due from jointly controlled entities consisted of advances provided to the jointly controlled entities and receivables arising from daily business operations. As these transactions were entered into in the ordinary course of business and will continue after the Listing Date, the outstanding balance of amount due from jointly controlled entities will not be fully settled prior to Listing.

Amount Due to an Associate

As of March 31, 2009, we owed HK$2.9 million to an associate, primarily resulting from advances provided to us and receivables we incurred through our daily business operations. As these transactions were entered into in the ordinary course of business and will continue after the Listing Date, the outstanding balance of amount due to an associate will not be fully settled prior to Listing.

Guarantees Provided by Directors

As of March 31, 2009, certain of our Directors and Tak Sing had provided guarantees of HK$8.5 million for bank loans obtained by our Company. As of the Latest Practicable Date, these guarantees had been released.

Amount Due from Minority Shareholders

As of March 31, 2009, we had no amounts due from our minority shareholders.

However, we have entered into transactions with our related parties during the Track Record Period. Please see Note 40 to our Accountants' Report in Appendix I to this Prospectus for additional information. The Directors are of the opinion that those transactions were conducted on normal commercial terms. We expect the purchase of products from Man Sang Jewellery, which amounted to HK$0.6 million, HK$0.4 million and HK$0.1 million in the fiscal years ended March 31, 2007, 2008 and 2009, respectively, to be the only recurring transactions after Listing among the related party transactions listed in Note 40 to our Accountants' Report in Appendix I to this Prospectus.

Commitments and Contingent Liabilities

Commitments

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

	As of March 31,		
	2007	2008	2009
	(HK$ in thousands)		
Properties under development	144,661	827,026	304,065
Purchase of land	48,650	25,353	28,541
Total	193,311	852,379	332,606

The capital commitments for properties under development as of March 31, 2007 related to commitments for Phase One of China South City Shenzhen, and capital commitments for properties under development as of March 31, 2008 and 2009 related to commitments for Phase Two of China South City Shenzhen. Capital commitments for purchase of land related to commitments for property acquired for our project located in Heyuan, as of each of March 31, 2007, 2008 and 2009.

Guarantees

In the Track Record Period, we provided guarantees to banks in connection with facilities granted to a jointly controlled entity and third parties. These guarantees amounted to HK$37.0 million, HK$126.4 million and HK$95.9 million for the fiscal years ended March 31, 2007, 2008 and 2009, respectively.

The guarantees provided to banks in connection with facilities granted to third parties represented the guarantees provided for the mortgage loans of purchasers of trade center units in Phase One of China South City Shenzhen and for bank loans extended to West Garden tenants for their West Garden residential units. We provided guarantees for buyers of trade center units in the amount of HK$4.6 million, HK$3.1 million and HK$1.3 million in the fiscal years ended March 31, 2007, 2008 and 2009, respectively. The purchasers of trade center units obtained their mortgage loans from banks for payments to us before the legal title of the properties were transferred from us to the purchasers. As the purchasers did not possess the necessary property certificates to pledge for the mortgage loans at the time of the purchase of the trade center units during the Track Record Period, we provided guarantees for the purchasers' mortgage loans and therefore incurred contingent liabilities. When legal title to the trade center unit is properly transferred from us to a purchaser, the bank will substitute the purchaser's pledge of property for the guarantee we had provided, thereby releasing us from our contingent liability. For the remaining guarantees that have not yet been released, the purchasers are still in the process of providing necessary documents in order to effect the transfer of legal title. The repayment terms on these mortgage loans of purchasers of trade center units range from five to 10 years, and mature from 2009 to 2015.

In addition to guarantees for the purchasers of trade center units, we also provided guarantees for tenants of the West Garden residential units in the amount of HK$94.6 million in the fiscal year ended March 31, 2009. As the West Garden residential units are covered by green-cover building ownership certificates, we provided guarantees for bank loans extended to West Garden tenants for their West Garden residential units as the tenants do not possess the necessary property certificates to pledge them as security for these loans. The repayment terms for these bank loans range from five years to 10 years, and mature from 2012 to 2018. Under the agreements we entered into with the banks providing the loans, the guarantees will not be released until two years after full repayment. As such, our contingent liability related to the West Garden residential units will be released between the years 2014 to 2020. If the scope of permitted land use for the West Garden residential units were to be changed in the future to include residential use and therefore permit the transfer of property title to the tenants, our obligations would be released as the tenants could pledge their own property for the loans. For additional information regarding our contingent liabilities, please see Note 37 to the Accountants' Report on our financial information included in Appendix I to this Prospectus.

Contractual Obligations

As of March 31, 2009, our contractual obligations amounted to approximately HK$2.29 billion, primarily arising from debt obligations, operating lease obligations, land-use rights obligations, construction costs and capital contributions to subsidiaries. The following table sets forth our contractual obligations as of March 31, 2009.

	Payments Due by Period			
	Total	Less than 1 year	1–5 years	More than 5 years
	(HK$ in thousands)			
Debt obligations[1]	1,606,758	707,984	898,774	—
Interest on debt obligations[2]	147,679	78,397	69,282	—
Operating lease obligations	137,200	73,195	61,033	2,972
Land-use rights obligations	28,541	28,541	—	—
Construction costs[3]	304,065	304,065	—	—
Capital contributions to subsidiaries	67,228	67,228	—	—
Total	2,291,471	1,259,410	1,029,089	2,972

(1) Includes interest-bearing bank borrowings and bills payable and excludes required interest payments but does not include the Notes in a principal amount of US$125 million and interest on the Notes. On July 6, 2009 and July 24, 2009, we entered into letter agreements with three of the 2009 Noteholders to buy back the Notes beneficially owned by them (in the aggregate outstanding principal amount of US$94.5 million and any accrued and unpaid interest). As of the Latest Practicable Date, these Notes had been cancelled and the outstanding principal amount of the Notes had been reduced to US$30.5 million. The Notes are wholly repayable upon the completion of the Global Offering. Interest on debt obligations is reflected in a separate line in the table.

(2) Interest on loans is calculated based on the current interest rate of each loan, ranging from 5.13% to 7.74% per annum. Does not include interest on the Notes.

(3) Relates to Phase Two of China South City Shenzhen.

CAPITAL EXPENDITURES

For the fiscal years ended March 31, 2007, 2008 and 2009, we incurred capital expenditures in the amounts of HK$155.3 million, HK$603.5 million and HK$1.20 billion respectively. Our capital expenditures were mainly used for building improvements and expansion projects for Phase One of China South City Shenzhen and the construction and development of China South City Shenzhen's Phase Two buildings and facilities.

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

	Year Ended March 31,		
	2007	2008	2009
	(HK$ in thousands)		
Property, plant and equipment	5,137	3,155	4,922
Property under development	150,163	600,365	1,104,598
Total	155,300	603,520	1,109,520

We anticipate capital expenditures of HK$1.20 billion for fiscal year 2010. A breakdown of our planned capital expenditures is set forth below.

Project	Estimated Capital Expenditures for the Year Ending March 31, 2010
	(HK$ in thousands)
China South City Shenzhen Phase Two	636,576
China South City Nanchang	274,597
China South City Nanning	243,961
Heyuan Project	41,984
Total capital expenditures	1,197,118

Capital expenditures will be financed by proceeds from the Global Offering, bank borrowings and cash flow generated from operating activities and will be used mainly for the development and completion of China South City Shenzhen's Phase Two buildings and facilities and the construction and development of the first phases of each of our properties planned for future development in Nanchang and Nanning. We may also from time to time offer debt and equity securities to finance our capital expenditures. Additional details regarding our key planned sources of funds are set forth below.

Key Sources of Funds	Details
Global Offering	Our estimated proceeds from the Global Offering are HK$2,419 million. The portion allocated for the construction and development of China South City Shenzhen Phase Two, China South City Nanchang and China South City Nanning is HK$1,818 million.

Key Sources of Funds	Details
Sales proceeds	As of March 31, 2009, our total saleable areas for the China South City Shenzhen Phase One trade centers and Phase Two textile and clothing trade centers were 24,000 and 71,700 square meters, respectively, and the average selling prices of these trade centers in fiscal year 2009 were HK$15,045 per square meter and HK$13,753 per square meter, respectively. We received the necessary pre-sale permits and commenced formal pre-sale marketing of China South City Shenzhen's Phase Two leather and accessories trade centers in the third quarter of 2008. We estimate that we will complete all procedures and obtain all necessary certificates and permits to allow for the delivery of China South City Shenzhen's Phase Two leather and accessories trade center units in the second half of 2009. We estimate that the total saleable area for the China South City Shenzhen Phase Two leather and accessories trade centers will be 106,500 square meters.
Finance lease income	As of March 31, 2009, our remaining total available area for the West Garden residential units was 32,000 square meters, and the average lease price for the leased units over the lease term for fiscal year 2009 was HK$6,325 per square meter.
Rental income	For the fiscal year ended March 31, 2009, we received rental income of HK$100.2 million.

Our current plan with respect to future capital expenditures is subject to change based on the evolution of our business plan, including potential acquisitions, the progress of our capital projects, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures. Other than as required by law, we do not undertake any obligation to publish updates of our capital expenditure plans.

OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, 2009 and July 31, 2009, we did not have any off-balance sheet arrangements with unconsolidated entities.

INFLATION

Inflation has not had a material impact on our results of operations during the past three years. According to the PRC National Bureau of Statistics, China's overall national inflation rate, as represented by the general change in the consumer price index in China, was 1.5%, 4.8% and 5.9% in 2006, 2007 and 2008, respectively.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Exchange Risk

We conduct our business primarily in Renminbi. In addition, our expenses are also primarily denominated in Renminbi, although a small portion of expenses are denominated in foreign currencies, such as salaries in Hong Kong dollars paid to staff in Hong Kong, advertising expenses for advertising in Hong Kong and overseas media, rental expenses for our office space in Hong Kong and other general office expenses. However, our reporting currency is the Hong Kong dollar because we are incorporated in Hong Kong and the reporting currency of our major shareholders is also the Hong Kong dollar. During fiscal year 2009, approximately 100% of our revenues were denominated in Renminbi. During the same period, approximately 92.7% of our expenses were denominated in Renminbi and approximately 7.3% were denominated in Hong Kong dollars and other currencies. Further, as of March 31, 2009, all of our indebtedness was denominated in Renminbi (other than our shareholders loans and the Notes). We believe the impact of foreign currency risk is not material in our operations and have we not hedged our foreign currency exposures or entered into any other derivative financial instruments.

Interest Rate Risk

We are exposed to interest rate risk due to fluctuations in interest rates on our debt and deposits. Our indebtedness consists primarily of bank borrowings, bills payable and outstanding Notes. As of March 31, 2009, we had HK$1.37 billion in bank borrowings that bore interest at floating rates ranging from 5.13% to 7.74%, with a weighted average interest rate at such date of 5.83%. Beginning in June 2009, the Notes bear a progressive rate of interest of 0% for the first year, 3% for the second year and 6% for the third year if an initial public offering or change of control does not occur prior to the end of each year. If an initial public offering occurs, the Notes will be repurchased or redeemed at a price equal to 100% of the principal amount.

Additional increases in interest rates could potentially result in an increase in our cost of borrowing, which could negatively affect our business and results of operations. The PBOC regulates the interest rates of our Renminbi-denominated borrowings. On October 28, 2004, the PBOC raised both its benchmark lending and deposit interest rates by 0.27% to 5.58% for one-year Renminbi loans and 2.25% for one-year deposits, respectively, with effect from October 29, 2004. This increase was the first time lending and deposit interest rates had been raised since July 1995 and July 1993, respectively. The

PBOC also abolished the upper limit on Renminbi lending rates and permitted banks to offer deposit rates below the PBOC benchmark rate. Since April 2006, the PBOC has further raised its benchmark lending interest rates for one-year Renminbi loans seven times, most recently in December 2007 by 0.18%. As of July 31, 2009, the current lending interest rate for one-year Renminbi loans was 5.31% per year. The PBOC-published benchmark one-year lending rates in China as of March 31, 2007, 2008 and 2009 were 6.39%, 7.47% and 5.31%, respectively. Based on our borrowings as of March 31, 2009, we estimate that interest expense relating to our borrowings payable would increase by HK$13.7 million on an annual basis, in the event interest rates were to increase by 1%.

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

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that save as disclosed in the Prospectus, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to disclosure requirements under Rule 13.11 to Rule 13.19 of the Hong Kong Listing Rules.

DIVIDEND POLICY

After completion of the Global Offering, our Shareholders will be entitled to receive dividends declared by us. We have not declared or paid dividends during the Track Record Period. We currently intend to declare and pay dividends of approximately 20% to 30% of our operating profits after tax for the fiscal year ending March 31, 2010 and each fiscal year thereafter. However, we will re-evaluate our dividend policy annually.

Certain of our financial instruments and bank borrowings contain restrictions on the payment of dividends. In addition, our ability to make dividend payments will also depend upon the availability of dividends received from our subsidiary companies in China. PRC law requires that dividends be paid only out of net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC law also requires foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiary companies may also be restricted if they incur debt or losses. For further details on restrictions on our ability to pay dividends, please see "— Indebtedness and Contingent Liabilities — The Notes — Certain Covenants and Events of Default" and "— Indebtedness and Contingent Liabilities — Bank Borrowings."

Assuming we are able, in accordance with these contractual and legal restrictions, to pay dividends, the declaration of, payment and amount of dividends will still be subject to the discretion of our Directors in accordance with our Articles of Association and will depend on a number of factors, including 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. In addition, the Controlling Shareholders will be able to influence our dividend policy. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets is prepared based on our audited consolidated net tangible assets as of March 31, 2009 as shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus, adjusted as described below. Our statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, as a result, may not give a true picture of our financial position.

Our statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared to show the effect on our audited consolidated net tangible assets as of March 31, 2009 as if the Global Offering had occurred on March 31, 2009.

	Audited Consolidated Net Tangible Assets Attributable to Equity Holders of the Company as of March 31, 2009[(1)]	Estimated Net Proceeds from the Global Offering[(2)]	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets per Share[(3)(4)]
	(HK$ in millions)	(HK$ in millions)	(HK$ in millions)	(HK$)
Based on the Offer Price of HK$1.40 per Offer Share	4,442	1,921	6,363	1.06
Based on the Offer Price of HK$2.10 per Offer Share	4,442	2,916	7,358	1.23

(1) The net tangible assets attributable to equity holders of the Company as of March 31, 2009 is arrived at after deducting the goodwill as of March 31, 2009 as set out in the Accountants' Report in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price of HK$1.40 or HK$2.10 per Share, being the low or high end of the stated offer price range, after deduction of the underwriting fees and related expenses payable by the Company and takes no account of any Shares that may be issued upon exercise of the Over-allotment Option or upon any exercise of any options under the Share Option Agreements or any options that have been granted or may be granted under the Share Option Scheme.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 6,000,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering without taking into account any Shares that may be issued upon exercise of the Over-allotment Option or upon any exercise of any options under the Share Option Agreements or any options that have been granted or may be granted under the Share Option Scheme.

(4) As set out in Appendix III to this Prospectus, the Group's property interests (including buildings, hotel properties, investment properties, properties under development, prepaid land premiums, deposits paid for the purchase of land, properties held for finance lease and properties held for sale) were valued at HK$25.77 billion as of June 30, 2009, representing a valuation surplus of approximately HK$16.93 billion over the Group's property interests of HK$8.84 billion as of March 31, 2009. This valuation surplus has not been included in the above net tangible assets of the Group.

Details of the valuation of our properties as of June 30, 2009 are set forth in Appendix III to this Prospectus.

PROPERTY VALUATION

For the purpose of listing our Offer Shares on the Stock Exchange, our properties were valued by Savills at RMB22.70 billion as of June 30, 2009. Details of this valuation are set forth in Appendix III to this Prospectus.

A reconciliation of the Group's property interests and the valuation of such property interests as required under Rule 5.07 of the Listing Rules is set forth below:

	(HK$ in thousands)
Net book value of property interests as of March 31, 2009	
Property, plant and equipment	
Buildings	153,012
Hotel properties	77,697
Investment properties	6,543,757
Properties under development	1,404,571
Prepaid land premiums	7,051
Deposits paid for purchase of land	74,663
Properties held for finance lease	101,743
Properties held for sale	481,821
	8,844,315
Movement from March 31, 2009 to June 30, 2009	
Depreciation of property, plant and equipment	(8,353)
Revaluation gain on investment properties	253,083
Addition for properties under development	298,900
Amortization of prepaid land premiums	(38)
Addition for deposits paid for purchase of land	60,147
Lease of properties held for finance lease	(677)
Sale of properties held for sale	(40,638)
Exchange realignment	3,788
Net book value of property interests as of June 30, 2009 (unaudited)	9,410,527
Value attributable to our Group as of June 30, 2009 (RMB22,701,900,000)	25,768,927
Net valuation surplus as of June 30, 2009	16,358,400

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position since March 31, 2009, being the date to which our most recent audited financial statements were prepared, as set out in Appendix I to this Prospectus.

WORKING CAPITAL CONFIRMATION

Taking into account our cash generated from operating activities, the estimated net proceeds of the Global Offering and our credit facilities maintained with our banks and financial institutions, we are satisfied that we will have sufficient working capital for our operations during the 12 months following the date of this Prospectus.

FUTURE PLANS

Please see the section entitled "Business — Strategy" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that our net proceeds from the Global Offering, after deducting underwriting commissions and estimated expenses payable by us in connection with the Global Offering, will be approximately HK$2,419 million (US$312 million) (assuming (1) an Offer Price of HK$1.75 per Share, being the mid-point of the indicative Offer Price range of HK$1.40 to HK$2.10 per Share and (2) the Over-allotment Option is not exercised). If the Over-allotment Option is exercised in full, our net proceeds calculated at the assumed Offer Price above would increase by approximately HK$379 million (US$49 million).

Assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.75 per Share, we currently plan to use our net proceeds from the Global Offering as follows:

- approximately HK$608 million (representing approximately 25.2% of the net proceeds) will be used for funding a portion of construction and development costs for our development projects in Phase Two of China South City Shenzhen, including the construction of new electronic accessories, printing, paper and packaging and metals, chemical and plastic materials trade centers and the construction of supporting commercial facilities;
- approximately HK$605 million (representing approximately 25.0% of the net proceeds) will be used for funding a portion of development costs for Phase One of China South City Nanchang, a property planned for future development, including costs associated with land acquisition for a site area of approximately 750,000 square meters to be used for the development of an integrated logistics and trade center. The cost for acquiring the relevant land is estimated to be approximately HK$275 million, which will be payable to the government of Nanchang. However, this is an estimate only and the final cost will only be determined through the public tender process;
- approximately HK$605 million (representing approximately 25.0% of the net proceeds) will be used for funding a portion of development costs for Phase One of China South City Nanning, a property planned for future development, including costs associated with land acquisition for a site area of approximately 839,000 square meters to be used for the development of an integrated logistics and trade center. The cost for acquiring the relevant land is estimated to be approximately HK$244 million, which will be payable to the government of Nanning. However, this is an estimate only and the final cost will only be determined through the public tender process;
- approximately HK$143 million (representing approximately 5.9% of the net proceeds) will be used for the development of potential new projects that will consist of integrated logistics and trade centers with supporting commercial facilities and residential units. We are invited by local governments in various PRC cities to develop new integrated logistics and trade centers. As of June 20, 2009, we had entered into a legally non-binding memorandum of understanding for potential investment in Xi'an, however, we had not yet committed to any new projects for development;

- approximately HK$238 million (representing approximately 9.8% of the net proceeds) will be used for repaying the Notes in full. For further information on the Notes, please see "Financial Information — Indebtedness and Contingent Liabilities — The Notes;" and
- approximately HK$220 million (representing approximately 9.1% of the net proceeds) will be used for repayment of bank borrowings and general working capital purposes.

If the Offer Price is set at the high end of the indicative Offer Price range, the net proceeds from the Global Offering (assuming the Over-allotment Option is not exercised) will increase by approximately HK$497 million, in which case we intend to apply the additional net proceeds to construction and development funding for Phase Two of China South City Shenzhen, China South City Nanchang and China South City Nanning, general working capital, development of potential new projects and repayment of bank borrowings on a pro rata basis. If the Offer Price is set at the low end of the indicative Offer Price range, the net proceeds from the Global Offering (assuming the Over-allotment Option is not exercised) will decrease by approximately HK$497 million, in which case we intend to reduce the net proceeds applied to construction and development funding for China South City Nanchang and China South City Nanning, repayment of bank borrowings, general working capital and the development of potential new projects on a pro rata basis.

The additional proceeds (if any) from the exercise of the Over-allotment Option will be used for construction and development funding for Phase Two of China South City Shenzhen, China South City Nanchang and China South City Nanning, repayment of bank borrowings, general working capital, and the development of potential new projects on a pro rata basis.

As indicated above, we intend to use a portion of the net proceeds from this Global Offering to finance a portion of the construction and development costs of our development projects. We intend to use our internally generated funds and bank borrowings to finance the remaining construction and development costs.

The estimated construction and development costs related to our planned use of proceeds for Phase One of China South City Nanchang and Phase One of China South City Nanning are based on, among others, terms set forth in the relevant master agreements governing the construction and development of each of these projects, including the total GFA of the buildings for the projects, estimated land costs based on discussions with officials in Nanchang and Nanning and current land prices in these locations and our experience with construction costs for China South City Shenzhen. We plan to rely on bank borrowings and internally generated funds if additional capital is required for land acquisition costs related to our properties planned for future development in Nanchang and Nanning (for which we have not yet obtained land-use rights). In the event we are unable to obtain the required land for the development of Phase One of China South City Nanchang and Phase One of China South City Nanning, we will re-allocate the proceeds from the Global Offering planned for these projects to the development of Phase Two of China South City Shenzhen and potential new projects.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong and/or the PRC.

One of our subsidiaries, two of our jointly controlled entities and our associate are joint venture companies (each a "JV Company"). Although we hold 50.5% and 51.0% of the equity interests in China South Royal Restaurant (Shenzhen) and China South NEL, respectively, under the terms of the shareholders' agreements and the joint venture agreements regarding these companies, neither the Group nor other shareholders of the companies have unilateral control over the operating and financing decisions of the companies. Accordingly, we account for these companies as jointly-controlled entities. Please see Note 2 of the Accountants' Report in Appendix I to this Prospectus for a discussion of the basis of consolidation of joint ventures. The following are the principal terms of the joint venture agreements.

SUMMARY OF JOINT VENTURE AGREEMENTS RELATING TO OUR SUBSIDIARIES

China South City Enterprise

Parties: China South International holding 70% and Excellence Group Holdings Ltd., First Traders Ltd. and Yan Sau Man, Amy, each holding 10%.

Form of incorporation: a Sino-foreign equity joint venture established in the PRC with a registered capital of HK$100,000,000 and a term of 50 years.

Parties' covenants: China South International is responsible for: (1) attending to formalities relating to setting up the JV Company; (2) providing information relating to the purchase of relevant electrical equipment in the PRC and assisting in such purchase and the relevant transportation and adjustment activities; (3) designing relevant residential units and auxiliary construction facilities, applying for relevant licenses and arranging for construction; (4) assisting in arranging for infrastructure facilities; (5) assisting in hiring staff; and (6) attending to other matters as required by the JV Company. Excellence Group Holdings Ltd., First Traders Ltd. and Yan Sau Man, Amy, are responsible for: (1) assisting the JV Company in the design and construction of the relevant residential units and auxiliary construction facilities; (2) providing current offshore real estate market information and assisting in the purchase of necessary equipment; (3) assisting in recruiting offshore technical officers to provide staff training; and (4) assisting in other matters as required by the JV Company.

Management: The board of directors consists of three directors, of which two directors are nominated by China South International and one director by Excellence Group Holdings Ltd., First Traders Ltd. and Yan Sau Man, Amy, jointly. China South International has the right to nominate the chairman of the board of directors. China South International has the right to recommend the general manager, the deputy general manager and the financial controller. The board of directors also appoints a supervisor.

SUMMARY OF JOINT VENTURE AGREEMENTS RELATING TO OUR JOINTLY CONTROLLED ENTITIES

China South Royal Restaurant (Shenzhen)

Parties: China South International holding 50.5% and Globe Honest International Ltd. holding 49.5%.

Form of incorporation: A Sino-foreign equity joint venture established in the PRC with a registered capital of RMB5,000,000 and a term of 10 years.

Parties' covenants: China South International is responsible for: (1) providing office premises and arranging for utility and other relevant services; (2) attending to licensing formalities; (3) assisting the JV Company in hiring staff; (4) attending to temporary residential, immigration and licensing formalities; and (5) assisting in other matters as required by the JV Company. Globe Honest International Ltd. is responsible for: (1) assisting the JV Company in hiring staff, in particular staff recruitment and training at the development stage; and (2) assisting in other matters as required by the JV Company.

Management: The board of directors consists of seven directors, of which four directors are nominated by China South International and three directors by Globe Honest International Ltd. China South International and Globe Honest International Ltd. have the right to nominate the chairman and the vice chairman of the board of directors, respectively. China South International has the right to recommend the financial controller and Globe Honest International Ltd. has the right to recommend the management staff, including the general manager.

China South NEL

Parties: China South International holding 51%, and National Express Group Co., Ltd. and Xu Yan holding 10% and 39%, respectively.

Form of incorporation: A limited liability company incorporated in the PRC with a registered capital of RMB3,000,000 and a term of 15 years.

Parties' covenants: China South International is responsible for: (1) leasing office premises, service areas and warehouse facilities to the JV Company at preferential rates; (2) introducing and promoting the JV Company's services to the tenants in China South City Shenzhen; and (3) giving the JV Company certain priority rights in operating warehouses. China South International has undertaken not to establish any other logistics company, which would compete with the JV Company, on its own or in cooperation with other parties (provided that the JV Company has a smooth operation and is able to provide quality service to tenants of China South City Shenzhen). National Express Group Co., Ltd. and Xu Yan have undertaken not to engage in any business activities that compete with the JV Company's business in China South City. Shenzhen National Express Group Co., Ltd. and Xu Yan are responsible for: (1) making their logistics networks available for use by the JV Company; and (2) attending to the relevant filing and registration formalities with the assistance of China South International. National Express Group Co., Ltd. is required to provide certain logistics system software to the JV Company for its use.

Management: The board of directors consists of six directors, of which one director is nominated by all the parties jointly, three directors by China South International and two directors by National Express Group Co Ltd. and Xu Yan jointly. China South International has the right to nominate the chairman of the board of directors. National Express Group Co Ltd. and Xu Yan have the right to recommend the general manager and other officers for the management of the JV Company. China South International has the right to recommend the financial controller.

SUMMARY OF JOINT VENTURE AGREEMENTS RELATING TO OUR ASSOCIATE

China South Intimex

Parties: China South International holding 30% and Intimex (China) Technology Holdings Ltd. holding 70%.

Form of incorporation: a Sino-foreign equity joint venture established in the PRC with a registered capital of RMB10,000,000 and a term of 15 years.

Parties' covenants: China South International is responsible for arranging utility and other related services. It has undertaken that, subject to certain exceptions, it will not cooperate with any third party in respect of the Internet business in China South City Shenzhen. It has authorized the JV Company to maintain the China South City Shenzhen website. Intimex (China) Technology Holdings Ltd. is responsible for: (1) equipment installation and the testing, operation and maintenance of system software; (2) daily management of the JV Company; (3) training of technical employees; and (4) attending to other matters as required by the JV Company.

Management: The board of directors consists of six directors, of which three directors are nominated by China South International and three directors by Intimex (China) Technology Holdings Ltd. China South International has the right to nominate the chairman of the board of directors and Intimex (China) Technology Holdings Ltd. has the right to nominate the vice chairman of the board of directors. Intimex (China) Technology Holdings Ltd. has the right to recommend the general manager for the first session and China South International has the right to recommend the financial controller.

HONG KONG UNDERWRITERS

Joint Lead Managers of the Hong Kong Public Offering

Merrill Lynch Far East Limited
BOCI Asia Limited

Senior Co-Lead Manager of the Hong Kong Public Offering

Nomura International (Hong Kong) Limited

Co-Lead Managers of the Hong Kong Public Offering (In alphabetical order)

Cinda International Capital Limited
First Shanghai Securities Limited
Guangdong Securities Limited
Guotai Junan Securities (Hong Kong) Limited
Kingsway Financial Services Group Limited
Oriental Patron Securities Limited
Polaris Securities (Hong Kong) Limited
Taifook Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on September 16, 2009. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Public Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this Prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option and the Share Options) and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Joint Bookrunners, on behalf of the Underwriters, and our Company agreeing the Offer Price), the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this Prospectus and the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Placing Agreement having been signed and becoming unconditional.

Grounds for Termination

The Joint Bookrunners, for themselves and on behalf of the Hong Kong Underwriters, may in their absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect by written notice to us at any time prior to 8:00 a.m. on the Listing Date, if:

(a) (i) any change (whether or not permanent) or development involving any prospective change or deterioration (whether or not permanent) or any event or series of events resulting or likely to result in any change (whether or not permanent) or development involving any prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, monetary, credit, exchange, fiscal, economic, industrial, trading, political, military, legal, regulatory or equity or financial market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting Hong Kong, the PRC, Singapore, the United States, the United Kingdom, Japan and/or any other jurisdictions where any member of the Group is incorporated (the "Relevant Jurisdictions") shall have occurred, happened or come into effect;

(ii) (1) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, New York Stock Exchange, Inc., NASDAQ, NYSE Amex Stock Exchange, London Stock Exchange, Singapore Stock Exchange and/or Tokyo Stock Exchange shall have been imposed or declared, or (2) any material disruption of settlements of securities or clearance services or any moratorium on or material disruption in commercial banking activities or foreign exchange trading in or affecting any of the Relevant Jurisdictions shall have occurred;

(iii) (1) any change in the system under which the value of the HK dollar is based on a trading range relative to the U.S. dollar or (2) a material devaluation of the HK dollar or Renminbi against any foreign currencies shall have occurred;

(iv) any new law or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other government authority in any of the Relevant Jurisdictions shall have been introduced or effected;

(v) any change or development involving any prospective change or event or series of events resulting or likely to result in any change or development involving any prospective change in taxation or exchange control or in the implementation of any exchange control restrictions or foreign investment regulations in any of the Relevant Jurisdictions adversely affecting an investment in shares shall have occurred;

(vi) economic or other sanctions, in whatever form and whether direct or indirect, shall have been imposed by any of the Relevant Jurisdictions on any entity which is material to the revenues or operations of the Group (whether or not such entity is a member of the Group) or with respect to any territory in which such entity carries on a substantive part of its business;

(vii) any event, or series of events, in the nature of force majeure, including without limitation, any act of God, act of government, outbreak or escalation of hostilities whether or not war is or has been actually declared or threat of war, state of emergency, civil commotion, riot, public disorder, fire, flooding, calamity, crisis, explosion, epidemic or pandemic outbreaks of infectious disease (including but not limited to outbreaks of SARS, H5N1 or any other related or mutated forms of the same in Hong Kong or any part of the PRC), act of terrorism, lockdown of airspace and other modes of transportation, strike or lockout in or affecting any of the Relevant Jurisdictions shall have occurred, happened, been declared or come into effect;

(viii) any other change or development involving any prospective change or event or series of events resulting or likely to result in any change or development involving any prospective change in the condition (financial or other), business, properties or results of operations of the Group or affecting an investment in the Shares;

(ix) any litigation or claim being instigated or threatened against the Company, and/or any of the Subsidiaries;

(x) any event, act or omission which gives rise to or is likely to give rise to any liability of any of the warrantors pursuant to the indemnity contained in the Hong Kong Underwriting Agreement shall have occurred, happened or come into effect;

(xi) any change or development involving a prospective change, or a materialization of, any of the risks set out in the section headed "Risk Factors" of this Prospectus shall have occurred, happened or come into effect;

(xii) any demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity shall have been made;

(xiii) save as disclosed in this Prospectus a contravention by any member of the Group of the Listing Rules or applicable laws shall have occurred or happened;

(xiv) a prohibition on the Company for whatever reason from allotting the Shares pursuant to the terms of the Global Offering shall have occurred, happened or come into effect;

(xv) non-compliance of any of this Prospectus or any aspect of the Global Offering with the Listing Rules or any other applicable law shall have occurred or happened;

(xvi) a petition being presented for the winding-up or liquidation of any member of the Group or any member of the Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto in respect of any member of the Group;

(xvii) any loss or damage sustained by any member of the Group;

(xviii) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company;

(xix) the co-chairmen or chief executive officer of the Company vacating his or her or their office;

(xx) the commencement by any governmental, regulatory or judicial body or organization of any action against a Director or an announcement by any governmental, regulatory or judicial body or organization that it intends to take any such action shall have occurred, happened or come into effect;

which in the sole and absolute opinion of the Joint Bookrunners:

(1) has or will have or is likely to have a material adverse effect on the condition (financial or otherwise), business, properties or operations of any member of the Group and/or the Group taken as a whole (the "Material Adverse Effect"); or

(2) has or will or is likely to have a Material Adverse Effect on the pricing, marketability, level of applications, distribution of Offer Shares in respect and/or successful completion of the Hong Kong Public Offering, the International Offering and/or the Global Offering; or

(3) is or will or may make it impracticable, inadvisable or inexpedient or commercially not viable (A) for any material part of the Hong Kong Underwriting Agreement, the International Placing Agreement, the Hong Kong Public Offering, the International Offering and/or the Global Offering to be performed or implemented as envisaged or (B) to proceed with the Hong Kong Public Offering, the International Offering and/or the Global Offering on the terms and in the manner contemplated in the Offering Package (as defined in the Hong Kong Underwriting Agreement) and under applicable laws; or

(b) it comes to the notice of any of the Joint Bookrunners, the Sole Global Coordinator, the Sole Sponsor or any of the Hong Kong Underwriters that:

(i) any of the warranties in the Hong Kong Underwriting Agreement is untrue, inaccurate, misleading or breached when given or repeated as determined by the Joint Bookrunners, in their sole and absolute discretion or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;

(ii) any statement contained in the Prospectus was or is untrue, incorrect or misleading, or any matter arises or is discovered which would, if the Prospectus were to be issued or distributed at that time, constitute a material omission therefrom as determined by the Joint Bookrunners, or that any forecasts, expressions of opinion, intention or expectation expressed in the Prospectus and/or any announcements issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) are not fair and honest and based on reasonable assumptions, when taken as a whole; or

(iii) there has been a breach on the part of any of the warrantors under the Hong Kong Underwriting Agreement of any of the provisions of the Hong Kong Underwriting Agreement or the International Placing Agreement as determined by the Joint Bookrunners.

Undertakings to the Stock Exchange pursuant to the Listing Rules

By Us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules, such as the issue of Shares pursuant to the Share Option Agreements or options that may be granted under the Share Option Scheme.

By the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders, has undertaken to the Stock Exchange that, except pursuant to the Global Offering or any stock borrowing arrangements made with the Sole Sponsor or its affiliates or its authorized agents or the Share Transfer Agreements, it or he or she shall not and shall procure that the relevant registered holder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this Prospectus and ending on the date which is six months from the Listing Date (the "First Six-month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which it is shown by this Prospectus to be the beneficial owner; or

(b) in the period of six months commencing on the date on which the First Six-month Period expires (the "Second Six-month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances it would cease to be our Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has also undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders in our Company is made in this Prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, it will:

(a) when it pledges or charges any Shares or other securities of our Company beneficially owned by it or him or her in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(b) when it receives any indications, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that such Shares or securities will be disposed of, immediately inform us of any such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of announcement in accordance with the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By Us and the Controlling Shareholders

We have undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement that the Company shall not, and each of the Controlling Shareholders has undertaken to procure that the Company shall not:

(a) except pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Capitalization Issue, the Share Options and options granted under the Share Option Scheme and the terms of the Notes as disclosed in the Prospectus, without the prior written consent of the Sole Global Coordinator, on behalf of the Hong Kong Underwriters, and subject always to the provisions of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of the First Six-month Period, offer, allot, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital or other securities of the Company (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of the Company or any interest therein) or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

(b) do, at any time within the Second Six-month Period, any of the acts set out in paragraph (a) above unless steps are also taken to ensure that such act will not create a disorderly or false market for any Shares or other securities of the Company.

By the Controlling Shareholders only

Each of the Controlling Shareholders has jointly and severally undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, and the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement that, except pursuant to the Global Offering (including the Over-allotment Option) or the Stock Borrowing Agreement (as defined in the Hong Kong Underwriting Agreement) or the Share Transfer or as otherwise disclosed in the Prospectus but subject always to the provisions of the Listing Rules:

(a) he/it and his/its associates (as defined in the Listing Rules) and affiliates will not, without the prior written consent of the Sole Global Coordinator, on behalf of the Hong Kong Underwriters, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of the First Six-month Period, offer, allot, issue, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of the Company, the Company's shareholders or any interest therein with respect to which such Controlling Shareholder has beneficial ownership or which are shown in the Prospectus to be held by such Controlling Shareholder (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of the Company, the Company's shareholders or any interest therein) or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so;

(b) he/it and his/its associates (as defined in the Listing Rules) and affiliates will not do, at any time within the Second Six-month Period, any of the acts set out in paragraph (a) above such that the Controlling Shareholders as a group directly or indirectly cease to be controlling shareholder of the Company (within the meaning of the Listing Rules);

(c) he/it and his/its associates (as defined in the Listing Rules) and affiliates will not do, at any time within the Second Six-month Period, any of the acts set out in paragraph (a) above unless steps are also taken to ensure that such act will not create a disorderly or false market for any Shares or other securities of the Company or any interest therein;

(d) if and when he/it pledges or charges, directly or indirectly, any Shares or other securities of the Company or the Company's shareholders or any interest therein beneficially owned by him/it at any time prior to the expiration of the Second Six-month Period, he/it will immediately inform the Company and the Sole Global Coordinator in writing of such pledge or charge together with the number of such Shares or other securities of the Company or the Company's shareholders or any interest therein so pledged or charged, and if and when he/it receives indication, either verbal or written, from any such pledgee or chargee that any such Shares or securities or any interest therein pledged or charged by him/it will be disposed of, immediately inform the Company and the Sole Global Coordinator in writing of such indication;

(e) he/it or his/its associates (as defined in the Listing Rules) or affiliates and any registered holders acting on his/its behalf or on their behalf or any nominees or trustees holding on his/its behalf or on their behalf shall comply with all applicable restrictions and requirements under the Listing Rules relating to any disposal any Shares or other securities of the Company or the Company's shareholders or any interest therein in respect of which he/it is or they are shown in the Prospectus to be the beneficial owner whether directly or indirectly or any interest therein at any time prior to the expiration of the Second Six-month Period; and

(f) neither he/it nor any of his/its associates (as defined in the Listing Rules) nor any of his/its affiliates has any present intention of disposing of any Shares or other securities of the Company or the Company's shareholders or any interest therein in respect of which he/it is shown in the Prospectus to be the beneficial owner whether directly or indirectly or any interest therein.

The Company shall, as soon as practicable after it receives any notification under paragraph (d) regarding any pledge or charge of Shares or other securities of the Company, notify the Stock Exchange of the same and (if required) make a public disclosure in accordance with the Listing Rules by way of press announcement or any other method prescribed by the Listing Rules.

Undertakings by the Existing Shareholders pursuant to the Share Transfer Agreements

Each of the Existing Shareholders severally undertakes to each of the Noteholders that, until the date which is 210 calendar days after the Listing Date, it shall not and shall procure that none of its nominees and companies controlled by it (whether individually or together and whether directly or indirectly) deal with the Shares which are beneficially owned by such Existing Shareholders immediately after the Global Offering in the manners stated under the heading "Indebtedness and Contingent Liabilities — The Notes — Undertaking by each of the Existing Shareholders" in the "Financial Information" section of this Prospectus.

Separate Undertakings by Various Shareholders

Each of the Founding Shareholders (except Cheng Chung Hing and Ma Kai Cheung) and the Existing Shareholders (except Accurate Gain Developments Limited and Proficient Success Limited), Sincere United Holdings Limited, Carrianna Holdings Limited, Gartrend Development Limited, Carrianna (BVI) Ltd, Tak Sing Alliance Holdings Limited and Luk Ka Overseas has undertaken to each of the Company, the Sole Sponsor, the Sole Global Coordinator and the Joint Bookrunners, for themselves and on behalf of the Underwriters, that, conditional upon listing of the Shares on the Stock Exchange, he/it will not, and will procure that none of his/its affiliates nor any nominee or trustee holding in trust for him/it will, without the prior written consent of the Sole Global Coordinator, for itself and on behalf of the Underwriters, and unless in compliance with the requirements of the Listing Rules or pursuant to any stock borrowing arrangements he/it has with the Sole Sponsor or its affiliates or its authorized agents or pursuant to the Share Transfer or as otherwise disclosed in the Prospectus, at any time during the period commencing on the date of issue of the Prospectus until the expiry of the

First Six-month Period, offer, allot, issue, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or any of the share capital or other securities of the Company, the Company's shareholders or any interest therein with respect to which he/it has beneficial ownership or which are shown in the Prospectus to be held by him/it (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of the Company, the Company's shareholders or any interest therein) or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so.

Indemnity

The Controlling Shareholders, the Founding Shareholders and we have agreed to indemnify the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that we will enter into the International Placing Agreement with, among others, the International Underwriters. Under the International Placing Agreement subject to the conditions set out therein, the International Underwriters would severally agree to procure purchasers for, or failing which to purchase the International Offering Shares. It is expected that the International Placing Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Placing Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Under the International Placing Agreement, our Company is expected to grant to the International Underwriters, exercisable by the Joint Bookrunners on behalf of the International Underwriters, the Over-allotment Option within 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to allot and issue up to 225,000,000 additional Shares, representing approximately 15% of the Offer Shares, at the same price per Offer Share under the International Offering, solely to cover over-allocations in the International Offering, if any.

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.75% on the Offer Price of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. The International Underwriters will receive an underwriting commission of 2.75% on the Offer Price of the International Offering Shares initially offered under the International Offering. In addition, we may, in our sole discretion, pay to the Joint

Bookrunners an incentive fee of up to 0.5% of the Offer Price multiplied by the total number of Offer Shares. For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Bookrunners and the relevant International Underwriters (but not the Hong Kong Underwriters).

The aggregate commissions and fees, together with listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK$206 million (assuming an Offer Price of HK$1.75, the mid-point of the indicative Offer Price range, and the Over-allotment Option is not exercised) in total and are payable by us in full.

Hong Kong Underwriters' Interests in our Company

Save for its obligations under the Hong Kong Underwriting Agreement and as disclosed in this Prospectus, none of the Hong Kong Underwriters has any shareholding interests in our Company or any other member of our Group or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe any Shares or securities in our Company or any other member of our Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

Sole Sponsor's Independence

Merrill Lynch Far East Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

(i) the Hong Kong Public Offering of an initial 150,000,000 Hong Kong Public Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed "The Hong Kong Public Offering;" and

(ii) the International Offering of an initial 1,350,000,000 International Offering Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the Securities Act.

Merrill Lynch Far East Limited is the Sole Sponsor of the Hong Kong Public Offering. Merrill Lynch International is the Sole Global Coordinator of the Global Offering. Merrill Lynch International and BOCI Asia Limited are the Joint Bookrunners in relation to the Global Offering. Merrill Lynch Far East Limited and BOCI Asia Limited are the Joint Lead Managers of the Hong Kong Public Offering, Merrill Lynch International and BOCI Asia Limited are the Joint Lead Managers of the International Offering.

Investors may apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of Shares to QIBs in the United States in reliance on Rule 144A, as well as to institutional and professional investors and other investors expected to have a sizeable demand for Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or before, Wednesday, September 23, 2009.

The number of Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "Pricing and Allocation."

References in this Prospectus to applications, Application Forms, application monies or the procedure for application refer solely to the Hong Kong Public Offering.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners, on behalf of the Underwriters, and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Wednesday, September 23, 2009 and in any event no later than Monday, September 28, 2009.

The Offer Price will be not more than HK$2.10 and is expected to be not less than HK$1.40, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus**.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners, on behalf of the Underwriters and with our consent on behalf of ourselves, consider it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may be reduced below that stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering, provided that it will not result in the Company not fulfilling the requirement under Rule 8.05(2)(d) of the Listing Rules.

In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering on Tuesday, September 22, 2009, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Such notice will also be available at the websites of the Stock Exchange at **www.hkex.com** and our Company at **www.chinasouthcity.com**. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offering statistics as currently set out in the section headed "Summary" of this Prospectus, and any other financial information which may change as a result of such reduction. Before submitting applications for Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. **If applications for the Hong Kong Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the indicative Offer Price range and/or the number of Offer Shares is so reduced, such applications cannot be subsequently withdrawn.**

Upon the issuance of such notice, the revised number of Offer Shares and/or the revised Offer Price range will be final and conclusive. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the indicative Offer Price range and/or the number of Offer Shares stated in this Prospectus on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be set outside the Offer Price range as stated in this Prospectus, and the number of Offer Shares will under no circumstances be fewer than the number as stated in this Prospectus.

If, for any reason, we, on behalf of ourselves, and the Joint Bookrunners, on behalf of the Underwriters, are unable to reach agreement on the Offer Price, the Global Offering will not proceed and will lapse.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Allocation of our Offer Shares pursuant to the International Offering will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants, although the allocation of Hong Kong Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The net proceeds from the Global Offering accruing to us are estimated to be approximately HK$2,419 million. The estimated net proceeds are calculated assuming an Offer Price of HK$1.75 per Share (being the midpoint of the stated offer price range of HK$1.40 to HK$2.10 per Share) and after deduction of underwriting fees and estimated expenses payable by us in relation to the International Offering, assuming that the Over-allotment Option is not exercised.

Announcement of Offer Price and Basis of Allocations

The Offer Price, results of applications in respect of the Hong Kong Public Offering, the indication of the level of interest in the International Offering, and the level of applications and the basis of allocations of the Hong Kong Public Offer Shares are expected to be announced on Tuesday, September 29, 2009 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on our website (**www.chinasouthcity.com**) (in English and Chinese) and on the Stock Exchange's website (**www.hkex.com.hk**). You should note that our website, and all information contained in our website, does not form part of this Prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Public Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Capitalization Issue, and any Shares which may be issued pursuant to the exercise of the Share Options and the options which may be granted under the Share Option Scheme and such listing and permission not subsequently having been revoked prior to commencement of dealing of the Shares on the Stock Exchange;

(ii) the Offer Price having been duly determined between us and the Joint Bookrunners, on behalf of the Underwriters, and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date;

(iii) the execution and delivery of the International Placing Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Placing Agreement having become unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Bookrunners, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this Prospectus.

If for any reason, the Offer Price is not agreed by Monday, September 28, 2009 between us and the Joint Bookrunners, on behalf of the Underwriters, the Global Offering will not proceed and will lapse. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be caused to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned to the applicants, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Public Offer Shares" of this Prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

Shares certificates for the Hong Kong Public Offer Shares are expected to be issued on Tuesday, September 29, 2009 but will only become valid certificates of title at 8:00 a.m. on Wednesday, September 30, 2009, the date of commencement of the dealings in the Shares, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

THE HONG KONG PUBLIC OFFERING

We are initially offering 150,000,000 Hong Kong Public Offer Shares at the Offer Price, representing 10% of the 1,500,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 2.5% of our total issued share capital immediately after completion of the Global Offering and the Capitalization Issue, assuming that the Over-allotment Option the Share Options and the options granted under the Share Option Scheme are not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Public Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Offering will not be allotted Offer Shares in the International Offering.

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the Application Form submitted by him or her, that he or she, and any person(s) for whose benefit he or she is making the application (if any), have not indicated an interest for or taken up and will not indicate an interest for or take up, any International Offering Shares, and such applicant's application will be rejected if this undertaking and/or confirmation is breached and/or untrue.

Our Company, our Directors, the Sole Sponsor and the Joint Bookrunners will take reasonable steps to identify and reject applicants under the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Offer Shares in the Hong Kong Public Offering.

The Joint Bookrunners, on behalf of the Underwriters, may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

The Offer Price will be not more than HK$2.10 and is expected to be not less than HK$1.40. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum offer price of HK$2.10 on each Hong Kong Public Offer Share plus 1% brokerage fee, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee on each Hong Kong Public Offer Share. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK$2.10, being the maximum price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Public Offer Shares" of this Prospectus.

Allocation

The total number of Offer Shares available for subscription under the Hong Kong Public Offering (after taking into account any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Hong Kong Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Public Offer Shares with an aggregate subscription price of HK$5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) or less. The Hong Kong Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Public Offer Shares with an aggregate subscription price of more than HK$5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) and up to the value of pool B.

Applicants should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Public Offer Shares in one (but not both of the pools) are undersubscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For this purpose, the "subscription price" for the Hong Kong Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B but not from both pools. When there is over-subscription, allocation of the Hong Kong Public Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A and pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by each applicant. The allocation of Hong Kong Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares. Multiple or suspected multiple applications within either pool or between pools and any application for more than 75,000,000 Hong Kong Public Offer Shares, being 50% of the Hong Kong Public Offer Shares initially being offered for subscription under the Hong Kong Public Offering will be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Offer Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 450,000,000, 600,000,000 and 750,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Bookrunners deem appropriate, and such additional Shares will be allocated to pool A and pool B. In addition, the Joint Bookrunners may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Bookrunners has the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Bookrunners deem appropriate.

THE INTERNATIONAL OFFERING

The International Offering will consist of initially 1,350,000,000 Shares, to be offered by us (a) in the United States to QIBs pursuant to Rule 144A or another exemption from registration under the Securities Act, and (b) outside the United States (within the meaning of Regulation S under the Securities Act) in reliance on Regulation S under the Securities Act, including to professional and institutional investors in Hong Kong.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Bookrunners on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Bookrunners within 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require us to allot and issue up to 225,000,000 additional Offer Shares, representing approximately 15.0% of the total number of the initial Offer Shares, at the same price per Offer Share solely to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our enlarged issued share capital immediately following the completion of the Global Offering and the Capitalization Issue (assuming the Share Options are not exercised). In the event that the Over-allotment Option is exercised, a separate announcement will be made.

The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimize, and, if possible, prevent a decline in the prices of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Sole Sponsor, as Stabilizing Manager, its affiliates, or its authorized agents, on behalf of the Underwriters, may, but are not obliged to, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date. Any market purchases of our Shares will be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). However, there is no obligation on the Stabilizing Manager, its affiliates, or its authorized agents to conduct any such stabilizing activity. Such stabilization, if commenced, will be at the sole and absolute discretion of the Stabilizing Manager, its affiliates, or its authorized agents and may be discontinued at any time. Any such stabilizing activity must be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares which may be sold upon exercise of the Over-allotment Option, being 225,000,000 Shares, which is 15% of our Shares initially available under the Global Offering.

The Stabilizing Manager, its affiliates, or its authorized agents may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

(i) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; and/or

(ii) in connection with any action described in paragraph (i) above:

(A) (1) over-allot our Shares; or

(2) sell or agree to sell our Shares so as to establish a short position in them,

for the sole purpose of preventing or minimizing any reduction in the market price of our Shares;

(B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (A) above;

(C) sell or agree to sell any of our Shares acquired by it in the course of the stabilizing action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; and/or

(D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilizing Manager, its affiliates, or its authorized agents, may, in connection with the stabilizing action, maintain a long position in our Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager or any person acting for it, which may include a decline in the market price of our Shares.

Stabilization cannot be used to support the price of our Shares for longer than the stabilization period, which begins on the day on which dealings in our Shares commence on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore their market price, could fall. A public announcement will be made within seven days after the end of the stabilizing period in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong).

Any stabilizing action taken by the Stabilizing Manager, its affiliates, or its authorized agents, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilization period. Stabilization bids or market purchases effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

The Stabilizing Manager or its authorized agents may borrow up to 225,000,000 Shares from Accurate Gain Developments Limited, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under a stock borrowing agreement. The stock borrowing agreement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules which restricts the disposal of shares by controlling shareholders (within the meaning of the Listing Rules) following a new listing, provided the following requirements in accordance with the provisions of Rule 10.07(3) of the Listing Rules are complied with:

- the stock borrowing agreement will only be effected by the Stabilizing Manager or its authorized agents for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Accurate Gain Developments Limited will be limited to the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Accurate Gain Developments Limited on or before the third business day, a day that is not a Saturday, Sunday or public holiday in Hong Kong or Tokyo, following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;
- borrowing of shares pursuant to the stock borrowing agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Accurate Gain Developments Limited in relation to the stock borrowing agreement.

WHO CAN APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

You can apply for Hong Kong Public Offer Shares if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC (other than Hong Kong, Macau and Taiwan).

If you wish to apply for Hong Kong Public Offer Shares online through the designated website at **www.eipo.com.hk**, referred to herein as the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO** service.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, we, the Sole Sponsor, the Joint Bookrunners, the Underwriters and their respective agents and nominees as our agent may accept it at their discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. The Company, the Sole Sponsor and the Joint Bookrunners will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The number of joint applicants may not exceed four.

The Hong Kong Public Offer Shares are not available to existing beneficial owners of Shares in our Company, our directors, supervisors or chief executive or their respective associates or any other Connected Persons of our Company or persons who will become Connected Persons of our Company or any of our subsidiaries or any of our subsidiaries or persons who will become Connected Persons of our Company or any of our subsidiaries immediately upon completion of the Global Offering.

You may apply for Shares under the Hong Kong Public Offering or indicate an interest for Shares under the International Offering, but may not do both.

METHODS OF APPLYING FOR THE HONG KONG PUBLIC OFFER SHARES

There are four ways to make an application for the Hong Kong Public Offer Shares. You may either use a **YELLOW** or **WHITE** Application Form or you may apply online through the designated website of the White Form eIPO Service Provider (**www.eipo.com.hk**), referred to herein as the "**White Form eIPO service**," or you may **electronically** instruct HKSCC to cause HKSCC Nominees to apply for Hong Kong Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

APPLYING BY USING AN APPLICATION FORM

Which Application Form to Use

Use a **WHITE** Application Form if you want the alloted Hong Kong Public Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the alloted Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to Collect the Prospectus and Application Forms

1. You can collect a **WHITE** Application Form and a Prospectus from:

- **any participant of The Stock Exchange of Hong Kong Limited**;
- any of the following addresses:

  Merrill Lynch Far East Limited at 15/F, Citibank Tower, 3 Garden Road, Central, Hong Kong
  BOCI Asia Limited at 26/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong

- any of the following branches of **The Hongkong and Shanghai Banking Corporation Limited**:

District	Branch	Address
Hong Kong Island	Hong Kong Office	Level 3, 1 Queen's Road Central
	Des Voeux Road Central Branch	China Insurance Group Bldg, 141 Des Voeux Road Central
	Hay Wah Building Branch	G/F, Hay Wah Bldg, 71–85B Hennessy Rd, Wan Chai
	North Point Branch	G/F, Winner House, 306–316 King's Road, North Point
Kowloon	Amoy Plaza Branch	Shops G193–200 & 203, G/F, Amoy Plaza Phase II, 77 Ngau Tau Kok Road
	Kowloon City Branch	1/F, 18 Fuk Lo Tsun Road, Kowloon City
	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong
	Mong Kok Branch	L/G & U/G, 673 Nathan Road, Mong Kok

District	Branch	Address
New Territories	Citylink Plaza Branch	Shops 38–46, Citylink Plaza, Shatin Station Circuit, Sha Tin
	Kwai Hing Branch	Shop 2, 3/F, Sun Kwai Hing Plaza, 166–174 Hing Fong Road, Kwai Chung

- any of the following branches of **Bank of China (Hong Kong) Limited**:

District	Branch	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
	Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
New Territories	East Point City Branch	Shop 101, East Point City, Tseung Kwan O

- any of the following branches or sub-branches of **Bank of Communications Co., Ltd. Hong Kong Branch**:

District	Branch/Sub-branch	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	King's Road Sub-Branch	67–71 King's Road
	Wanchai Sub-Branch	G/F., 32–34 Johnston Road
Kowloon	Homantin Sub-Branch	Shop G37A, Oi Man Shopping Centre, Oi Man Estate, Ho Man Tin
New Territories	Yuen Long Sub-Branch	Shop B–F, G/F., 2–14 Tai Fung Street, Yuen Long
	Sha Tsui Road Sub-Branch	122–124 Sha Tsui Road, Tsuen Wan
	Sheung Shui Sub-Branch	Shops 10–14, G/F., Sheung Shui Centre Shopping Arcade

2. You can collect a **YELLOW** Application Form and a Prospectus from:

- **The Depository Counter of HKSCC** at 2/F., Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- Your stockbroker, who may have the **YELLOW** Application Forms and this Prospectus available.

Prospectuses and Application Forms will be available for collection at the above places during the following times:

Thursday, 17 September 2009	**—**	**9:00 a.m.–5:00 p.m.**
Friday, 18 September 2009	**—**	**9:00 a.m.–5:00 p.m.**
Saturday, 19 September 2009	**—**	**9:00 a.m.–1:00 p.m.**
Monday, 21 September 2009	**—**	**9:00 a.m.–5:00 p.m.**
Tuesday, 22 September 2009	**—**	**9:00 a.m.–12:00 noon**

How to Apply using a WHITE or YELLOW Application Form

1. Obtain a **WHITE** or **YELLOW** Application Form as described in the paragraph "Where to Collect the Prospectus and Application Forms" above.

2. Complete the Application Form in English using blue or black ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

3. Each **WHITE** or **YELLOW** Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form:

   If you pay by cheque, the cheque must:

   - be in Hong Kong dollars;
   - not be post-dated;
   - be drawn on your Hong Kong dollar bank account with a licensed bank in Hong Kong;
   - show your account name. This name must either be pre-printed on the cheque, or be endorsed at the back by a person authorized by the bank. This account name must be the same as the name on your Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant. If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant;
   - be made payable to "**HSBC Nominees (Hong Kong) Limited — China South City Public Offer**"; and
   - be crossed "Account Payee Only".

If you pay by banker's cashier order, the bankers' cashier order must:

- be in Hong Kong dollars;
- be issued by licensed banks in Hong Kong, and have your name certified at the back of the banker's cashier order by a person authorized by the bank on which it is drawn. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name at the back of the banker's cashier order must be the same as the name of the first-named applicant;
- not be post-dated;
- be made payable to "**HSBC Nominees (Hong Kong) Limited — China South City Public Offer**"; and
- be crossed "Account Payee Only".

Your application is liable to be **rejected** if your cheque or banker's cashier order does not meet all these requirements or is dishonoured on its first presentation.

The right is reserved to present all or any remittances for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Tuesday, September 22, 2009. The Company will not give you a receipt for your payment. The Company will keep any interest accrued on your application monies (up till, in the case of monies to be refunded, the date of dispatch of e-Refund payment instructions/refund cheques). The right is also reserved to retain any share certificate(s) and/or any surplus application money(ies) or refunds pending clearance of your cheque or banker's cashier order.

You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be **rejected** if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.

4. Lodge the Application Form in one of the collection boxes by the time and at one of the locations described in the paragraph headed "Time for lodging Application Forms" below.

5. In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

(i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

(a) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

(ii) If the application is made by an individual CCASS Investor Participant:

(a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

(b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) If the application is made by a joint individual CCASS Investor Participant:

(a) the Application Form must contain all joint CCASS Investor Participants' names and Hong Kong identity card number of all the joint CCASS Investor Participants; and
(b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) If the application is made by a corporate CCASS Investor Participant:

(a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
(b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of, participant I.D. or other similar matters may render the application invalid.

Effect of making any Application

1. By completing and submitting any Application Form, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- **instruct** and **authorize** our Company and/or the Sole Sponsor (or their respective agents or nominees), each acting as an agent of our Company, to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Public Offer Shares allocated to you in your name(s) or the name of HKSCC Nominees, as the case may be, as required by the Articles of Association and otherwise to give effect to the arrangements described in this Prospectus and the relevant Application Form;
- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Public Offer Shares allocated to you, and as required by the Articles of Association;
- **represent, warrant** and **undertake** that you understand that the Shares have not been and will not be registered under the Securities Act;
- **represent**, **warrant** and **undertake** that: (a) you are not, and none of the other person(s) for whose benefit you are applying is restricted by any applicable laws of Hong Kong or elsewhere from making this application, or paying any application moneys for or being allotted or taking up, any Hong Kong Public Offer Shares; (b) you are not, and none of the person(s) for whose benefit you are applying is, within the United States (as defined in Regulation S under the Securities Act); (c) you and any of the person(s) for whose benefit you are applying will acquire the Hong Kong Public Offer Shares in an offshore transaction (within the meaning of Regulation S under the Securities Act); and (d) the allotment of or the application for the Hong Kong Public Offer Shares to or by you/any of the other persons by whom or for whose

benefit the application is made would not require the Company to comply with any requirement under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;

- **confirm** that you have received and/or read a copy of this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application, and will not rely on any other information or representation concerning our Company save as set out in any supplement to this Prospectus and you agree that neither our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters nor any of their respective directors, officers, employees, partners, agents, advisors or any other parties involved in the Global Offering will have any liability for any such other information or representations;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it due to an innocent misrepresentation or other than as provided in this Prospectus;
- (if the application is made for your own benefit) **warrant** that the application is the only application which will be or has been made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated White Form eIPO Service Provider via the **White Form eIPO** service (**www.eipo.com.hk**);
- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (if you are an agent for another person) **warrant** that reasonable inquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated White Form eIPO Service Provider via the **White Form eIPO** service (**www.eipo.com.hk**), and that you are duly authorized to sign the Application Form or to give **electronic application instructions** as that other person's agent;
- **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offering made available by our Company;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for, taken up or indicated an interest in, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offering Shares in the International Offering, nor otherwise participate in the International Offering;
- **warrant** the truth and accuracy of the information contained in your application;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- **authorize** our Company to place your name(s) or HKSCC Nominees, as the case may be, on the Company's register of members as the holder(s) in Hong Kong of any Hong Kong Public Offer Shares allocated to you, and (subject to the terms and conditions set out in the

Application Form and in this Prospectus) our Company and/or the Company's agents to send any share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post to the address stated on your Application Form at your own risk (except if you have applied for 1,000,000 Hong Kong Public Offer Shares or more and have indicated in your Application Form that your wish to collect your refund cheque and/or share certificates (where applicable) in person) from Computershare Hong Kong Investor Services Limited, between 9:00 a.m. and 1:00 p.m. on the date notified by our Company in the newspapers as of the date of despatch of share certificate(s)/e-Refund payment instructions/refund cheque(s);

- **request** that any refund cheque(s) be made payable to you or, in the case of joint applicants to the first-named applicant in your Application Form, and (subject to the terms and conditions set out in your Application Form) to send the refund cheque(s) by ordinary post at your own risk to the address given on the Application Form (except if you have applied for 1,000,000 or more Hong Kong Public Offer Shares and have indicated in your Application Form that you wish to collect the refund cheque(s) in person in accordance with the procedures prescribed in your Application Form and in this Prospectus);
- **agree** that the processing of your application may be done by any of our Company's receiving banks and is not restricted to the bank at which your Application Form is lodged;
- **confirm** that you have read the terms and conditions and application procedures set out in this Prospectus and the Application Forms and agree to be bound by them and are aware of the restrictions on the Global Offering of the Offer Shares described in this Prospectus;
- **understand** that these declarations and representations will be relied upon by our Company, the Sole Sponsor and the Joint Bookrunners in deciding whether or not to allocate any Offer Shares in response to your application and you may be prosecuted for making a false declaration;
- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners and the Hong Kong Underwriters, nor any of their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this Prospectus;
- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each Shareholder) (and if applicable, with each CCASS Participant giving **electronic application instructions**), and our Company agrees with each of our Shareholders, to observe and comply with the Companies Ordinance, the Memorandum and the Articles of Association;
- **agree** with the Company and each Shareholder that the Shares in our Company are freely transferable by the holder thereof;
- **authorize** the Company to enter into a contract on your behalf with each Director or officer of the Company whereby such Directors and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in the Articles of Association;

- **agree** that our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and any of their respective directors, officers, employees, partners, agents or advisors, and any other parties involved in the Global Offering are liable only for the information and representations contained in this Prospectus and any supplement to this Prospectus (and only then to the extent such liability is held to exist by a court with competent jurisdiction); and
- **agree** to disclose to our Company, our Hong Kong Share Registrar, the receiving banks, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and their respective advisors and agents any personal data and any other information which they require about you or the person(s) for whose benefit you have made the application.

2. If you apply for the Hong Kong Public Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (1) above, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee **agree** that:

   - any Hong Kong Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the Application Form;
   - each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of such allotted Hong Kong Public Offer Shares issued in the name of HKSCC Nominees or not to accept such allotted Hong Kong Public Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Public Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are a joint applicant, to the first-named applicant) at your own risk and costs; and (3) to cause such allotted Hong Kong Public Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the share certificates for such allotted Hong Kong Public Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;
   - each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Public Offer Shares issued in the name of HKSCC Nominees;
   - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this Prospectus and the Application Form; and
   - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

Time for Lodging Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Tuesday, September 22, 2009, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed "Effect of Bad Weather on the Opening of the Application Lists."

Your completed Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and Bank of Communications Co., Ltd. Hong Kong Branch listed under the paragraph headed "Where to Collect the Prospectus and Application Forms" above at the following times:

Thursday, September 17, 2009	**—**	**9:00 a.m. to 4:30 p.m.**
Friday, September 18, 2009	**—**	**9:00 a.m. to 4:30 p.m.**
Saturday, September 19, 2009	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, September 21, 2009	**—**	**9:00 a.m. to 4:30 p.m.**
Tuesday, September 22, 2009	**—**	**9:00 a.m. to 12:00 noon**

APPLICATION LIST

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, September 22, 2009.

No proceedings will be taken on applications for the Hong Kong Public Offer Shares and no allotment of any such Shares will be made until the closing of the application lists.

Effect of Bad Weather on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, September 22, 2009. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

PUBLICATION OF RESULTS

We expect to announce the final Offer Price, the level of indications of interests in the International Offering, the level of applications, the basis of allotment and the results of applications under the Hong Kong Public Offering on Tuesday, September 29, 2009 in the South China Morning Post (in English), in the the Hong Kong Economic Times (in Chinese), on our website (**www.chinasouthcity.com**) (in English and in Chinese) and on the Stock Exchange's website (**www.hkex.com.hk**).

The results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers (when supplied) of successful applicants and the number of Hong Kong Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, by **White Form eIPO** and by giving **electronic application instructions** to HKSCC via CCASS, will also be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering can be found in our announcement to be posted on the Company's website at **www.chinasouthcity.com** and on the website of the Stock Exchange at **www.hkex.com.hk** on Tuesday, September 29, 2009;
- Results of allocations for the Hong Kong Public Offering will be available at our results of allocations website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Tuesday, September 29, 2009 to 12:00 midnight on Monday, October 5, 2009. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Public Offer Shares allocated to them, if any, by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, September 29, 2009 to Friday, October 2, 2009; and
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Tuesday, September 29, 2009 to Friday, October 2, 2009 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "How to Apply for Hong Kong Public Offer Shares — Where to Collect the Prospectus and Application Forms" of this Prospectus.

DISPATCH/COLLECTION OF SHARE CERTIFICATES/E-REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than HK$2.10 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. All interest accrued on such monies prior to the date of refund will be retained for the benefit of our Company. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one share certificate for all the Hong Kong Public Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the application:

(a) for applicants on **WHITE** Application Forms or through the **White Form eIPO** service: (i) share certificate(s) for all the Hong Kong Public Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Hong Kong Public Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose share certificates will be deposited into CCASS as described below); and/or

(b) for applicants on **WHITE** and **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) the surplus application monies for the Hong Kong Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum Offer Price per Hong Kong Public Offer Share paid on application in the event that the Offer Price is less than the price per Hong Kong Public Offer Share initially paid on application, in each case including brokerage at the rate of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% attributable to such refund/surplus monies but without interest.

Subject to personal collection as mentioned below, e-Refund payment instructions and refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the maximum Offer Price per Share paid on application under **WHITE** or **YELLOW** Application Form(s) and **White Form eIPO**, and share certificates for successful applicants under **WHITE** Application Forms or through the **White Form eIPO** service are expected to be dispatched and/or available for collection (as the case may be) on or around Tuesday, September 29, 2009. The right is reserved to retain any share certificates and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, September 30, 2009 provided that the Global Offering has become unconditional in all respects and the right of termination described in the section entitled "Underwriting — Grounds for Termination" of this Prospectus has not been exercised.

If you apply using a WHITE Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund cheque(s) and/or share certificate(s) (where applicable) in person, you may collect your refund cheque(s) and/or share certificate(s) (where applicable) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, September 29, 2009 or such other date as notified by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques. If you are an individual, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your company chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) within the time period specified for collection, they will be dispatched promptly thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares or if you apply for 1,000,000 Hong Kong Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) and share certificate(s) (where applicable) in person, or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering," or if your application is revoked or any allotment pursuant thereto has become void, your share certificate(s) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate parts thereof, together with the related brokerage, Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Tuesday, September 29, 2009 by ordinary post and at your own risk.

If you apply using a YELLOW Application Form

If you apply for Hong Kong Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Tuesday, September 29, 2009, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) for Hong Kong Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, September 29, 2009. You should check the announcement published by us and report any discrepancies to HKSCC or HKSCC Nominees before 5:00 p.m. on Tuesday, September 29, 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque(s) (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Public Offer Shares, or you do not collect your refund cheque(s) (if any) in person within the time specified for its collection where you have indicated on your **YELLOW** Application Form that you wish to collect such in person, or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering," or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (if any) in respect of the application monies or the appropriate parts thereof, together with the related brokerage, Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on the date of dispatch, which is expected to be on Tuesday, September 29, 2009, by ordinary post and at your own risk.

APPLYING THROUGH WHITE FORM eIPO

General

If you are an individual and meet the criteria set out in "Who can Apply for the Hong Kong Public Offer Shares", you may apply through **White Form eIPO** service by submitting an application online through the designated website at **www.eipo.com.hk**. If you apply through **White Form eIPO** service, the Shares will be issued in your own name.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be **rejected** by the designated White Form eIPO Service Provider and may not be submitted to our Company.

If you give **electronic application instructions** to the White Form eIPO Service Provider through the designated website at **www.eipo.com.hk**, you will have authorized the designated White Form eIPO Service Provider to apply on the terms and conditions set out in this Prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

In addition to the terms and conditions set out in this Prospectus, the designated White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

By submitting an application to the designated White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated White Form eIPO Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.

You may submit an application through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each electronic application instruction in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

Warning

The application for Hong Kong Public Offer Shares through the **White Form eIPO** service is only a facility provided by the designated White Form eIPO Service Provider to public investors. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to our Company or that you will be allotted any Hong Kong Public Offer Shares.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. As environmental protection is part of Computershare's Corporate Social Responsibility Program, Computershare Hong Kong Investor Services Limited will contribute HK$2 for each "China South City Holdings Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** or **YELLOW** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or give **electronic application instructions** to HKSCC via CCASS.

Additional information

For the purposes of allocating Hong Kong Public Offer Shares, each applicant giving **electronic application instructions** through **White Form eIPO** service to the White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Public Offer Shares for which you have applied, or if your application is otherwise rejected by the designated White Form eIPO Service Provider, the designated White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated White Form eIPO Service Provider on the designated website at **www.eipo.com.hk**.

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the paragraph entitled "Refund of Application Monies" shall be made pursuant to the arrangements described below in the sub-section headed "How many applications you may make by means of White Form eIPO."

Time for submitting White Form eIPO

You may submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Thursday, September 17, 2009 until 11:30 a.m. on Tuesday, September 22, 2009 or such later time as described under the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" under this section above (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, September 22, 2009, the last application day, or, if the application lists are not open on that day, then by the time and date stated in "Effect of Bad Weather on the Opening of the Application Lists" above.

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. **If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Tuesday, September 22, 2009, or such later time as described under the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists", the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk**.

How many applications you may make by means of White Form eIPO

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at **www.eipo.com.hk** and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you apply for 1,000,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your share certificate(s) in person from Computershare Hong Kong Investor

Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, September 29, 2009, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** on Tuesday, September 29, 2009 by ordinary post and at your own risk.

If you paid the application monies from a single bank account, e-Refund payment instructions (if any) will be despatched to your application payment bank account on or around Tuesday, September 29, 2009.

If you used multi-bank accounts to pay the application monies, refund cheque (if any) will be despatched to you on or around Tuesday, September 29, 2009.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated White Form eIPO Service Provider set out above in the paragraph entitled "Additional Information."

APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC to apply for Hong Kong Public Offer Shares by HKSCC Nominees on Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares:

1. HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;

2. HKSCC Nominees does the following things on behalf of each such person:

   - **agrees** that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
   - **undertakes** and **agrees** to accept the Hong Kong Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
   - **undertakes** and **confirms** that that person has not indicated an interest for, applied for or taken up any Shares under the International Offering nor otherwise participated in the International Offering;
   - (if the **electronic application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;
   - (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;

- **understands** that the above declaration will be relied upon by our Company, the Directors, the Sole Sponsor and the Joint Bookrunners in deciding whether or not to make any allotment of Hong Kong Public Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- **authorizes** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund money in accordance with the arrangements separately agreed between our Company and HKSCC;
- **confirms** that that person has read the terms and conditions and application procedures set out in this Prospectus and agrees to be bound by them and are aware of the restrictions on the Hong Kong Public Offering described in this Prospectus;
- **confirms** that that person has only relied on the information and representations in this Prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations save as set out in any supplement to this Prospectus;
- **agrees** that our Company, the Sole Sponsor, the Joint Bookrunners, the Hong Kong Underwriters and any of their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering are liable only for the information and representations contained in this Prospectus and any supplement thereto;
- **agrees** to disclose that person's personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Joint Bookrunners and their respective advisors and agents, and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation or other than as provided in this Prospectus;
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before Saturday, October 17, 2009, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Public Offer Shares to any person before Saturday, October 17, 2009 except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this Prospectus;
- **agrees** that once the application made by HKSCC Nominees on your behalf is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our Company;

- **agrees** with our Company, for ourselves and for the benefit of each of our Shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by the HKSCC Nominees to have agreed, for ourselves and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Hong Kong Companies Ordinance, the Memorandum of Association and Articles of Association;
- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Public Offer Shares; and
- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- **instructed** and **authorized** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- **instructed** and **authorized** HKSCC to arrange payment of the maximum Offer Price, brokerage, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the initial Offer Price per Share paid on application, refund of the application monies, in each case including brokerage, the SFC transaction levy and the Stock Exchange trading fee, by crediting your designated bank account;
- **instructed** and **authorized** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple Applications

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering where multiple applications have been made.

Minimum Subscription Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the **WHITE** and **YELLOW** Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronics Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, September 17, 2009	**—**	**9:00 a.m. to 8:30 p.m.[(1)]**
Friday, September 18, 2009	**—**	**8:00 a.m. to 8:30 p.m.[(1)]**
Saturday, September 19, 2009	**—**	**8:00 a.m. to 1:00 p.m.[(1)]**
Monday, September 21, 2009	**—**	**8:00 a.m. to 8:30 p.m.[(1)]**
Tuesday, September 22, 2009	**—**	**8:00 a.m.[(1)] to 12:00 noon**

(1) These times are subject to changes as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, September 17, 2009 until 12:00 noon on Tuesday, September 22, 2009 (24 hours daily, except the last application day).

Effect of Bad Weather on the Last Application Day

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, September 22, 2009, the last application day. If there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, September 22, 2009, the last application day will be postponed to the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

If the application lists of the Hong Kong Public Offering do not open and close on Tuesday, September 22, 2009, or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable," such dates may be affected and an announcement will be made in such event.

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- No temporary documents of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Tuesday, September 29, 2009 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner, if supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporation) and the basis of allotment of the Hong Kong Public Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, September 29, 2009. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, September 29, 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, September 29, 2009. Immediately after the credit of the Hong Kong Public Offer Shares to your CCASS Investor Participant stock account and the credit of any refund monies to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, September 29, 2009. No interest will be paid thereon.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Warning

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, September 22, 2009, or such later time as described under the paragraph headed "Application by using an Application Form — Effect of Bad Weather Conditions on the Opening of the Application Lists" above.

RELIANCE ON WARRANTY IN THE APPLICATION

Our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and their respective directors and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in your application.

In the event of this application being made by joint application, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally. You may be prosecuted if you make a false declaration.

HOW MANY APPLICATIONS MAY YOU MAKE

Multiple applications or suspected multiple applications are liable to be rejected.

You may make more than one application for the Hong Kong Public Offer Shares if and only if:

You are a nominee, in which case you may make an application as a nominee by (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant) and; (ii) lodging more than one Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for each beneficial owner or, in the case of joint beneficial owners, for each of such beneficial owners. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the Application Form is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO** service;
- (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application; and
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC, and that you are duly authorized to sign the Application Form as that other person's agent or to give **electronic application instructions** as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your applications, **all** of your applications (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC; or
- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and through the **White Form eIPO** service or give **electronic application instructions** to HKSCC; or
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or to the White Form eIPO Service Provider through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC for more than 75,000,000 Shares, being 50% of the Shares initially being offered for public subscription under the Hong Kong Public Offering as more particularly described in the paragraph headed "Structure of the Global Offering — The Hong Kong Public Offering"; or
- have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated or placed (including conditionally and/or provisionally) International Offering Shares under the International Offering.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of an application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Public Offer Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or to the White Form eIPO Service Provider through the **White Form eIPO** service or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note in particular the following situations in which Shares will not be allotted to you or your application is liable to be rejected:

- **If your application is revoked:**

  By completing and submitting an Application Form or to the White Form eIPO Service Provider through the **White Form eIPO** service or giving **electronic application instructions** to HKSCC you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before Saturday, October 17, 2009. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or to the White Form eIPO Service Provider through the **White Form eIPO** service or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of us agreeing that we will not offer any Hong Kong Public Offer Shares to any person on or before Saturday, October 17, 2009 except by means of one of the procedures referred to in this Prospectus.

  Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day), if a person responsible for this Prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this Prospectus. If any supplement to this Prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the Prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **Full discretion of our Company, the Sole Sponsor, the Joint Bookrunners or the designated White Form eIPO Service Provider to reject or accept your application:**

We, the Sole Sponsor, the Joint Bookrunners or the designated White Form eIPO Service Provider (where applicable) have/has full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

- **If the allotment of Hong Kong Public Offer Shares is void:**

The allotment of Hong Kong Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instruction** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list the Shares either:

— within three weeks from the closing of the application lists; or

— within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing date of the application lists.

- **You will not receive any allotment if:**

— you make multiple applications or suspected multiple applications;

— you or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) International Offering Shares in the International Offering. By filling in any of the Application Forms or to the White Form eIPO Service Provider through the **White Form eIPO** service or applying by giving **electronic application instructions** to HKSCC, you agree not to apply for International Offering Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received International Offering Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Public Offer Shares in the Hong Kong Public Offering;

— your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;

— your Application Form is not completed correctly in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);

— the Underwriting Agreements do not become unconditional;

— the Company, the Sole Sponsor, or the Joint Bookrunners believe that by accepting your application, they would violate the applicable securities or other laws, rules or regulations;

— your application is for more than 50% of the Hong Kong Public Offer Shares initially being offered for public subscription under the Hong Kong Public Offering;

— the Underwriting Agreements are terminated in accordance with their respective terms;

— your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.eipo.com.hk**; or

— the application of Shares is not one of the numbers set out in the table in the Application Form.

You should also note that you may apply for Shares under the Hong Kong Public Offering or indicate an interest for Shares under the International Offering, but may not do both.

HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The maximum offer price is HK$2.10 per Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. This means that for every board lot of 2,000 Shares you will pay HK$4,242.38. The Application Forms have tables showing the exact amount payable for certain numbers of Hong Kong Public Offer Shares.

You must pay the maximum offer price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full when you apply for the Hong Kong Public Offer Shares. You must pay the amount payable upon application for the Hong Kong Public Offer Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Form or this Prospectus (if you apply by an Application Form). Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Hong Kong Public Offer Shares will be allotted to such applicant.

If your application is successful, brokerage is paid to participants of the Stock Exchange, SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Public Offer Shares for any reason, our Company will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK$2.10 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, without interest. Details of the procedure for refund are set out above in the paragraph headed "Deposit of Share Certificates into CCASS and Refund of Application Monies."

All such interest accrued prior to the date of dispatch of e-Refund payment instructions/refund cheques will be retained for the benefit of our Company.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company, the Sole Sponsor and the Joint Bookrunners, cheques for applications made on Application Forms for certain small denominations of Hong Kong Public Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on Tuesday, September 29, 2009 in accordance with the various arrangements as described above.

Refund cheques will be crossed "Account Payee Only" made out to you, or if you are joint applicants, to the first-named applicant. Part of your Hong Kong identity card number or passport number, or, if you are joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number or passport number may lead to delay in encashment or may invalidate your refund cheque. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

PERSONAL DATA

Personal Information Collection Statement

The main provisions of the PDPO came into effect in Hong Kong on December 20, 1996. This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Public Offer Shares of the policies and practices of our Company, our Hong Kong Share Registrar, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and any of their respective advisors and agents in relation to personal data and the PDPO.

1. *Reasons for the collection of your personal data*

   From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and our Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong Share Registrar.

   Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Public Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s), the e-Refund payment instructions and/or refund cheque(s) to which you are entitled.

It is important that the applicants and holders of securities inform our Company and our Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

2. *Purposes*

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and e-Refund payment instructions/refund cheque (where applicable), and verification of compliance with the terms and application procedures set out in the Application Forms and this Prospectus and announcing results of allocations of the Hong Kong Public Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing identities of successful applicants by way of press announcement(s) or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and our Hong Kong Share Registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

3. *Transfer of personal data*

Personal data held by our Company and our Hong Kong Share Registrar relating to the applicants and holders of securities will be kept confidential but our Company and our Hong Kong Share Registrar, to the extent necessary for achieving the above purposes or any of them, may make such inquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- our Company or our appointed agents such as financial advisors and receiving bankers;

- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Public Offer Shares to be deposited into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or our Hong Kong Share Registrar in connection with the operation of their respective businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving **electronic application instructions** to HKSCC or via **White Form eIPO** service, you agree to all of the above.

4. *Access and correction of personal data*

The PDPO provides the applicants and holders of securities with rights to ascertain whether our Company and/or our Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the PDPO, our Company and our Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to our Company for the attention of our company secretary or (as the case may be) our Hong Kong Share Registrar for the attention of the privacy compliance officer (for the purposes of the PDPO).

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, September 30, 2009, dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, September 30, 2009 at 9:30 a.m. The Shares will be traded in board lots of 2,000 Shares each. Our stock code is 1668.

Any share certificates in respect of Hong Kong Public Offer Shares collected or received by successful applicants will not be valid if the Global Offering is terminated in accordance with the terms of the Underwriting Agreements.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

September 17, 2009

The Directors
China South City Holdings Limited
Merrill Lynch Far East Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to China South City Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended March 31, 2007, 2008 and 2009 (the "Relevant Periods"), for inclusion in the prospectus of the Company dated September 17, 2009 (the "Prospectus") in connection with the initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The Financial Information comprises the consolidated balance sheets of the Group and the balance sheets of the Company as at March 31, 2007, 2008 and 2009, the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements for the Relevant Periods, and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in Hong Kong on May 8, 2002 as a company with limited liability under the Hong Kong Companies Ordinance. As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 16 of Section II. Auditors of the subsidiaries now comprising the Group during the Relevant Periods are detailed in note 16 of Section II below.

The Financial Information for the Relevant Periods has been prepared from the Group's consolidated financial statements which are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of the respective companies comprising the Group are responsible for preparing the respective financial statements which give a true and fair view. In preparing the financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. The directors of the Company are responsible for the Financial Information for the Relevant Periods which gives a true and fair view.

For the Financial Information for the Relevant Periods, it is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA, and have carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments are considered necessary to adjust the Group's consolidated financial statements in the preparation of this report for inclusion in the Prospectus.

In our opinion, the Financial Information for the Relevant Periods, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at March 31, 2007, 2008 and 2009, and of the Group as at March 31, 2007, 2008 and 2009, and of the Group's results and cash flows of the years then ended in accordance with HKFRSs.

I. FINANCIAL INFORMATION

(a) Consolidated income statements

	Notes	Year ended March 31, 2007	2008	2009
		HK$'000	HK$'000	HK$'000
REVENUE	5	136,081	562,880	224,399
Cost of sales		(38,513)	(285,976)	(153,640)
GROSS PROFIT		97,568	276,904	70,759
Other income	5	19,015	21,701	19,077
Change in fair value of investment properties	5	601,071	670,871	1,153,903
Selling and distribution costs		(30,659)	(45,270)	(89,531)
Administrative expenses		(82,175)	(117,491)	(109,249)
Fair value change in embedded derivative financial instruments		—	(1,167)	—
Other expenses		(10,148)	(7,911)	(13,188)
Finance costs	8	(7,584)	(960)	(6,824)
Share of profits and losses of:				
Jointly-controlled entities		(9,778)	502	1,120
An associate		(380)	(329)	(327)
PROFIT BEFORE TAX	6	576,930	796,850	1,025,740
Tax	9	(403,091)	(241,726)	(272,170)
PROFIT FOR THE YEAR		173,839	555,124	753,570
Attributable to:				
Equity holders of the parent		174,375	556,075	754,048
Minority interests		(536)	(951)	(478)
		173,839	555,124	753,570
DIVIDENDS		—	—	—

(b) Consolidated balance sheets

	Notes	As at March 31, 2007	2008	2009
		HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	11	147,242	223,049	260,302
Investment properties	12	3,473,491	4,522,843	6,543,757
Properties under development	13	271,557	818,815	1,404,571
Prepaid land premiums	14	13,088	7,164	7,051
Goodwill	15	—	20,066	20,066
Interests in jointly-controlled entities	17	36,919	10,526	5,740
Interest in an associate	18	(478)	(755)	(1,106)
Loan receivables	19	11,633	7,275	4,414
Finance lease receivables	20	—	75,007	65,952
Deposits paid for the purchase of land	21	53,511	84,401	74,663
Deferred tax assets	30	2,869	6,499	12,599
Total non-current assets		4,009,832	5,774,890	8,398,009
CURRENT ASSETS				
Properties held for finance lease		—	96,785	101,743
Properties held for sale		59,792	121,922	481,821
Trade receivables	22	7,025	10,970	25,530
Prepayments, deposits and other receivables	23	12,149	72,803	68,128
Cash and cash equivalents	24	292,123	1,228,898	246,084
Total current assets		371,089	1,531,378	923,306
CURRENT LIABILITIES				
Other payables, accruals and deposits received	25	171,134	466,043	777,966
Interest-bearing bank borrowings	26	191,489	422,975	470,652
Bills payable	27	—	—	237,332
Due to directors	28	3,869	5,926	—
Tax payable		17,916	40,535	79,695
Total current liabilities		384,408	935,479	1,565,645
NET CURRENT ASSETS/(LIABILITIES)		(13,319)	595,899	(642,339)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,996,513	6,370,789	7,755,670
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	26	605,845	749,183	898,774
Interest-bearing notes	29	—	796,113	915,790
Deferred tax liabilities	30	782,439	1,097,141	1,359,348
Due to shareholders	31	85,800	85,800	85,800
Total non-current liabilities		1,474,084	2,728,237	3,259,712
Net assets		2,522,429	3,642,552	4,495,958
EQUITY				
Equity attributable to equity holders of the parent				
Issued capital	32	200	200	200
Reserves	34(a)	2,500,605	3,608,580	4,461,763
		2,500,805	3,608,780	4,461,963
Minority interests		21,624	33,772	33,995
Total equity		2,522,429	3,642,552	4,495,958

(c) Consolidated statements of changes in equity

	Notes	Attributable to equity holders of the parent							Minority interests	Total equity
		Issued capital	Statutory surplus reserve (note i)	Capital reserve	Share option reserve	Exchange fluctuation reserve	Retained profits	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At April 1, 2006		200	18,086	—	—	52,018	2,132,196	2,202,500	1,281	2,203,781
Exchange realignment and total income and expense recognised directly in equity		—	965	—	—	104,850	—	105,815	43	105,858
Capital contributions to subsidiaries from minority shareholders		—	—	—	—	—	—	—	20,836	20,836
Equity-settled share option arrangements	33	—	—	—	18,115	—	—	18,115	—	18,115
Transfer from retained profits		—	5,621	—	—	—	(5,621)	—	—	—
Profit for the year		—	—	—	—	—	174,375	174,375	(536)	173,839
At March 31, 2007 and April 1, 2007		200	24,672*	—	18,115*	156,868*	2,300,950*	2,500,805	21,624	2,522,429
Exchange realignment and total income and expense recognised directly in equity		—	2,400	—	—	327,208	—	329,608	2,047	331,655
Acquisition of an additional equity interest in a subsidiary from minority shareholders		—	—	—	—	—	—	—	(158)	(158)
Capital contributions to subsidiaries from minority shareholders		—	—	—	—	—	—	—	11,210	11,210
Equity-settled share option arrangements	33	—	—	—	39,524	—	—	39,524	—	39,524
Equity contribution from shareholders	29	—	—	182,768	—	—	—	182,768	—	182,768
Profit for the year		—	—	—	—	—	556,075	556,075	(951)	555,124
At March 31, 2008 and April 1, 2008		200	27,072*	182,768*	57,639*	484,076*	2,857,025*	3,608,780	33,772	3,642,552
Exchange realignment and total income and expense recognised directly in equity		—	590	—	—	91,958	—	92,548	701	93,249
Equity-settled share option arrangements	33	—	—	—	6,587	—	—	6,587	—	6,587
Profit for the year		—	—	—	—	—	754,048	754,048	(478)	753,570
At March 31, 2009		200	27,662*	182,768*	64,226*	576,034*	3,611,073*	4,461,963	33,995	4,495,958

* *These reserve accounts comprise the consolidated reserves of HK$2,500,605,000, HK$3,608,580,000 and HK$4,461,763,000 in the consolidated balance sheets as at March 31, 2007, 2008 and 2009, respectively.*

Note:

(i) *In accordance with the PRC Company Law, the Group's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of the reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of registered capital after such usages.*

(d) Consolidated cash flow statements

	Notes	Year ended March 31, 2007	2008	2009
		HK$'000	HK$'000	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		576,930	796,850	1,025,740
Adjustments for:				
Finance costs	8	7,584	960	6,824
Share of profits and losses of jointly-controlled entities and an associate		10,158	(173)	(793)
Interest income	5	(2,196)	(59)	(2,860)
Loss on disposal of property, plant and equipment		66	155	645
Depreciation	6	11,313	29,608	36,919
Amortisation of prepaid land premiums	6	290	188	262
Changes in fair value of investment properties	5	(601,071)	(670,871)	(1,153,903)
Impairment of trade receivables	6	686	699	4,321
Impairment of interests in jointly-controlled entities	6	8,723	5,587	2,037
Fair value change in embedded derivative financial instruments		—	1,167	—
Equity-settled share option expense	6	18,115	39,524	6,587
		30,598	203,635	(74,221)
Decrease in properties held for sale		27,086	8,116	20,932
Decrease in properties held for finance lease		—	231,504	4,080
(Increase)/Decrease in loan receivables		(11,633)	5,490	3,020
(Increase)/Decrease in finance lease receivables		—	(75,007)	10,690
Decrease/(Increase) in trade receivables		11,948	(3,262)	(18,643)
(Increase)/Decrease in prepayments, deposits and other receivables		(5,646)	(56,838)	6,141
(Decrease)/increase in other payables, accruals and deposits received		(114,427)	(5,515)	127,595
Decrease in an amount due to a related company		(514)	—	—
Increase/(Decrease) in amounts due to directors		447	2,057	(5,926)
Decrease in deposits received		(2,405)	—	—
Cash generated from/(used in) operations		(64,546)	310,180	73,668
Overseas taxes paid		(16,264)	(1,191)	(1,821)
Net cash inflow/(outflow) from operating activities		(80,810)	308,989	71,847
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of a subsidiary		—	6,407	—
Purchases of items of property, plant and equipment		(5,137)	(3,155)	(4,922)
Proceeds from disposal of property, plant and equipment		20	942	3,217
Net advances to an associate		(131)	(119)	—
Net advances from jointly-controlled entities		6,064	36,217	3,888
Acquisition of an additional equity interest in a subsidiary from minority shareholders		—	(158)	—
Capital contributions to subsidiaries from minority shareholders		20,836	11,210	—
Additions to properties under development		(150,163)	(600,365)	(1,104,598)
Interest received		2,909	24,227	14,970
Net cash outflow from investing activities		(125,602)	(524,794)	(1,087,445)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans		627,130	654,841	713,259
Repayment of bank loans		(223,137)	(390,658)	(541,549)
Proceeds from issuance of convertible notes		—	926,531	—
Interest paid		(42,749)	(110,851)	(160,316)
Net cash inflow from financing activities		361,244	1,079,863	11,394
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		154,832	864,058	(1,004,204)
Cash and cash equivalents at beginning of year		131,940	292,123	1,228,898
Effect of foreign exchange rate changes, net		5,351	72,717	21,390
CASH AND CASH EQUIVALENTS AT END OF YEAR		292,123	1,228,898	246,084
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	24	290,064	1,228,898	246,084
Non-pledged time deposits with original maturity of less than three months when acquired	24	2,059	—	—

(e) Balance sheets

	Notes	As at March 31, 2007	2008	2009
		HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment		2,833	1,696	2,204
Interests in subsidiaries	16	280,710	1,009,120	1,009,675
Total non-current assets		283,543	1,010,816	1,011,879
CURRENT ASSETS				
Prepayments, deposits and other receivables		570	5,125	23,314
Due from subsidiaries	16	—	98,216	283,473
Cash and cash equivalents	24	6,008	148,653	39,016
Total current assets		6,578	251,994	345,803
CURRENT LIABILITIES				
Due to subsidiaries	16	95,104	65,400	51,307
Other payables, accruals and deposits received		4,738	9,140	4,496
Due to directors	28	3,869	5,926	—
Total current liabilities		103,711	80,466	55,803
NET CURRENT ASSETS/(LIABILITIES)		(97,133)	171,528	290,000
TOTAL ASSETS LESS CURRENT LIABILITIES		186,410	1,182,344	1,301,879
NON-CURRENT LIABILITIES				
Interest-bearing notes	29	—	796,113	915,790
Due to shareholders	31	85,800	85,800	85,800
Total non-current liabilities		85,800	881,913	1,001,590
Net assets		100,610	300,431	300,289
EQUITY				
Issued capital	32	200	200	200
Reserves	34(b)	100,410	300,231	300,089
Total equity		100,610	300,431	300,289

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Group is principally engaged in developing and managing China South International Industrial Materials City, which is an integrated logistic trade centre situated in Shenzhen, the People's Republic of China (the "PRC"), providing property management services and operating a hotel.

The Company was incorporated in Hong Kong on May 8, 2002 as a company with limited liability under the Hong Kong Companies Ordinance. The address of its registered office is Room 2205, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

2.1 BASIS OF PREPARATION

For the purpose of this report, the Financial Information for the Relevant Periods as set out in Sections I to IV has been prepared on a consolidated basis. All significant intra-group transactions and balances have been eliminated on consideration.

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. The Financial Information has been prepared under the historical cost convention, except for investment properties and a derivative financial instrument which have been measured at fair value. The Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except where otherwise indicated.

As at March 31, 2009, the Group's current liabilities exceeded its current assets by HK$642 million. The Directors have prepared the Financial Information on a going concern basis notwithstanding the net current liabilities position because the Group has obtained new loans amounting to HKD1,506 million and has obtained unutilised bank facilities of HKD2,100 million subsequent to March 31, 2009.

2.2 ADOPTION OF NEW AND REVISED HKFRSs

For the purpose of this Financial Information, the Group has adopted, at the beginning of the Relevant Periods, all the new and revised HKFRSs applicable to the Relevant Periods.

2.3 IMPACT OF NEW AND REVISED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[4]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[4]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*[3]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[2]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[5]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[4]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*[6]

Apart from the above, in October 2008, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after July 1, 2009, the amendments are effective for annual periods beginning on or after January 1, 2009 although there are separate transitional provisions for each standard.

The HKICPA has also issued *Improvements to HKFRSs*** in May 2009. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after July 1, 2009 and no transitional provisions for amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after January 1, 2010 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after January 1, 2009
[2] Effective for annual periods beginning on or after July 1, 2008
[3] Effective for annual periods ending on or after June 30, 2009
[4] Effective for annual periods beginning on or after July 1, 2009
[5] Effective for annual periods beginning on or after October 1, 2008
[6] Effective for transfers of assets from customers received on or after July 1, 2009
* *Improvements to HKFRSs* issued in October 2008 contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.
** *Improvements to HKFRSs* issued in May 2009 contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the Relevant Periods. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expense and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of a subsidiary during the Relevant Periods has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combination to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheets at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively.

Associate

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interest in an associate is stated in the consolidated balance sheets at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of an associate is included in the consolidated income statements and consolidated reserves, respectively.

The Company's interest in an associate is treated as a a non-current asset and is stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheets as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at March 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statements in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3%
Hotel properties	4.5% to 20%
Furniture, fixtures and equipment	9% to 18%
Motor vehicles	9% to 18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Properties under development

Properties under development are stated at cost less impairment losses and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Properties under development are transferred to the appropriate category of property, plant and equipment, investment properties or properties held for sale or properties held for finance lease when completed and ready for use.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the lessee are accounted for as finance leases. At the inception of a finance lease, the revenue is recognised at the fair value of the assets, or if lower, the present value of the minimum lease payments accruing to the Group, computed at a market rate of interest. The cost of sales recognised at the commencement of the lease term is the cost, or carrying amount if different, of the leased property less the present value of the unguaranteed residual value. The difference between the sales revenue and the cost of sales is the selling profit, which is recognised in accordance with the entity's policy for outright sales.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statements on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet dates.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statements when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, an amount due to the ultimate holding company and interest-bearing bank borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statements.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Convertible notes

If the conversion option of convertible notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statements.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statements.

Derivative financial instrument

A derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. A derivative is carried as an asset when the fair value is positive and as a liability when the fair value is negative. Any gains or losses arising from changes in fair value on a derivative is taken directly to the income statements.

Properties held for sale and held for finance lease

Properties held for sale and held for finance lease are classified as current assets and are stated at the lower of cost and net realisable value on an individual property basis. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices, on an individual property basis.

Cash and cash equivalents

For the purpose of the consolidated cash flow statements, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "finance costs" in the income statements.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statements, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet dates.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) property management service and other fee income, when the services have been rendered;

(d) penalty income, on a cash receipt basis;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(f) revenue from hotel operation and the provision of related services, when the services have been rendered.

Employee benefits

Share-based payment transactions

The Company has granted certain share options for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in note 33 to the Financial Information. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet dates is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the period by the employees and carried forward.

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 9% of their respective payroll costs to the central pension scheme. The contributions are charged to the income statements as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Foreign currencies

This Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet dates. All differences are taken to the income statements. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of subsidiaries, jointly-controlled entities and an associate not operating in Hong Kong are currencies other than the Hong Kong dollar. As at the balance sheet dates, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet dates, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statements.

For the purpose of the consolidated cash flow statements, the cash flows of non-Hong Kong subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-Hong Kong subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in this Financial Information:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainties at the balance sheet dates, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at March 31, 2008 and 2009 was HK$20,066,000.

Estimation of fair value of investment properties

The Group engaged Savills (Hong Kong) Limited ("Savills"), independent professionally qualified valuers, to perform the valuation of the Group's investment properties at the balance sheet dates.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

Summary details of the business segments are as follows:

(a) the property development segment engages in the development of integrated logistic and trade centres and supporting residential properties;

(b) the property investment segment invests in integrated logistic and trade centres and supporting facilities;

(c) the property management segment engages in the management of the Group's developed properties; and

(d) the hotel operation segment engages in the provision of hotel services.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the Relevant Periods:

Year ended March 31, 2009	Property development	Property investment	Property management	Hotel operation	Others	Eliminations	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:							
Sales to customers	77,671	100,167	20,426	25,505	630	—	224,399
Intersegment sales	—	—	—	3,737	—	(3,737)	—
Total	77,671	100,167	20,426	29,242	630	(3,737)	224,399
Segment results before increase in fair value of investment properties	51,332	30,526	2,406	(10,803)	630	(3,332)	70,759
Increase in fair value of investment properties	—	1,153,903	—	—	—	—	1,153,903
Segment results after increase in fair value of investment properties	51,332	1,184,429	2,406	(10,803)	630	(3,332)	1,224,662
Unallocated income							19,077
Unallocated expenses							(211,968)
Finance costs							(6,824)
Share of profits and losses of jointly-controlled entities	—	—	—	—	1,120	—	1,120
Share of loss of an associate	—	—	—	—	(327)	—	(327)
Profit before tax							1,025,740
Tax							(272,170)
Profit for the year							753,570
Assets and liabilities							
Segment assets	670,578	8,029,987	477	94,158	671	—	8,795,871
Interests in jointly-controlled entities	—	—	—	—	5,740	—	5,740
Interest in an associate	—	—	—	—	(1,106)	—	(1,106)
Unallocated assets							520,810
Total assets							9,321,315
Segment liabilities	183,480	1,421,028	442	—	926	—	1,605,876
Unallocated liabilities							3,219,481
Total liabilities							4,825,357
Other segment information:							
Depreciation	—	62	343	21,771	360	—	22,536
Corporate and other unallocated amounts							14,383
							36,919
Impairment of trade receivables recognised in the income statement	—	4,321	—	—	—	—	4,321
Increase in fair value of investment properties	—	1,153,903	—	—	—	—	1,153,903

Year ended March 31, 2008	Property development	Property investment	Property management	Hotel operation	Others	Eliminations	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:							
Sales to customers	449,937	77,451	14,267	19,596	1,629	—	562,880
Other revenue	—	—	—	—	—	—	—
Total	449,937	77,451	14,267	19,596	1,629	—	562,880
Segment results before increase in fair value of investment properties	223,642	56,098	2,580	(6,445)	1,029	—	276,904
Increase in fair value of investment properties	—	670,871	—	—	—	—	670,871
Segment results after increase in fair value of investment properties	223,642	726,969	2,580	(6,445)	1,029	—	947,775
Unallocated income							24,433
Unallocated expenses							(174,571)
Finance costs							(960)
Share of profits and losses of jointly-controlled entities							502
Share of loss of an associate							(329)
Profit before tax							796,850
Tax							(241,726)
Profit for the year							555,124
Assets and liabilities							
Segment assets	304,684	5,426,059	1,034	64,935	1,136	—	5,797,848
Interests in jointly-controlled entities	—	—	—	—	10,526	—	10,526
Interest in an associate	—	—	—	—	(755)	—	(755)
Unallocated assets							1,498,649
Total assets							7,306,268
Segment liabilities	86,934	1,325,990	946	—	1,477	—	1,415,347
Unallocated liabilities							2,248,369
Total liabilities							3,663,716
Other segment information:							
Depreciation	—	14	13	367	326	—	720
Corporate and other unallocated amounts							28,888
							29,608
Increase in fair value of investment properties	—	670,871	—	—	—	—	670,871

Year ended March 31, 2007	Property development	Property investment	Property management	Hotel operation	Others	Eliminations	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:							
Sales to customers	83,104	39,959	11,258	—	1,760	—	136,081
Other revenue	—	—	—	—	—	—	—
Total	83,104	39,959	11,258	—	1,760	—	136,081
Segment results before increase in fair value of investment properties	53,988	39,765	2,588	—	1,227	—	97,568
Increase in fair value of investment properties	—	601,071	—	—	—	—	601,071
Segment results after increase in fair value of investment properties	53,988	640,836	2,588	—	1,227	—	698,639
Unallocated income							19,015
Unallocated expenses							(122,982)
Finance costs							(7,584)
Share of profits and losses of jointly-controlled entities	—	—	—	(10,094)	316	—	(9,778)
Share of loss of an associate	—	—	—	—	(380)	—	(380)
Profit before tax							576,930
Tax							(403,091)
Profit for the year							173,839
Assets and liabilities							
Segment assets	59,792	3,805,584	1,283	—	1,062	—	3,867,721
Interests in jointly-controlled entities	—	—	—	30,578	6,341	—	36,919
Interest in an associate	—	—	—	—	(478)	—	(478)
Unallocated assets							476,759
Total assets							4,380,921
Segment liabilities	39,826	850,301	795	—	—	—	890,922
Unallocated liabilities							967,570
Total liabilities							1,858,492
Other segment information:							
Depreciation	—	—	13	—	285	—	298
Corporate and other unallocated amounts							11,015
							11,313
Increase in fair value of investment properties	—	601,071	—	—	—	—	601,071

Geographical segments

No geographical segmental analysis is presented as all of the Group's assets and operations were located in Mainland China during the Relevant Periods.

5. REVENUE, OTHER INCOME AND A GAIN

Revenue, which is also the Group's turnover, represents the net sales of completed properties, rental income, hotel income and income from the provision of property management services and other fee income.

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

	Note	Year ended March 31,		
		2007	2008	2009
		HK$'000	HK$'000	HK$'000
Revenue				
Sale of properties		83,104	46,759	67,758
Finance lease income		—	403,178	9,913
Rental income		39,959	77,451	100,167
Hotel income		—	19,596	25,505
Property management service income		11,258	14,267	20,426
Other fee income		1,760	1,629	630
		136,081	562,880	224,399
Other income				
Interest income from:				
Banks		2,196	59	2,860
Loan receivables		713	746	7,804
Penalty income		6,573	13,890	830
Tax refund		7,059	—	—
Others		2,474	7,006	7,583
		19,015	21,701	19,077
Gain				
Change in fair value of investment properties	12	601,071	670,871	1,153,903
		620,086	692,572	1,172,980

6. PROFIT BEFORE TAX

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

	Notes	Year ended March 31, 2007	2008	2009
		HK$'000	HK$'000	HK$'000
Cost of properties sold		29,310	7,652	21,333
Cost of properties under finance lease		—	217,638	5,006
Cost of services provided		9,203	60,686	127,301
Depreciation	11	11,480	29,830	37,352
Less: Depreciation capitalised in respect of properties under development		(167)	(222)	(433)
		11,313	29,608	36,919
Amortisation of prepaid land premiums	14	290	188	262
Minimum lease payments under operating leases in respect of land and buildings and vehicles		7,442	7,332	8,317
Auditors' remuneration		3,050	2,307	950
Employee benefit expense (including directors' remuneration (note 7)):.				
Wages and salaries*		28,340	51,736	64,224
Equity-settled share option expense	33	18,115	39,524	6,587
Pension scheme contributions		833	1,199	3,508
		47,288	92,459	74,319
Foreign exchange differences, net		98	(998)	87
Impairment of trade receivables**		686	699	4,321
Impairment of interests in jointly-controlled entities**		8,723	5,587	2,037

* *Included amounts of HK$2,321,000, HK$4,983,000 and HK$7,072,000 for the years ended March 31, 2007, 2008 and 2009, respectively, which were capitalised under properties under development.*

** *Included in "Other expenses" in the consolidated income statements.*

7. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules of The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended March 31, 2007	2008	2009
	HK$'000	HK$'000	HK$'000
Fees	450	600	600
Other emoluments:			
Salaries, allowances and benefits in kind	5,792	8,022	9,227
Performance related bonuses	448	2,056	—
Employee share option benefits	14,492	28,985	4,830
Pension scheme contributions	24	24	24
Total	21,206	39,687	14,681

Year ended March 31, 2007

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Employee share option benefits	Pension scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Cheng Chung Hing .	—	2,896	224	7,246	12	10,378
Leung Moon Lam . .	—	2,896	224	7,246	12	10,378
	—	5,792	448	14,492	24	20,756
Non-executive directors						
Ma Kai Cheung. . . .	225	—	—	—	—	225
Sun Kai Lit, Cliff . .	225	—	—	—	—	225
	450	—	—	—	—	450
	450	5,792	448	14,492	24	21,206

Year ended March 31, 2008

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Employee share option benefits	Pension scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Cheng Chung Hing .	—	3,912	1,028	14,492	12	19,444
Leung Moon Lam . .	—	3,912	1,028	14,493	12	19,445
Xu Yang	—	198	—	—	—	198
	—	8,022	2,056	28,985	24	39,087
Non-executive directors						
Ma Kai Cheung. . . .	300	—	—	—	—	300
Sun Kai Lit, Cliff . .	300	—	—	—	—	300
	600	—	—	—	—	600
	600	8,022	2,056	28,985	24	39,687

Year ended March 31, 2009

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Employee share option benefits	Pension scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Cheng Chung Hing .	—	3,934	—	2,415	12	6,361
Leung Moon Lam . .	—	3,934	—	2,415	12	6,361
Xu Yang	—	1,359	—	—	—	1,359
	—	9,227	—	4,830	24	14,081
Non-executive directors						
Ma Kai Cheung. . . .	300	—	—	—	—	300
Sun Kai Lit, Cliff . .	300	—	—	—	—	300
	600	—	—	—	—	600
	600	9,227	—	4,830	24	14,681

During the Relevant Periods, no director waived or agreed to waive any emoluments and no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended March 31, 2007, 2008 and 2009 include two, three and three directors, respectively, whose emoluments are reflected in the analysis presented above. The emoluments to the remaining highest paid individuals for the Relevant Periods are as follows:

	Year ended March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Salaries, allowances and benefits in kind	3,426	3,000	4,341
Employee share option benefits	3,623	10,540	1,757
Pension scheme contributions	25	14	24
Total	7,074	13,554	6,122

8. FINANCE COSTS

	Year ended March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Interest on bank loans, wholly repayable within five years, net	42,749	53,394	92,066
Interest on interest-bearing notes (note 29)	—	85,308	188,269
Less: Interest capitalised	(35,165)	(137,742)	(273,511)
Total	7,584	960	6,824

9. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Relevant Periods. Major subsidiaries of the Group operate in Shenzhen, Mainland China, which were subject to the PRC corporate income tax rates of 15%, 18% and 20% for the years ended March 31, 2007, 2008 and 2009.

During the 5th session of the 10th National People's Congress, which was concluded on March 16, 2007, the PRC Corporate Income Tax Law was approved. It became effective on January 1, 2008. The PRC Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of income tax rates for domestic-invested and foreign-invested enterprises at 25%. Accordingly, the deferred taxes as at March 31, 2007, 2008 and 2009 have been provided at the enacted corporate tax rates.

The PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. Amounts of LAT of HK$7,377,000, HK$20,423,000 and HK$17,713,000 were charged to the consolidated income statements for the years ended March 31, 2007, 2008 and 2009, respectively.

The major components of income tax expense for the Relevant Periods are as follows:

	Year ended March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Current — Mainland China	—	—	22,500
LAT in Mainland China	7,377	20,423	17,713
Deferred PRC corporate income tax (note 30)	395,714	221,303	231,957
Total tax charge for the year	403,091	241,726	272,170

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Profit before tax	576,930	796,850	1,025,740
Tax at the statutory tax rate of 17.5%	100,963	139,449	179,505
(Lower)/Higher tax rates enacted by local authorities	(14,714)	4,070	25,818
Income not subject to tax	(1,427)	(874)	(2,496)
Expenses not deductible for tax	4,184	13,603	8,049
Tax losses utilised from previous years	(287)	(371)	(292)
Losses attributable to jointly-controlled entities and an associate	2,832	975	249
Tax losses not recognised	334	5,287	5,456
LAT	7,377	20,423	17,713
Tax effect of LAT	(1,328)	(3,676)	(3,543)
Effect of changes in tax rates	305,157	62,840	41,711
Tax charge at the Group's effective rate	403,091	241,726	272,170

10. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion is not considered meaningful which is prepared for the restructuring of the Group in connection with the proposed listing on the Main Board of the Hong Kong Stock Exchange.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Hotel properties	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
March 31, 2007					
At April 1, 2006:					
Cost	47,345	48,244	14,219	6,331	116,139
Accumulated depreciation	(6,910)	(724)	(4,636)	(1,732)	(14,002)
Net carrying amount	40,435	47,520	9,583	4,599	102,137
At April 1, 2006, net of accumulated depreciation	40,435	47,520	9,583	4,599	102,137
Additions	2,039	—	761	2,337	5,137
Transfer from properties under development (note 13)	45,857	—	1,417	—	47,274
Disposals	—	—	(84)	(2)	(86)
Depreciation provided during the year (note 6)	(6,028)	(1,473)	(2,651)	(1,328)	(11,480)
Exchange realignment	1,660	2,101	356	143	4,260
At March 31, 2007, net of depreciation	83,963	48,148	9,382	5,749	147,242

	Buildings	Hotel properties	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
March 31, 2008					
At March 31, 2007 and April 1, 2007:					
Cost	97,374	50,417	16,841	8,909	173,541
Accumulated depreciation	(13,411)	(2,269)	(7,459)	(3,160)	(26,299)
Net carrying amount	83,963	48,148	9,382	5,749	147,242
At April 1, 2007, net of accumulated depreciation	83,963	48,148	9,382	5,749	147,242
Additions	—	—	2,754	401	3,155
Acquisition of a subsidiary (note 35)	—	53,729	18,851	431	73,011
Transfer from properties under development (note 13)	8,427	—	2,703	—	11,130
Disposals	—	—	(12)	(1,085)	(1,097)
Depreciation provided during the year (note 6)	(8,853)	(13,245)	(6,118)	(1,614)	(29,830)
Exchange realignment	8,167	6,751	4,261	259	19,438
At March 31, 2008, net of accumulated depreciation	91,704	95,383	31,821	4,141	223,049
At March 31, 2008:					
Cost	115,273	111,117	51,167	7,889	285,446
Accumulated depreciation	(23,569)	(15,734)	(19,346)	(3,748)	(62,397)
Net carrying amount	91,704	95,383	31,821	4,141	223,049

	Buildings	Hotel properties	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
March 31, 2009					
At March 31, 2008 and April 1, 2008:					
Cost	115,273	111,117	51,167	7,889	285,446
Accumulated depreciation	(23,569)	(15,734)	(19,346)	(3,748)	(62,397)
Net carrying amount	91,704	95,383	31,821	4,141	223,049
At April 1, 2008, net of accumulated depreciation	91,704	95,383	31,821	4,141	223,049
Additions	—	325	1,501	3,096	4,922
Transfer from properties under development (note 13)	75,647	—	—	—	75,647
Transfer to properties held for finance lease	(6,928)	—	—	—	(6,928)
Disposals	(659)	—	(2,205)	(998)	(3,862)
Depreciation provided during the year (note 6)	(8,751)	(20,091)	(7,146)	(1,364)	(37,352)
Exchange realignment	1,999	2,080	690	57	4,826
At March 31, 2009, net of accumulated depreciation	153,012	77,697	24,661	4,932	260,302
At March 31, 2009:					
Cost	185,632	114,322	49,621	9,227	358,802
Accumulated depreciation	(32,620)	(36,625)	(24,960)	(4,295)	(98,500)
Net carrying amount	153,012	77,697	24,661	4,932	260,302

Certain of the Group's buildings and hotel properties with aggregate carrying values of approximately HK$15,947,000, HK$42,574,000 and HK$66,588,000 as at March 31, 2007, 2008 and 2009, respectively, were pledged to secure general banking facilities granted to the Group (note 26).

At March 31, 2007, the Group's hotel properties with a net book value of approximately HK$48,148,000 were pledged to secure general banking facilities granted to a jointly-controlled entity of the Group. The jointly-controlled entity became a subsidiary of the Group on July 27, 2007. The hotel properties were pledged to secure general banking facilities granted to the Group as at March 31, 2008 and 2009 as disclosed above.

At March 31, 2009, certificates of ownership in respect of certain buildings of the Group in the PRC with an aggregate net book value of HK$9,489,000 had not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates of ownership.

12. INVESTMENT PROPERTIES

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Carrying amount at beginning of year	2,733,253	3,473,491	4,522,843
Transfer from properties under development (note 13)	—	—	766,562
Net gain from a fair value adjustment (note 5)	601,071	670,871	1,153,903
Exchange realignment	139,167	378,481	100,449
Carrying amount at end of year	3,473,491	4,522,843	6,543,757

The above investment properties are held under medium term leases and are situated in Mainland China.

The Group's investment properties were revalued on March 31, 2007, 2008 and 2009 by Savills Valuation and Professional Services Limited ("Savills"), independent professionally qualified valuers, at RMB3,434,000,000, RMB4,075,000,000 and RMB5,770,000,000, respectively, (equivalent to HK$3,473,491,000, HK$4,522,843,000 and HK$6,543,757,000, respectively) on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 38(a) to the Financial Information.

Certain of the Group's investment properties with aggregate carrying values of approximately HK$3,307,605,000, HK$4,522,843,000 and HK$3,524,783,000 as at March 31, 2007, 2008 and 2009, respectively, were pledged to secure general banking facilities granted to the Group (note 26).

13. PROPERTIES UNDER DEVELOPMENT

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Carrying amount at beginning of year	180,977	271,557	818,815
Additions	129,701	924,689	1,789,167
Transfer to property, plant and equipment (note 11)	(47,274)	(11,130)	(75,647)
Transfer to investment properties (note 12)	—	—	(766,562)
Transfer to properties held for finance lease	—	(328,289)	—
Transfer to properties held for sale	—	(64,429)	(378,172)
Exchange realignment	8,153	26,417	16,970
Carrying amount at end of year	271,557	818,815	1,404,571

The above properties under development are held under medium term leases and are situated in Mainland China.

Certain of the Group's properties under development with aggregate carrying values of approximately HK$136,109,000, HK$182,057,000 and HK$140,549,000 as at March 31, 2007, 2008 and 2009, respectively, were pledged to secure general banking facilities granted to the Group (note 26).

14. PREPAID LAND PREMIUMS

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Carrying amount at beginning of year	13,078	13,378	7,326
Decrease in land cost	—	(7,165)	—
Amortisation recognised during the year (note 6)	(290)	(188)	(262)
Exchange realignment	590	1,301	159
Carrying amount at end of year	13,378	7,326	7,223
Current portion included in prepayments, deposits and other receivables	(290)	(162)	(172)
Non-current portion	13,088	7,164	7,051

The leasehold lands are held under a medium term lease and are situated in Mainland China.

Certain of the Group's leasehold lands with aggregate carrying values of approximately HK$1,901,000, HK$2,488,000 and HK$2,486,000 as at March 31, 2007, 2008 and 2009, respectively, were pledged to secure general banking facilities granted to the Group (note 26).

15. GOODWILL

Group

	HK$'000
Acquisition of a subsidiary (note 35) and at March 31, 2008 and 2009	20,066
At March 31, 2008 and 2009:	
Cost and net carrying amount	20,066

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the hotel operation cash-generating units for impairment testing. The recoverable amount of the hotel operation units is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to the cash flow projection is 8%. The growth rates used to extrapolate the cash flow of the hotel operation for the fifth to tenth years and for the years beyond the ten-year period are assumed to be 6%–21% and 3%, respectively.

16. INTERESTS IN SUBSIDIARIES

Company

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Unlisted investments, at cost	280,710	400,720	401,275
Loan to a subsidiary	—	608,400	608,400
Due from subsidiaries	—	98,216	283,473
Due to subsidiaries	(95,104)	(65,400)	(51,307)
	185,606	1,041,936	1,241,841

The amount due to subsidiaries is unsecured, interest-free and repayable on demand. The carrying amount of the amount due to subsidiaries approximates to its fair value.

Particulars of subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up registered capital as at March 31, 2009	Date of incorporation/ registration	Percentage of equity attributable to the Company as at March 31, 2007	2008	2009	Principal activities
				%	%	%	
華南國際工業原料城(深圳)有限公司 China South International Industrial Materials City (Shenzhen) Co. Ltd. * (ii) (iv)	PRC/ Mainland China	HK$400,000,000	December 18, 2002	100	100	100	Development and management of China South International Materials City
深圳第一亞太物業管理有限公司 Shenzhen First Asia Pacific Property Management Co. Ltd. (i) (iv)	PRC/ Mainland China	RMB5,000,000	December 31, 2003	100	100	100	Provision of property management services
深圳跨國電子採購中心有限公司 Shenzhen International Electronics Procurement Centre Co. Ltd. (vi)	PRC/ Mainland China	RMB20,000,000	November 6, 2003	95	95	95	Dormant
深圳市華南城進出口貿易有限公司 Shenzhen China South Import and Export Trading Co. Ltd. (vi)	PRC/ Mainland China	RMB1,500,000	July 20, 2004	100	100	100	Dormant

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up registered capital as at March 31, 2009	Date of incorporation/ registration	Percentage of equity attributable to the Company as at March 31, 2007	2008	2009	Principal activities
				%	%	%	
深圳市華南城廣告有限公司 Shenzhen China South City Advertising Co. Ltd. (vi)	PRC/ Mainland China	RMB1,500,000	July 20, 2004	100	100	100	Provision of advertising services
華南城實業(河源)有限公司 China South City Enterprise (Heyuan) Co. Ltd. (i) (iv)	PRC/ Mainland China	HK$100,000,000/ HK$98,496,534	April 24, 2006	70	70	70	Property development
深圳市華南城國際會展中心有限公司 Shenzhen China South International Convention and Exhibition Centre Co. Ltd. (vi)	PRC/ Mainland China	RMB2,000,000	February 10, 2006	75	100	100	Provision of exhibition services
華麗城酒店(深圳)有限公司 Grand City Hotel (Shenzhen) Co. Ltd. (iii) (iv)	PRC/ Mainland China	RMB40,000,000	June 16, 2005	N/A	100	100	Hotel operations
華麗城酒店投資有限公司 Grand City Hotel Investment Limited (iii) (v)	Hong Kong	HK$10,000	April 9, 2005	N/A	100	100	Investment holding
南昌華南城有限公司 Nanchang China South City Company Limited (vi)	PRC/ Mainland China	RMB150,000,000/ RMB100,000,000	November 16, 2007	N/A	100	100	Property development and management
諸暨泛亞物業管理有限公司 Zhuji Pan-Asia Property Management Enterprise Ltd. (v)	PRC/ Mainland China	RMB500,000	November 8, 2007	N/A	80	80	Dormant
鐵嶺第一亞太物業管理有限公司 Tieling First Asia Pacific Property Management Co. Ltd. (v)	PRC/ Mainland China	RMB500,000	December 26, 2007	N/A	100	100	Dormant
華中城(BVI)有限公司 China Central City (BVI) Limited (v)	British Virgin Islands	US$1	October 23, 2007	N/A	100	100	Investment holding
東盟城(BVI)有限公司 ASEAN City (BVI) Limited (v)	British Virgin Islands	US$1	October 23, 2007	N/A	100	100	Investment holding
華中城(香港)有限公司 China Central City (Hong Kong) Limited (v)	Hong Kong	HK$1	November 9, 2007	N/A	100	100	Dormant
東盟城(香港)有限公司 ASEAN City (Hong Kong) Limited (v)	Hong Kong	HK$1	November 9, 2007	N/A	100	100	Dormant

Notes:

* *The covenants of bank loan agreements of this subsidiary limit its ability to pay dividends to its holding companies.*

(i) *Sino-foreign equity joint ventures*

(ii) *A wholly-foreign-owned enterprise under PRC Law*

(iii) *Acquired on July 27, 2007*

(iv) *The financial statements of these companies for the Relevant Periods since their respective dates of establishment were prepared in accordance with PRC GAAP, and were audited by Shenzhen Yida Certified Public Accountants, which is registered in the PRC.*

(v) *No audited financial statements have been prepared for these companies as they were newly incorporated/registered and had not conducted any business since the dates of their incorporation/registration.*

(vi) *No audited financial statements have been issued for these companies till the date of this Accountants' Report.*

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Share of net assets	1,563	2,244	3,414
Loans to jointly-controlled entities	44,780	12,930	9,114
	46,343	15,174	12,528
Provision for impairment	(9,424)	(4,648)	(6,788)
	36,919	10,526	5,740

The amounts advanced to the jointly-controlled entities included in the interests in jointly-controlled entities above are unsecured, have no fixed terms of repayment and were interest-free until July 2007, and when the amounts started to bear interest at 7%. The carrying amounts of these amounts due from jointly-controlled entities approximate to their fair values.

Particulars of the jointly-controlled entities are as follows:

Name	Place of registration and operations	Nominal value of issued and fully paid-up registered capital as at March 31, 2009	Date of registration	Percentage of equity attributable to the Company as at March 31, 2007	2008	2009	Principal activities
				%	%	%	
深圳市華南城新國線物流有限公司 China South National Express Logistics (Shenzhen) Co. Ltd.#	PRC/ Mainland China	RMB3,000,000	July 2, 2004	51	51	51	Provision of logistic services
華南富豪酒樓(深圳) 有限公司 China South Royal Restaurant (Shenzhen) Co. Ltd.# (i)	PRC/ Mainland China	RMB5,000,000	June 16, 2005	50.5	50.5	50.5	Restaurant operations
華麗城酒店(深圳) 有限公司 Grand City Hotel (Shenzhen) Co. Ltd.# (i) (ii)	PRC/ Mainland China	RMB40,000,000	June 16, 2005	65	N/A	N/A	Hotel operations

All of the above investments in jointly-controlled entities are indirectly held by the Company.

Notes:

\# *The Group holds 51%, 50.5% and 65% of registered capital of China South National Express Logistics (Shenzhen) Co. Ltd., China South Royal Restaurant (Shenzhen) Co. Ltd. and Grand City Hotel (Shenzhen) Co. Ltd., respectively. Pursuant to memorandums of the shareholders' agreements and articles of association of the jointly-controlled entities, none of the parties has unilateral control or unanimous consent over the operating and financing decisions of these jointly-controlled entities. Accordingly, the directors consider it appropriate to continue to account for the Group's interests therein as interests in jointly-controlled entities.*

(i) *Sino-foreign equity joint venture*

(ii) *The Group has acquired the remaining 35% interest in Grand City Hotel (Shenzhen) Co. Ltd. and Grand City Hotel (Shenzhen) Co. Ltd. became a wholly-owned subsidiary of the Group since then.*

The following table illustrates summary financial information of the Group's jointly-controlled entities:

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Share of jointly-controlled entities' assets and liabilities:			
Current assets	1,595	3,616	4,325
Non-current assets	406	393	427
Current liabilities	(438)	(1,765)	(1,338)
Net assets	1,563	2,244	3,414
Share of jointly-controlled entities' results:			
Turnover	30,313	9,033	3,379
Other revenue	133	10	—
Total revenue	30,446	9,043	3,379
Total expenses	(40,244)	(9,553)	(2,259)
Profit/(loss) for the year	(9,798)	(510)	1,120

18. INTEREST IN AN ASSOCIATE

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Share of net assets	2,172	2,034	1,751
Due to an associate	(2,650)	(2,789)	(2,857)
	(478)	(755)	(1,106)

The amount due to an associate included in the interest in an associate above is unsecured, interest-free and has no fixed repayment terms.

Particulars of the associate are as follows:

Name	Place of registration and operations	Nominal value of issued and fully paid-up registered capital as at March 31, 2009	Date of registration	Percentage of equity attributable to the Company as at March 31, 2007	2008	2009	Principal activities
				%	%	%	
China South Intimex Technology (Shenzhen) Co. Ltd. (i)	PRC/Mainland China	RMB10,000,000	January 18, 2004	30	30	30	Website development and construction, maintenance and development of software, provision of consultancy services and trading of e-commerce hardware and software

Note:

(i) Sino-foreign equity joint venture

The following table illustrates summary financial information of the Company's associate extracted from its audited financial statements:

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Assets	8,419	8,426	7,874
Liabilities	1,180	1,647	2,037
Revenue	646	206	103
Loss	(1,265)	(1,098)	(1,089)

19. LOAN RECEIVABLES

The balances represent entrusted loans provided by the Group to purchasers through Shanghai Pudong Development Bank in connection with the sale of its properties. The loan receivables, which bear interest at a rate of 6.435% per annum, are secured by the properties sold and are repayable by monthly instalments within five years. The carrying amounts of the loan receivables approximate to their fair values. The amounts of the current portion of the loan receivables of HK$3,248,000, HK$4,472,000 and HK$3,032,000 were included in prepayments, deposits and other receivables as at March 31, 2007, 2008 and 2009, respectively.

20. FINANCE LEASE RECEIVABLES

The balance represents entrusted loans provided by the Group to lessees through Shanghai Pudong Development Bank in connection with the finance lease of its properties. The finance lease receivables, which bear interest at a rate of 8.613% per annum, are repayable by monthly instalments within 10 years. The carrying amounts of the finance lease receivables approximate to their fair values. The amounts of the current portion of the finance lease receivables of HK$7,330,000 and HK$9,202,000 were included in prepayments, deposits and other receivables as at March 31, 2008 and 2009, respectively.

21. DEPOSITS PAID FOR THE PURCHASE OF LAND

The balances represent deposits paid for future acquisitions of parcels of land in Mainland China. The carrying amounts of the deposits paid for the purchase of land approximate to their fair values.

22. TRADE RECEIVABLES

Trade receivables represent rentals receivable from tenants and sales income and service income receivables from customers which are payable on presentation of invoices. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

An aged analysis of the trade receivables as at each of the balance sheet dates, based on the payment due date, is as follows:

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Current	4,410	2,819	22,992
30 to 60 days	396	2,379	494
61 to 90 days	165	527	681
Over 90 days	2,054	5,245	1,363
	7,025	10,970	25,530

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Prepayments	53	4,786	22,790
Deposits and other receivables	11,084	66,907	45,338
Due from minority shareholders (i)	1,012	1,110	—
	12,149	72,803	68,128

Note:

(i) The amounts due from minority shareholders are interest-free, unsecured and repayable on demand.

24. CASH AND CASH EQUIVALENTS

Group

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Cash and bank balances	290,064	1,228,898	246,084
Non-pledged time deposits with original maturity of less than three months when acquired	2,059	—	—
Cash and cash equivalents	292,123	1,228,898	246,084

Company

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Cash and bank balances	6,008	148,653	39,016
Time deposits	—	—	—
Cash and cash equivalents	6,008	148,653	39,016

The cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$289,406,086, HK$1,106,649,753 and HK$205,331,481 as at March 31, 2007, 2008 and 2009, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks. The carrying amounts of the cash and cash equivalents approximate to their fair values.

25. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Other payables	16,364	82,975	79,288
Receipts in advance	59,655	104,197	243,473
Rental deposits	35,470	14,981	16,585
Construction fee and retention payables	32,298	239,695	419,087
Accruals	2,657	6,166	11,752
Co-operative deposits	24,690	18,029	7,781
	171,134	466,043	777,966

The other payables are non-interest-bearing.

26. INTEREST-BEARING BANK BORROWINGS

		March 31,		
	Maturity	2007	2008	2009
		HK$'000	HK$'000	HK$'000
Current				
Bank loans – unsecured		125,414	59,483	8,506
Bank loans – secured		66,075	363,492	462,146
		191,489	422,975	470,652
Non-current				
Bank loans – unsecured	2009–2010	119,997	—	—
Bank loans – secured	2009–2013	485,848	749,183	898,774
		605,845	749,183	898,774
Analysed into:				
Repayable within one year or on demand		191,489	422,975	470,652
Repayable in the second to fifth years, inclusive		605,845	749,183	898,774
		797,334	1,172,158	1,369,426

Certain of the Group's bank loans are secured by:

(i) certain of the Group's buildings and hotel properties with aggregate carrying values of approximately HK$15,947,000, HK$42,574,000 and HK$66,588,000 as at March 31, 2007, 2008 and 2009, respectively (note 11);

(ii) certain of the Group's investment properties situated in Mainland China with aggregate carrying values of approximately HK$3,307,605,000, HK$4,522,843,000 and HK$3,524,783,000 as at March 31, 2007, 2008 and 2009, respectively (note 12);

(iii) certain of the Group's properties under development situated in Mainland China with aggregate carrying values of approximately HK$136,109,000, HK$182,057,000 and HK$140,549,000 as at March 31, 2007, 2008 and 2009, respectively (note 13);

(iv) certain of the Group's leasehold land with aggregate carrying values of approximately HK$1,901,000, HK$2,488,000 and HK$2,486,000 as at March 31, 2007, 2008 and 2009, respectively (note 14); and

(v) certain of the Group's properties held for sale with an aggregate carrying value of approximately HK$45,255,000 as at March 31, 2009.

In addition, certain of the Company's directors and Tak Sing Alliance Holdings Limited, a beneficial shareholder of the Company, have guaranteed certain of the Group's bank loans up to HK$156,258,000, HK$59,483,000 and HK$8,506,000 as at March 31, 2007, 2008 and 2009, respectively.

All interest-bearing bank loans bear interest at floating rates ranging from 5.13% to 7.74% per annum and are denominated in RMB.

27. BILLS PAYABLE

	March 31, 2007	March 31, 2008	March 31, 2009
	HK$'000	HK$'000	HK$'000
Bills payable	—	—	237,332

28. DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and have no fixed terms of repayment.

29. INTEREST-BEARING NOTES

On July 11, 2007, the Company issued US$125 million convertible notes (the "Convertible Notes") bearing interest at coupon rates ranging from 7% to 11% per annum, subject to the success and the date of the initial public offering ("IPO") of the Company, to independent financial institutions (hereinafter referred to as the "Noteholders" for the ultimate beneficial holders of the Convertible Notes). The Convertible Notes will mature on July 11, 2012. Prior to the amendments discussed below, the Convertible Notes were convertible into a certain percentage of the Company's shares and the conversion price was subject to anti-dilution adjustments. The Noteholders had the right to convert the Convertible Notes into shares of the Company from the IPO date to their maturity date.

On March 28, 2008, the Company entered into an agreement with the Noteholders, pursuant to which certain terms and conditions of the Convertible Notes and the trust deed that constitutes the Convertible Notes were amended and replaced with the revised terms and conditions. As a result, the conversion feature attached to the Convertible Notes was removed and the Convertible Notes became a pure debt (the "Interest-Bearing Notes"). The Convertible Notes are no longer convertible into the Company's shares. In addition, the existing shareholders of the Company (the "Existing Shareholders") will transfer certain of the Company's shares currently held by the Existing Shareholders to the Noteholders upon the Company's IPO. The number of the Company's shares to be transferred is subject to adjustment and will not be finalised until the Company's IPO.

The movements of the embedded financial derivatives and liability components of the Convertible Notes during the year ended March 31, 2008 were as follows:

	HK$'000
Derivative component at the issuance date	485,940
Fair value change on an embedded financial derivative	1,167
Derecognition	(487,107)
Derivative component at March 31, 2008	—
Liability component at the issuance date	440,591
Interest expense (note 8)	85,308
Interest paid	(34,125)
Derecognition	(491,774)
Liability component at March 31, 2008	—

As a result of the above transactions, the liability portion and embedded financial derivatives of the Convertible Notes totalling HK$978,881,000 have been derecognised, and simultaneously the Interest-Bearing Notes of HK$796,113,000 and capital reserve of HK$182,768,000, representing the fair value of the shares transferred by the Existing Shareholders to the Group, have been recognised. The fair value of the embedded financial derivatives of the Convertible Notes and the shares to be transferred by the Existing Shareholders were estimated by Vigers Appraisal & Consulting Ltd. ("Vigers"), an independent firm of professionally qualified valuers. The fair value of the embedded financial derivatives was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions for the conversion option. The resulting gain net of the imputed cost of the shares to be transferred giving rise to the derecognition of the liability portion and embedded financial derivatives of the Convertible Notes is not significant.

The movements of the Interest-Bearing Notes during the year ended March 31, 2009 were as follows:

	HK$'000
At March 31, 2008 and April 1, 2008	796,113
Interest expense (note 8)	188,269
Interest paid	(68,592)
At March 31, 2009	915,790

30. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax liabilities

	Accelerated tax depreciation	Revaluation of investment properties	Finance lease of West Garden	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At April 1, 2006	3,712	354,625	—	358,337
Deferred tax charged to the income statement during the year (note 9)	7,239	390,114	—	397,353
Exchange realignment	360	26,389	—	26,749
At March 31, 2007 and April 1, 2007	11,311	771,128	—	782,439
Deferred tax charged to the income statement during the year (note 9)	4,706	168,266	51,682	224,654
Exchange realignment	1,729	85,193	3,126	90,048
At March 31, 2008 and April 1, 2008	17,746	1,024,587	54,808	1,097,141
Deferred tax charged to the income statement during the year (note 9)	5,345	288,475	(55,914)	237,906
Exchange realignment	395	22,800	1,106	24,301
At March 31, 2009	23,486	1,335,862	—	1,359,348

The Company's deferred tax assets related to the LAT available for offsetting against future taxable profits and were credited to the consolidated results.

Deferred tax assets

	Tax effect of LAT
	HK$'000
At April 1, 2006	1,200
Deferred tax charged to the income statement during the year (note 9)	1,639
Exchange realignment	30
At March 31, 2007 and April 1, 2007	2,869
Deferred tax charged to the income statement during the year (note 9)	3,351
Exchange realignment	279
At March 31, 2008 and April 1, 2008	6,499
Deferred tax charged to the income statement during the year (note 9)	5,949
Exchange realignment	151
At March 31, 2009	12,599

31. DUE TO SHAREHOLDERS

The amounts due to shareholders of the Company are unsecured and interest-free and are not repayable within the next 12 months from the balance sheet date.

32. SHARE CAPITAL

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Authorised:			
1,000,000,000 ordinary shares of HK$0.01 each	10,000	10,000	10,000
Issued and fully paid:			
20,000,000 ordinary shares of HK$0.01 each	200	200	200

33. SHARE OPTIONS

The Company has granted certain share options for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Grantees of the share options include management of the Group. The share options were approved by the Company on October 13, 2006.

The share options upon their exercise, will be equal to 3% of the total ordinary shares in the share capital of the Company upon already defined the IPO of the Company. The options must be exercised within two to three years following the IPO of the Company, and the exercise price shall be 50% of the offer price of per share in the IPO.

During the Relevant Periods, all share options were granted to management, and all of them remained outstanding as at the period end dates. The fair value of the share options granted during the period of HK$67,521,000 was estimated by Vigers. Share option expenses of HK$18,115,000, HK$39,524,000 and HK$6,587,000 were recognised for the years ended March 31, 2007, 2008 and 2009.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Value of the Company's shares	By reference to similar companies
Estimated exercise price	50% of stock price at grant date
Dividend yield (%)	0.00
Expected volatility (%)	40.00
Risk-free interest rate (%)	3.90
Expected life of options (year)	2.40

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Given the Company is not a listed company, the value of its shares is determined by reference to the market price-earning ratios of similar companies. The exercise price is 50% of the offer price of each share at the IPO. As the IPO price is not determinable at the date of approval of the Financial Information, the exercise price is taken at 50% of the share price at the date of approval. The expected volatility is determined by reference to similar companies in the market. The expected life of the options is based on directors' estimation on the date of the IPO.

No other feature of the options granted was incorporated into the measurement of fair value.

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on page 4 of the financial statements.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries which are established in the PRC has been transferred to statutory reserves which are restricted as to use.

(b) Company

	Capital reserve	Share option reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Reserves				
At April 1, 2006	—	—	94,792	94,792
Equity-settled share option arrangements (note 33)	—	18,115	—	18,115
Loss for the year	—	—	(12,497)	(12,497)
At March 31, 2007 and April 1, 2007	—	18,115	82,295	100,410
Equity-settled share option arrangements (note 33)	—	39,524	—	39,524
Equity contribution from shareholders (note 29)	182,768	—	—	182,768
Loss for the year	—	—	(22,471)	(22,471)
At March 31, 2008 and April 1, 2008	182,768	57,639	59,824	300,231
Equity-settled share option arrangements (note 33)	—	6,587	—	6,587
Loss for the year	—	—	(6,729)	(6,729)
At March 31, 2009	182,768	64,226	53,095	300,089

35. BUSINESS COMBINATION

On July 27, 2007, the Company acquired a 100% interest in Grand City Hotel Investment Limited at HK$10,000, which was the joint venture partner of one of the Group's jointly-controlled entities, Grand City Hotel (Shenzhen) Co. Ltd. (華麗城酒店(深圳)有限公司). Subsequent to the acquisition, Grand City Hotel Investment Limited and Grand City Hotel (Shenzhen) Co. Ltd. (華麗城酒店(深圳)有限公司) became wholly-owned subsidiaries of the Group.

The fair values of the identifiable assets and liabilities of Grand City Hotel Investment Limited and Grand City Hotel (Shenzhen) Co. Ltd. (華麗城酒店(深圳)有限公司) as at the date of acquisition, which approximated to the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition
		HK$'000
Net liabilities acquired:		
Property, plant and equipment	11	73,011
Prepayments, deposits and other receivables		3,461
Cash and bank balances		6,417
Interest-bearing bank borrowings		(33,075)
Due to holding companies		(67,508)
Other payables and accruals		(12,012)
		(29,706)
Equity attributable to the Group before acquisition		9,650
Goodwill on acquisition	15	20,066
		10
Satisfied by cash		10

Since its acquisition, Grand City Hotel (Shenzhen) Co. Ltd. (華麗城酒店(深圳)有限公司) contributed HK$19,596,000 to the Group's revenue and caused a loss of HK$10,832,000 to the consolidated profit for the year ended March 31, 2008.

Had the combination taken place at the beginning of the year, the revenue from operations of the Group and the profit of the Group for the year would have been HK$575,180,000 and HK$548,347,000, respectively.

36. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in notes 11, 12, 13, 14 and 26 to the Financial Information.

37. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, contingent liabilities not provided for in the Financial Information were as follows:

	March 31,		
	2007	**2008**	**2009**
	HK$'000	**HK$'000**	**HK$'000**
Guarantees given to banks in connection with facilities granted to:			
A jointly-controlled entity	32,368	—	—
Third parties	4,628	126,357	95,915
	36,996	126,357	95,915

At March 31, 2007, the Group provided corporate guarantees of HK$31,805,000 to a bank in connection with facilities granted to a jointly-controlled entity of the Group. The facilities were fully utilised by the jointly-controlled entity as at March 31, 2007.

38. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases its investment properties (note 12) and properties sold with cooperation arrangements and leasing arrangements under operating lease arrangements negotiated for terms ranging from 1 to 10 years. The terms of the leases also require the tenants to pay security deposits.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	March 31,		
	2007	**2008**	**2009**
	HK$'000	**HK$'000**	**HK$'000**
Within one year	47,982	85,388	65,564
In the second to fifth years, inclusive	48,795	93,314	46,695
After five years	24,908	10,792	13,795
Total	121,685	189,494	126,054

(b) As lessee

The Group leases certain of its staff quarters and properties sold under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 10 years.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	March 31, 2007	2008	2009
	HK$'000	HK$'000	HK$'000
Within one year	4,336	5,456	73,195
In the second to fifth years, inclusive	13,696	20,443	61,033
After five years	9,361	9,467	2,972
Total	27,393	35,366	137,200

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38(b) above, the Group had the following capital commitments at the end of each of the Relevant Periods:

Group

	March 31, 2007	2008	2009
	HK$'000	HK$'000	HK$'000
Contracted, but not provided for:			
Properties under development	144,661	827,026	304,065
Purchase of land	48,650	25,353	28,541
	193,311	852,379	332,606

Company

	March 31, 2007	2008	2009
	HK$'000	HK$'000	HK$'000
Capital contributions to subsidiaries	35,403	76,583	67,228

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in the Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

	Notes	Year ended March 31, 2007	2008	2009
		HK$'000	HK$'000	HK$'000
Companies in which a director of the Company is a controlling shareholder:				
Purchases of products	(i)	600	420	81
Management fees paid	(ii)	568	442	—
Consultancy fees paid	(iii)	600	600	600
Rental rate and related service fees paid	(iv)	—	—	1,406
Related parties/key management personnel:				
Sale of properties	(v)	2,218	—	—

Notes:

(i) The purchases of products from related companies were made according to the published prices and conditions offered by the related companies to their major customers.

(ii) The management fees were related to management and administrative services provided to the Group by a related company. The fees were based on the actual staff costs incurred by the related company.

(iii) The consultancy fees were related to the consultancy and management services provided to the Group by a related company and were based on terms mutually agreed between both parties.

(iv) The rental rate and related service fees were related to the leasing of office space provided to the Group by a related company. The fees were based on terms mutually agreed between both parties.

(v) *The sale of properties to related parties/key management personnel were made at discount rates ranging from 2% to 5% of the published prices.*

(b) Other transactions with related parties

During the year 2007, Grand City Hotel (Shenzhen) Co. Ltd. (華麗城酒店(深圳)有限公司), and China South Royal Restaurant (Shenzhen) Co. Ltd. (華南富豪酒樓(深圳)有限公司), jointly-controlled entities of the Group, occupied the hotel and restaurant buildings owned by a subsidiary of the Company at nil consideration to operate their hotel and restaurant businesses up to August 2007.

The Company's directors and a related company have guaranteed certain of the Group's bank loans up to HK$156,258,000, HK$59,483,000 and HK$8,506,000 as at March 31, 2007, 2008 and 2009, respectively (note 26).

(c) Outstanding balances with related parties

(i) Details of the Group's amounts due from minority shareholders as at each of the balance sheet dates are included in note 23.

(ii) Details of the Group's amounts due from/to its jointly-controlled entities and an associate as at each of the balance sheet dates are disclosed in notes 17 and 18, respectively.

(iii) Details of the Group's amounts due to directors and shareholders as at each of the balance sheet dates are included in notes 28 and 31, respectively.

(d) Compensation of key management personnel of the Company

	Year ended March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Short term employee benefits	10,493	16,058	16,010
Post-employment benefits	87	117	132
Share-based payments	18,115	39,524	6,587
Total compensation paid to key management personnel	28,695	55,699	22,729

Further details of directors' emoluments are included in note 7 to the Financial Information.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet dates are as follows:

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Financial assets — Loans and receivables			
Amounts due from jointly-controlled entities (note 17)	44,780	12,930	9,114
Loan receivables	11,633	7,275	4,414
Finance lease receivables	—	75,007	65,952
Trade receivables	7,025	10,970	25,530
Other receivables	9,637	65,149	43,417
Cash and cash equivalents	292,123	1,228,898	246,084
	365,198	1,400,229	394,511

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Financial liabilities at amortised cost			
Amount due to an associate (note 18)	2,650	2,789	2,857
Financial liabilities included in other payables (note 25)	48,662	322,670	498,375
Interest-bearing notes	—	796,113	915,790
Bills payable	—	—	237,332
Interest-bearing bank borrowings	797,334	1,172,158	1,369,426
	848,646	2,293,730	3,023,780

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets such as trade receivables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign exchange risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's borrowings. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 26 to the Financial Information. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

Because interest expenses related to the Group's borrowings were utilized primarily for property construction, and were capitalised when incurred, management does not anticipate any significant impact resulting from changes in interest rates for the Relevant Periods.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral except for the loan receivables provided to the purchasers as disclosed in note 19 to this Financial Information.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The maturity profile of the Group's financial liabilities as at the balance sheet dates, based on the contractual undiscounted payments, was as follows:

Group

	2009		
	Within one year	**One to five years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Financial liabilities included in other payables	498,375	—	498,375
Interest-bearing notes	78,000	1,233,375	1,311,375
Interest-bearing bank borrowings	470,652	898,774	1,369,426
Bills payable	237,332	—	237,332
Total	1,284,359	2,132,149	3,416,508

	2008		
	Within one year	**One to five years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Financial liabilities included in other payables	322,670	—	322,670
Interest-bearing notes	68,250	1,311,375	1,379,625
Interest-bearing bank borrowings	422,975	749,183	1,172,158
Total	813,895	2,060,558	2,874,453

	2007		
	Within one year	**One to five years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Financial liabilities included in other payables	48,662	—	48,662
Interest-bearing bank borrowings	191,489	605,845	797,334
Total	240,151	605,845	845,996

The maturity profile of the Company's financial liabilities as at the balance sheet dates, based on the contractual undiscounted payments, was as follows:

Company

	2009			
	On demand	**Within one year**	**One to five years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Due to subsidiaries	51,307	—	—	51,307
Financial liabilities included in other payables	—	4,496	—	4,496
Interest-bearing notes	—	78,000	1,233,375	1,311,375
Total	51,307	82,496	1,233,375	1,367,178

	2008			
	On demand	**Within one year**	**One to five years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Due to subsidiaries	65,400	—	—	65,400
Financial liabilities included in other payables	—	9,140	—	9,140
Interest-bearing notes	—	68,250	1,311,375	1,379,625
Total	65,400	77,390	1,311,375	1,454,165

	2007			
	On demand	Within one year	One to five years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Due to subsidiaries	95,104	—	—	95,104
Financial liabilities included in other payables	—	4,738	—	4,738
Total	95,104	4,738	—	99,842

Foreign exchange risk

The Group's only investment in China remains its operating vehicle, which solely conducts business within Mainland China. Leaving aside interest payables, repayment of foreign currency loans obtained to finance the Group's operations and any potential future dividend its subsidiaries might declare to its shareholders, the bulk of its revenue, capital investment and expenses are denominated in RMB. At the time of this report, the Group had not experienced any difficulties in obtaining government approval for its necessary foreign exchange purchases. During the Relevant Periods under audit, the Group did not issue any financial instruments for hedging purposes.

The following table demonstrates the sensitivity at the balance sheet dates to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Changes in RMB rate	Increase/ (decrease) in profit before tax
	%	HK$'000
2009		
If Hong Kong dollar weakens against RMB	5	52,629
If Hong Kong dollar strengthens against RMB	3	(31,577)
2008		
If Hong Kong dollar weakens against RMB	5	41,074
If Hong Kong dollar strengthens against RMB	3	(24,644)
2007		
If Hong Kong dollar weakens against RMB	5	30,318
If Hong Kong dollar strengthens against RMB	3	(18,191)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the Relevant Periods for managing capital.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt includes interest-bearing bank borrowings, interest-bearing notes, bills payable, less cash and cash equivalents. The gearing ratios as at the balance sheet dates were as follows:

Group

	March 31,		
	2007	2008	2009
	HK$'000	HK$'000	HK$'000
Net debt	505,211	739,373	2,276,464
Total equity	2,522,429	3,642,552	4,495,958
Gearing ratio	20%	20%	51%

III. SUBSEQUENT EVENTS

(a) On June 26, 2009, the Group entered into a second note amended agreement with the Noteholders to reduce the coupon interest rates of the Interest-Bearing Notes from 9%, 11% and 11% to 0%, 3% and 6% for each of the three years ending July 10, 2010, 2011 and 2012, respectively. In addition, the early redemption option of the Interest-Bearing Notes was removed. On the same date, the Existing Shareholders entered into supplemental agreements with the Noteholders to change certain terms in the Share Transfer Agreements.

On July 6, 2009 and July 22, 2009 the Group entered into agreements with three of the Noteholders to buy back the outstanding principal amount of the Interest-Bearing Notes beneficially owned by them (US$94.5 million) together with all accrued and unpaid interest, if any, at a consideration of US$78.53 million. After the Group completed the buying back of these Interest-Bearing Notes, they were cancelled and the outstanding principal amount of the Interest-Bearing Notes has been reduced from US$125 million to US$30.5 million.

(b) On June 6, 2009, the Group entered into a land-use right transfer agreement with the Zijin County Bureau of Land Resources in relation to 486,530 square metres of land at a total consideration of RMB72,979,500. The prepaid deposit in relation to but not limited to this land was approximately HK$74.7 million as at March 31, 2009 (note 21).

(c) On August 28, 2009, the Group set up a new company named Nanning China South City Company Limited, which is engaged in property development and management. The registered capital of Nanning China South City Company Limited is RMB150 million.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to March 31, 2009.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out herein to provide prospective investors with further financial information about how the proposed listing might have affected the net tangible assets of the Group after the completion of the Global Offering as if the Global Offering had taken place on March 31, 2009.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position.

Although reasonable care has been exercised in preparing this information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on March 31, 2009. It has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true and fair picture of the financial position of the Group.

	Audited Consolidated Net Tangible Assets Attributable to Equity Holders of the Company as of March 31, 2009(1)	Estimated Net Proceeds from the Global Offering(2)	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets per Share(3)(4)
	(HK$ in millions)	(HK$ in millions)	(HK$ in millions)	(HK$)
Based on an Offer Price of HK$1.40 per Share. . . .	4,442	1,921	6,363	1.06
Based on an Offer Price of HK$2.10 per Share. . . .	4,442	2,916	7,358	1.23

(1) The net tangible assets attributable to equity holders of the Company as of March 31, 2009 is arrived at after deducting the goodwill as of March 31, 2009 as set out in the Accountants' Report in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price of HK$1.40 or HK$2.10 per Share, being the low or high end of the stated offer price range, after deduction of the underwriting fees and related expenses payable by the Company and takes no account of any Shares that may be issued upon exercise of the Over-allotment Option or upon any exercise of any options under the Share Option Agreements or any options that have been granted or may be granted under the Share Option Scheme.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 6,000,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering without taking into account any Shares that may be issued upon exercise of the Over-allotment Option or upon any exercise of any options under the Share Option Agreements or any options that have been granted or may be granted under the Share Option Scheme.

(4) As set out in Appendix III to this Prospectus, the Group's property interests (including buildings, hotel properties, investment properties, properties under development, prepaid land premiums, deposits paid for the purchase of land, properties held for finance lease and properties held for sale) were valued at HK$25.77 billion as of June 30, 2009, representing a valuation surplus of approximately HK$16.93 billion over the Group's property interests of HK$8.84 billion as of March 31, 2009. This valuation surplus has not been included in the above net tangible assets of the Group.

B. LETTER FROM THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for inclusion in this Prospectus, in respect of the Group's unaudited pro forma financial information.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

September 17, 2009

The Board of Directors
China South City Holdings Limited
Merrill Lynch Far East Limited

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets (the ''Unaudited Pro Forma Financial Information'') of China South City Holdings Limited (the ''Company'') and its subsidiaries (hereinafter collectively referred to as the ''Group''), which has been prepared by the directors of the Company (the ''Directors'') for illustrative purposes only, to provide information about how the global offering of 1,500,000,000 shares of HK$0.01 each in the capital of the Company might have affected the financial information of the Group presented, for inclusion in sections A of Appendix II, to the prospectus of the Company dated September 17, 2009 (the ''Prospectus''). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of the Directors and the Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'') and with reference to Accounting Guideline 7 ''Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'').

It is our responsibility to form an opinion, as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at March 31, 2009 or any future date

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this Prospectus received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their valuations as of June 30, 2009 of the property interests of the Group.

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T : (852) 2801 6100
F : (852) 2530 0756

EA Licence: C-023750
savills.com

September 17, 2009

The Directors
China South City Holdings Limited
Room 2205, 22/F, Sun Life Tower,
The Gateway,
15 Canton Road,
Tsimshatsui, Kowloon, Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the properties located in the People's Republic of China (the "PRC") in which China South City Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such properties as of June 30, 2009 ("date of valuation") for inclusion of an Initial Public Offering Document.

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In undertaking our valuation, we have assumed that, unless otherwise stated, transferable land-use rights in respect of the properties for specific terms at nominal annual land grant fees have been granted and that any premium payable has already been fully paid. We have also assumed that the owners of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

In valuing the properties in Groups I & III, which are held by the Group for owner occupation/ operation or investment in the PRC, we have valued the properties on the basis of adding the estimated value of the lease term interest of the property and reversionary interest of the property. Estimated value of the lease term interest is derived by capitalizing a property's contractual rental income for the period. Estimated value of the reversionary interest is derived by capitalizing estimated market rental for the rest of its remaining life after the end of the terms of the relevant leases. Under this approach, various risks including non-renewal and fluctuations in occupancy rates and rental growth are reflected in the capitalization rate. In the course of our valuation, we have made reference to the market evidence and the historical performance of the Company in arriving at our opinion of value.

In valuing the properties in Group II, which are held by the Group for sale in the PRC, we have adopted the direct comparison approach by making reference to the comparable market transactions as available in the relevant markets assuming sales with the benefit of immediate vacant possession.

In valuing the properties in Groups IV and V, which are held by the Group as properties under development and for future development in the PRC, we have valued such properties on the basis that they will be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the proposals have been or will be granted without onerous conditions or delay. In arriving at our opinion of values, we have adopted the direct comparison approach by making reference to the comparable market transactions as available in the markets and also have taken into account the construction costs to be expended to reflect the quality of the completed developments.

We have been advised that the properties in Groups I, III & IV are subject to sales restriction. The property interests under these groups were assessed on the basis of Investment Value stated in the guidance of the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards. Investment Value is defined by the RICS as follows:

> "Value of property to a particular owner, investor, or class of investors for identified investment or operational objectives."
>
> "Although, under some circumstances, worth may be the same as the amount that could be realized from sale of the asset, this value is specific to a particular party and essentially reflects the benefits received by holding the asset and therefore does not necessarily involve a hypothetical exchange."
>
> In valuing the properties which are subject to sale restrictions, the investment values are estimated on the basis of capitalization of net rental incomes assuming the properties could not be transferred but rental incomes are received.

Whereas for Executive Office, as the property is restricted for owner occupation only, we have ascribed no commercial value to such portion.

In valuing the properties in Group VI, which are intended to be acquired by the Group in the future and project agreements or framework agreements have been signed between the Group and the local land administration bureau, we have assigned no commercial values to these properties as the Group has not entered into any land grant contracts nor obtained State-owned Land-Use Rights Certificates.

In valuing the properties in Groups VII and VIII, which are leased by the Group in the PRC and Hong Kong, we have assigned no commercial values to these properties due to the short term nature of the lease, prohibition against assignment or sub-letting or otherwise due to the lack of profit rent.

We have been shown copies of various title documents including State-owned Land-Use Rights Certificates, Real Estate Title Certificates, planning permits and development plans provided by the Group relating to the properties. However, we have not examined the original documents to verify the ownership or to verify any amendments which may not appear on the copies provided to us.

We have relied to a very considerable extent on the information given by the Group and the legal opinion issued by the Group's PRC legal adviser, Commerce & Finance Law Offices, on the titles to the properties. We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, development proposals, construction costs, estimated completion dates, particulars of occupancy, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided by the Group to us and are therefore only approximations. No on-site measurements have been taken. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to our valuations. We have also sought confirmation from the Group that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

We have inspected the exterior and where possible, the interior of the properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made. We are therefore not able to report whether the properties are free of rot, infestation or any other defects. No tests were carried out on any of the services. We have also not carried out investigations on-site to determine the suitability of the ground conditions and the services and other matters required for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

We enclose herewith our summary of values and valuation certificate.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Note: Charles C K Chan, MSc., FRICS, FHKIS, MCIArb, RPS (GP), is a qualified valuer and has about 25 years' experience in the valuation of properties in Hong Kong and has about 20 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUES

Group I — Properties held by the Group for owner occupation/operation in the PRC

No.	Property	Market Value in existing state as at June 30, 2009 (RMB)	Interest attributable to the Group	Market Value in existing state attributable to the Group as at June 30, 2009 (RMB)
1.	Restaurant, China South City Shenzhen (Phase One), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	36,000,000	100%	36,000,000*
2.	Sales and Leasing Center, China South City Shenzhen (Phase One), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	19,000,000	100%	19,000,000*
3.	Grand City Hotel, China South City Shenzhen (Phase One), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	394,000,000	100%	394,000,000*
4.	Portion of Textile and Clothing Trade Center, China South City Shenzhen (Phase Two), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	351,000,000	100%	351,000,000*

* The properties are subject to sales restriction. Our assessment is on the basis of Investment Value which does not represent the market value of the properties.

No.	Property	Market Value in existing state as at June 30, 2009	Interest attributable to the Group	Market Value in existing state attributable to the Group as at June 30, 2009
		(RMB)		(RMB)
5.	Executive Office, China South City Shenzhen (Phase One), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC			No Commercial Value
	Sub-total:	800,000,000		800,000,000

Group II — Properties held by the Group for sale in the PRC

No.	Property	Market Value in existing state as at June 30, 2009	Interest attributable to the Group	Market Value in existing state attributable to the Group as at June 30, 2009
		(RMB)		(RMB)
6.	162 shop units, Trade Centers, China South City Shenzhen (Phase One), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	405,000,000	100%	405,000,000
7.	Portion of Textile and Clothing Trade Center, China South City Shenzhen (Phase Two), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	1,371,000,000	100%	1,371,000,000

No.	Property	Market Value in existing state as at June 30, 2009	Interest attributable to the Group	Market Value in existing state attributable to the Group as at June 30, 2009
		(RMB)		(RMB)
8.	Warehouse, China South City Shenzhen (Phase Two), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	159,000,000	100%	159,000,000
	Sub-total:	1,935,000,000		1,935,000,000

Group III — Properties held by the Group for investment in the PRC

No.	Property	Market Value in existing state as at June 30, 2009	Interest attributable to the Group	Market Value in existing state attributable to the Group as at June 30, 2009
		(RMB)		(RMB)
9.	1,312 shop units, Trade Centers, China South City Shenzhen (Phase One), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	3,064,000,000	100%	3,064,000,000*
10.	Block Nos. 1 and 2, Business Centers, China South City Shenzhen (Phase One), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	146,000,000	100%	146,000,000*

* The properties are subject to sales restriction. Our assessment is on the basis of Investment Value which does not represent the market value of the properties.

No.	Property	Market Value in existing state as at June 30, 2009	Interest attributable to the Group	Market Value in existing state attributable to the Group as at June 30, 2009
		(RMB)		(RMB)
11.	Portion of Textile and Clothing Trade Center, China South City Shenzhen (Phase Two), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	2,783,000,000	100%	2,783,000,000*
12.	Portion of West Garden, China South City Shenzhen (Phase Two), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	156,000,000	100%	156,000,000*
	Sub-total:	6,149,000,000		6,149,000,000

Group IV — Property held by the Group under development in the PRC

No.	Property	Market Value in existing state as at June 30, 2009	Interest attributable to the Group	Market Value in existing state attributable to the Group as at June 30, 2009
		(RMB)		(RMB)
13.	Portion of China South City Shenzhen (Phase Two), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	13,547,000,000	100%	13,547,000,000*
	Sub-total:	13,547,000,000		13,547,000,000

* The properties are subject to sales restriction. Our assessment is on the basis of Investment Value which does not represent the market value of the properties.

Group V — Property held by the Group for future development in the PRC

No.	Property	Market Value in existing state as at June 30, 2009 (RMB)	Interest attributable to the Group	Market Value in existing state attributable to the Group as at June 30, 2009 (RMB)
14.	A parcel of land in Dongjiang, Chengling Village and Wufeng Village, Linjiang Town, Zijin County, Heyuan, Guangdong Province, PRC	387,000,000	70%	270,900,000
	Sub-total:	387,000,000		270,900,000

Group VI — Properties intended to be acquired by the Group in the PRC

No.	Property	Market Value in existing state as at June 30, 2009 (RMB)	Interest attributable to the Group	Market Value in existing state attributable to the Group as at June 30, 2009 (RMB)
15.	A parcel of land in Honggutan New District to be known as China South City Nanchang, Nanchang, Jiangxi Province, PRC			No Commercial Value
16.	A parcel of land in Jiangnan District to be known as China South City Nanning, Nanning, Guangxi Province, PRC			No Commercial Value
17.	A parcel of land in Dongjiang, Chengling Village and Wufeng Village, Linjiang Town, Zijin County, Heyuan, Guangdong Province, PRC			No Commercial Value
	Sub-total:			No Commercial Value

Group VII — Properties leased by the Group in the PRC

No.	Property	Market Value in existing state as at June 30, 2009	Interest attributable to the Group	Market Value in existing state attributable to the Group as at June 30, 2009
		(RMB)		(RMB)
18.	Block Nos 1.2, 2.2 and 3.1, 100 Wanfu Street, Fangkeng Road, Pinghu Village Fu Man Industrial Estate, Pinghu Road, Longgang District, Shenzhen, Guangdong Province, PRC			No Commercial Value
19.	Portion of Level 3, Pearl Market, Yangzishan Village, Shanxiahu Zhen, Zhuji, Zhejiang Province, PRC			No Commercial Value
20.	Units 611, 613 and 615, Level B, Executive Office of People's Government of Jiangnan District, Nanning, Guangxi Province, PRC			No Commercial Value
21.	Level 17, Block 3, Fenghedouhui, Honggutan District, Nanchang, Jiangxi Province, PRC			No Commercial Value

No.	Property	Market Value in existing state as at June 30, 2009 (RMB)	Interest attributable to the Group	Market Value in existing state attributable to the Group as at June 30, 2009 (RMB)
22.	Level 12, Xinyong Building, 32 Guangyu Street, Yinchuan District, Tieling, Liaoning Province, PRC			No Commercial Value
	Sub-total:			No Commercial Value

Group VIII — Property leased by the Group in Hong Kong

No.	Property	Market Value in existing state as at June 30, 2009 (RMB)	Interest attributable to the Group	Market Value in existing state attributable to the Group as at June 30, 2009 (RMB)
23.	Units 2205–2206, 22nd Floor, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon			No Commercial Value
	Sub-total:			No Commercial Value
	Total:	**22,818,000,000**		**22,701,900,000**

VALUATION CERTIFICATE

Group I — Property held by the Group for owner occupation/operation in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Investment Value in existing state as of June 30, 2009
1.	Restaurant, China South City Shenzhen (Phase One), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	China South City Shenzhen comprises various buildings and structures erected on land with a total site area of approximately 1,059,840.39 square meters (11,408,122 square feet) (which represented the total site area for the whole project including Phase One and Phase Two). Gross floor area of Phase One is approximately 464,000.00 square meters (4,994,496 square feet). It was completed during the period from 2003 to 2006. Gross floor area of Phase Two is approximately 2,163,073.34 square meters (23,283,608 square feet) in which 525,474.34 square meters (5,656,202 square feet) were completed in 2008 and 2009 and the remaining portion is currently under construction. Developments of Phase One include 5 trade centers, 2 hotel buildings, 1 restaurant, 2 business centers and 1 executive office building. The property comprises a restaurant in Phase One with a gross floor area of 2,763.38 square meters (29,745 square feet), which was completed in 2004. The land-use rights of the property were granted for a term of 50 years commencing on June 12, 2007 and expiring on June 11, 2057 for logistics and storage uses.	The property is currently operated by the Group.	RMB36,000,000 (100% interest attributable to the Group: RMB36,000,000)

(1) Pursuant to the Land Grant Contract No. Shen De He Zi (2007) 5043 dated June 12, 2007 entered into between Shenzhen Municipal Bureau of Land Resources and Housing Management and China South International Industrial Materials City (Shenzhen) Co., Ltd. ("China South City International"), which is a 100% owned subsidiary of the Company, the land-use rights of a parcel of land with Land No. G04219–0059 with site area of 10,837.04 square meters were granted to China South City International for a term of 50 years from June 12, 2007 to June 11, 2057 for logistics and storage uses.

(2) Pursuant to the Supplemental Land Grant Contract of Shen De He Zi (2003) 5077 Bu 3, Shen De He Zi (2007) 5043 Bu 2 dated May 25, 2009 entered into between Shenzhen Municipal Bureau of Land Resources and Housing Management and China South City International, Land No. G04219-0059 and Land No. 04225-0017 have been combined as Land No. G04225-0019 with site area of 118,900.73 square meters and a maximum plot ratio of 1.22. The land was granted for a term of 50 years from July 10, 2003 to July 9, 2053 for integrated logistics and storage uses.

(3) The property is subject to sale restriction. This assessment is made on the basis of Investment Value which does not represent the market value of the property.

(4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, among other things, the following information:

(i) China South City International possesses the granted land-use rights of the property and is entitled to use the property within the residual term of its land-use rights;

(ii) China South City International should not have any legal impediment to obtain the Building Ownership Certificate of the property with combination of the two parcels of land stated in Note (2) above;

(iii) the land grant fee was fully settled; and

(iv) pursuant to the Certificate of Temporary Structure issued by Shenzhen Longgang District Pinghu Construction Office, the commercial use of the property is approved until December 31, 2010.

(5) A summary of major certificates/approvals is shown as follows:

Land Grant Contract	Yes
Supplemental Land Grant Contract	Yes

No.	Property	Description and Tenure	Particulars of Occupancy	Investment Value in existing state as of June 30, 2009
2.	Sales and Leasing Center, China South City Shenzhen (Phase One), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	China South City Shenzhen comprises various buildings and structures erected on land with a total site area of approximately 1,059,840.39 square meters (11,408,122 square feet) (which represented the total site area for the whole project including Phase One and Phase Two). Gross floor area of Phase One is approximately 464,000.00 square meters (4,994,496 square feet). It was completed during the period from 2003 to 2006. Gross floor area of Phase Two is approximately 2,163,073.34 square meters (23,283,608 square feet) in which 525,474.34 square meters (5,656,202 square feet) were completed in 2008 and 2009 and the remaining portion is currently under construction. Developments of Phase One include 5 trade centers, 2 hotel buildings, 1 restaurant, 2 business centers and 1 executive office building. The property comprises a sales and leasing center in Phase One with gross floor area of 1,305.34 square meters (14,051 square feet) completed in 2003. The land-use rights of the property were granted for a term of 50 years commencing on June 12, 2007 and expiring on June 11, 2057 for logistics and storage uses.	The property is occupied by the Group.	RMB19,000,000 (100% interest attributable to the Group: RMB19,000,000)

(1) Pursuant to the Land Grant Contract No. Shen De He Zi (2007) 5043 dated June 12, 2007 entered into between Shenzhen Municipal Bureau of Land Resources and Housing Management and China South City International, which is a 100% owned subsidiary of the Company, the land-use rights of a parcel of land with Land No. 04219-0059 with site area of 10,837.04 square meters were granted to China South City International for a term of 50 years from June 12, 2007 to June 11, 2057 for logistics and storage uses.

(2) Pursuant to the Supplemental Land Grant Contract of Shen De He Zi (2003) 5077 Bu 3, Shen De He Zi (2007) 5043 Bu 2 dated May 25, 2009 entered into between Shenzhen Municipal Bureau of Land Resources and Housing Management and China South City International, Land No. G04219-0059 and Land No. 04225-0017 have been combined as Land No. G04225-0019 with site area of 118,900.73 square meters and a maximum plot ratio of 1.22. The land was granted for a term of 50 years from July 10, 2003 to July 9, 2053 for integrated logistics and storage uses.

(3) The property is subject to sale restriction. This assessment is made on the basis of Investment Value which does not represent the market value of the property.

(4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, among other things, the following information:

(i) China South City International possesses the granted land-use rights of the property and is entitled to use the property within the residual term of its land-use rights;

(ii) China South City International should not have any legal impediment to obtain the Building Ownership Certificate of the property with combination of the two parcels of land stated in Note (2) above;

(iii) the land grant fee was fully settled; and

(iv) pursuant to the Certificate of Temporary Structure issued by Shenzhen Longgang District Pinghu Construction Office, the commercial use of property is approved until December 19, 2010.

(5) A summary of major certificates/approvals is shown as follows:

Land Grant Contract	Yes
Supplemental Land Grant Contract	Yes

No.	Property	Description and Tenure	Particulars of Occupancy	Investment Value in existing state as of June 30, 2009
3.	Grand City Hotel, China South City Shenzhen (Phase One), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	China South City Shenzhen comprises various buildings and structures erected on land with a total site area of approximately 1,059,840.39 square meters (11,408,122 square feet) (which represented the total site area for the whole project including Phase One and Phase Two). Gross floor area of Phase One is approximately 464,000.00 square meters (4,994,496 square feet). It was completed during the period from 2003 to 2006. Gross floor area of Phase Two is approximately 2,163,073.34 square meters (23,283,608 square feet) in which 525,474.34 square meters (5,656,202 square feet) were completed in 2008 and 2009 and the remaining portion is currently under construction. Developments of Phase One include 5 trade centers, 2 hotel buildings, 1 restaurant, 2 business centers and 1 executive office building. The property comprises two hotel buildings in Phase One with total gross floor area of 32,114.56 square meters (345,681 square feet) completed in 2005. The land-use rights of the property were granted for a term of 50 years commencing on July 10, 2003 and expiring on July 9, 2053 for integrated logistics and storage uses.	The property is operated by the Company.	RMB394,000,000 (100% interest attributable to the Group: RMB394,000,000)

(1) Pursuant to 2 Land-use Rights Certificates issued by the Shenzhen Municipal Bureau of Land Resources and Housing Management, the land-use rights of 2 parcels of land with a total site area of approximately 200,508.53 square meters were granted to China South City International, which is a 100% owned subsidiary of the Company. Details of the certificates are shown as follows:

Land No.	Certificate No.	Land Use Rights Term	Site Area	Usage	Date of Registration
			(square meters)		
G04225-0017 . .	Shen Fang Di Zi Di No. 6000109399	July 10, 2003– July 9, 2053	108,063.69	Integrated logistics and storage	December 17, 2003
G04227-0071 . .	Shen Fang Di Zi Di No. 6000109413	July 10, 2003– July 9, 2053	92,444.84	Integrated logistics and storage	December 17, 2003

(2) Pursuant to 2 Building Ownership Certificates issued by the Shenzhen Municipal Bureau of Land Resources and Housing Management, the property with total gross floor area of approximately 32,114.56 square meters is held by China South City International. Details of the certificates are summarized as below:

Certificate No.	Land-Use Rights Term	Usage	GFA (square meters)
Shen Fang Di Zi Di No. 6000249456	July 10, 2003–July 9, 2053	Integrated logistics and storage	16,065.20
Shen Fang Di Zi Di No. 6000249459	July 10, 2003–July 9, 2053	Integrated logistics and storage	16,049.36

(3) Pursuant to the Supplemental Land Grant Contract of Shen De He Zi (2003) 5077 Bu 3, Shen De He Zi (2007) 5043 Bu 2 dated May 25, 2009 entered into between Shenzhen Municipal Bureau of Land Resources and Housing Management and China South City International, Land No. G04219-0059 and Land No. 04225-0017 have been combined as Land No. G04225-0019 with site area of 118,900.73 square meters and a maximum plot ratio of 1.22. The land was granted for a term of 50 years from July 10, 2003 to July 9, 2053 for integrated logistics and storage uses.

(4) Pursuant to a Contract of Mortgage No. Shen Ping Yin (Fu Xing) Di Zi (2008) A1001101360800013 dated August 8, 2008, Block T27 of Textile and Clothing Trade Center and Land No. G04226-0033 were subject to a Mortgage in favor of Shenzhen Ping An Bank Limited, Fuxing Branch for a lending period expiring on September 8, 2010 to an extent of RMB100,000,000.

(5) Pursuant to a Contract of Mortgage No. 2D7907200828000801 dated January 17, 2008, Block M01 of Metals, Chemicals and Plastics Trade Center was subject to a Mortgage in favor of Shanghai Pudong Development Bank, Shenzhen Longgang Branch for a lending period expiring on January 18, 2010, to an extent of RMB60,000,000.

(6) The property is subject to sale restriction. This assessment is made on the basis of Investment Value which does not represent the market value of the property.

(7) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, among other things, the following information:

(i) China South City International possesses the granted land-use rights of the property and is entitled to use the property within the residual term of its land-use rights;

(ii) the Contracts of Mortgage as mentioned in Notes (4)–(5) are valid. China South City International possesses the right to use the property. However, prior written consent of the mortgagee is required for the transfer and mortgage of the property; and

(iii) the land grant fee was fully settled.

(8) A summary of major certificates/approvals is shown as follows:

Land-use Rights Certificates	Yes
Building Ownership Certificates	Yes
Supplemental Land Grant Contract	Yes

No.	Property	Description and tenure	Particulars of Occupancy	Investment Value in existing state as of June 30, 2009
4.	Portion of Textile and Clothing Trade Center, China South City Shenzhen (Phase Two), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	China South City Shenzhen comprises various buildings and structures erected on land with a total site area of approximately 1,059,840.39 square meters (11,408,122 square feet) (which represented the total site area for the whole project including Phase One and Phase Two). Gross floor area of Phase One is approximately 464,000.00 square meters (4,994,496 square feet). It was completed during the period from 2003 to 2006. Gross floor area of Phase Two is approximately 2,163,073.34 square meters (23,283,608 square feet) in which 525,474.34 square meters (5,656,202 square feet) were completed in 2008 and 2009 and the remaining portion is currently under construction. Textile and Clothing Trade Center in Phase Two comprises 6-storey building erected over 2-storey basement completed in 2009 with total gross floor area of approximately 340,368.46 square meters (3,663,726 square feet). The property comprises portion of the trade center in Phase Two with gross floor area of 15,733.00 square meters (169,350 square feet) and carpark. The land use rights of the property were granted for a term of 50 years commencing on November 18, 2005 and expiring on November 17, 2055 for integrated logistics and storage uses.	The property is vacant.	RMB351,000,000 (100% interest attributable to the Group: RMB351,000,000)

(1) Pursuant to the Land-use Rights Certificate No. Shen Fang Di Zi DI 6000307637 issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the land-use rights of a parcel of land with Land No. G04225-0020 (combination of Land No. 04225-0018 and G04219-0060) with a total site area of 110,051.55 square meters were granted to China South City International, which is a 100% owned subsidiary of the Company, for a term of 50 years from November 18, 2005 to November 17, 2055 for integrated logistics and storage uses.

(2) Pursuant to 2 Certificates of Completion dated March 30, 2009 issued by Shenzhen Longgang District Construction Bureau, two blocks of Textile and Clothing Trade Center with total gross floor area of 340,368.46 square meters, which comprises gross floor area of trade center of 250,844.76 square meters and underground car parking and ancillary areas of 89,523.70 square meters, in China South City Shenzhen were completed.

(3) Pursuant to the Pre-sale Permits issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the pre-sale of the property with a gross floor area of 71,805.06 square meters was permitted.

(4) The property is subject to sale restriction. This assessment is made on the basis of Investment Value which does not represent the market value of the property.

(5) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) China South City International possesses the granted land-use rights of the property and is entitled to use the property within the residual term of its land-use rights; and

(ii) the land grant fee was fully settled.

(6) A summary of major certificates/approvals is shown as follows:

Land-use Rights Certificate	Yes
Certificates of Completion	Yes
Pre-sale Permits	Yes

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as of June 30, 2009
5.	Executive Office China South City Shenzhen (Phase One), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	China South City Shenzhen comprises various buildings and structures erected on land with a total site area of approximately 1,059,840.39 square meters (11,408,122 square feet) (which represented the total site area for the whole project including Phase One and Phase Two). Gross floor area of Phase One is approximately 464,000.00 square meters (4,994,496 square feet). It was completed during the period from 2003 to 2006. Gross floor area of Phase Two is approximately 2,163,073.34 square meters (23,283,608 square feet) in which 525,474.34 square meters (5,656,202 square feet) were completed in 2008 and 2009 and the remaining portion is currently under construction. Developments of Phase One include 5 trade centers, 2 hotel buildings, 1 restaurant, 2 business centers and 1 executive office building. The property comprises an executive office building in Phase One with gross floor area of 7,407.77 square meters (79,737 square feet) completed in 2004. The land-use rights of the property were granted for a term of 50 years commencing on March 17, 2003 and expiring on March 16, 2053 for storage and administrative office uses.	The property is occupied by the Group for office use.	No Commercial Value(3)

(1) Pursuant to a Building Ownership Certificate No. Shen Fang Di Zi Di No. 6000151053 issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the property with gross floor area of approximately 7,407.77 square meters erected on a parcel of land with Land No. G04224-0009 with site area of 13,701.80 square meters is held by China South City International, which is a 100% owned subsidiary of the Company, for a term of 50 years from March 17, 2003 to March 16, 2053 for storage and administrative office uses.

(2) Pursuant to a Contract of Mortgage No. 81906200900001757, the executive office and Blocks M02-M12 of Metals, Chemicals and Plastics Trade Center, Block L24 of Leather and Accessories Trade Center and Block P02 of Printing, Paper Products and Packaging Trade Center were subject to a Mortgage in favor of Agricultural Bank of China, Shenzhen Branch to an extent of RMB435,000,000.

(3) We have ascribed no commercial value to the executive office, as the office is restricted for owner-occupation only. For indicative purpose, the capital value of the executive office as of date of valuation was RMB53,500,000.

(4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, among other things, the following information:

(i) China South City International possesses the granted land-use rights of the property and is entitled to use the property within the residual term of its land-use rights;

(ii) the land grant fee was fully settled; and

(iii) the Contract of Mortgage as mentioned in Note (2) is valid. China South City International possess the rights to use the property. However, prior written consent of the mortgagee is required for the mortgage of the property.

(5) A summary of major certificates/approvals is shown as follows:

Building Ownership Certificate	Yes

Group II — Property held by the Group for sale in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as of June 30, 2009
6.	162 units, Trade Centers, China South City Shenzhen (Phase One), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	China South City Shenzhen comprises various buildings and structures erected on land with a total site area of approximately 1,059,840.39 square meters (11,408,122 square feet) (which represented the total site area for the whole project including Phase One and Phase Two). Gross floor area of Phase One is approximately 464,000.00 square meters (4,994,496 square feet). It was completed during the period from 2003 to 2006. Gross floor area of Phase Two is approximately 2,163,073.34 square meters (23,283,608 square feet) in which 525,474.34 square meters (5,656,202 square feet) were completed in 2008 and 2009 and the remaining portion is currently under construction. Developments of Phase One include 5 trade centers, 2 hotel buildings, 1 restaurant, 2 business centers and 1 executive office building. The property comprises 162 units in trade centers in Phase One with gross floor area of 24,271.00 square meters (261,253 square feet) completed in 2004. The land-use rights of the property were granted for a term of 50 years commencing on July 10, 2003 and expiring on July 9, 2053 for integrated logistics and storage uses.	Portions of the property with a gross floor area of 16,064.00 square meters are subject to various tenancies expiring between 2009 and 2011 at a total monthly rent of approximately RMB215,334.	RMB405,000,000 (100% interest attributable to the Group: RMB405,000,000)

(1) Pursuant to 4 Land-use Rights Certificates issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the land-use rights of 4 parcels of land with a total site area of approximately 407,081.31 square meters were granted to China South City International, which is a 100% owned subsidiary of the Company. Details of the certificates are shown as follows:

Land No.	Certificate No.	Land Use Rights Term	Site Area	Usage	Date of Registration
			(square meters)		
G04225-0017 . .	Shen Fang Di Zi Di No.6000109399	July 10, 2003– July 9, 2053	108,063.69	Integrated logistics and storage	December 17, 2003
G04224-0008 . .	Shen Fang Di Zi Di No.6000109415	July 10, 2003– July 9, 2053	104,870.34	Integrated logistics and storage	December 17, 2003
G04227-0070 . .	Shen Fang Di Zi Di No.6000109414	July 10, 2003– July 9, 2053	101,702.44	Integrated logistics and storage	December 17, 2003
G04227-0071 . .	Shen Fang Di Zi Di No.6000109413	July 10, 2003– July 9, 2053	92,444.84	Integrated logistics and storage	December 17, 2003

(2) Pursuant to 186 Building Ownership Certificates issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the property with a total gross floor area of approximately 188,433.46 square meters is held by China South City International. Details of the certificates are summarized below:

Land No.	Land-Use Rights Term	Usage	GFA (square meters)
G04224-0008	July 10, 2003–July 9, 2053	Integrated logistics and storage	46,300.00
G04227-0071	July 10, 2003–July 9, 2053	Integrated logistics and storage	44,276.87
G04225-0017	July 10, 2003–July 9, 2053	Integrated logistics and storage	41,098.62
G04227-0070	July 10, 2003–July 9, 2053	Integrated logistics and storage	56,757.97

(3) Pursuant to the Land Grant Contract No. Shen De He Zi (2007) 5043 dated June 12, 2007 entered into between Shenzhen Municipal Bureau of Land Resources and Housing Management and China South City International, Land No. G04219-0059 with a site area of 10,837.04 square meters was granted to the Company for a term of 50 years from June 12, 2007 to June 11, 2057 for logistics and storage uses.

(4) Pursuant to the Supplemental Land Grant Contract of Shen De He Zi (2003) 5077, Bu 3, Shen De He Zi (2007) 5043 Bu 2 dated May 25, 2009 entered into between Shenzhen Municipal Bureau of Land Resources and Housing Management and China South City International, Land No. G04219-0059 and Land No. 04225-0017 have been combined as Land No. G04225-0019 with site area of 118,900.73 square meters and a maximum plot ratio of 1.22. The land was granted for a term of 50 years from July 10, 2003 to July 9, 2053 for integrated logistics and storage uses.

(5) Pursuant to a Contract of Mortgage No. (2008) Zhen Zhong Yin Si Di Zi Di 0076 and 0077 Hao dated January 24, 2007, Blocks T17-T26 and T28 of Textile and Clothing Trade Center, Land Nos. G04227-0075, G04226-0034 and G04227-0079 were subject to a Mortgage in favour of Bank of China, Shenzhen Branch for a lending period expiring on December 29, 2011 to an extent of RMB390,000,000.

(6) Pursuant to a Contract of Mortgage No. 40000223-2009 Nian Bu Ji (Di) Zi Hao 0012, Blocks L13-L23 of Leather and Accessories Trade Center were subject to a Mortgage in favor of Industrial and Commercial Bank of China, Buji Branch for a lending period expiring on June 4, 2017 to an extent of RMB300,000,000.

(7) Pursuant to a Contract of Mortgage No. Di 2006 Gu 0839034R dated November 1, 2006, Blocks P01, P03-P12 of Printing, Paper Products and Packaging Trade Center were subject to a Mortgage in favour of China Construction Bank, Shenzhen Branch for a lending period expiring on October 31, 2011 to an extent of RMB300,000,000.

(8) Pursuant to a Contract of Mortgage No. 81906200900001757, the executive office and Blocks M02-M12 of Metals, Chemicals and Plastics Trade Center, Block L24 of Leather and Accessories Trade Center and Block P02 of Printing, Paper Products and Packaging Trade Center were subject to a Mortgage in favor of Agricultural Bank of China, Shenzhen Branch to an extent of RMB435,000,000.

(9) Pursuant to a Contract of Mortgage No. Di 2008 Zong 1115034R, 128 units of Trade Center were subject to a Mortgage in favor of China Construction Bank, Shenzhen Branch to an extent of RMB150,000,000.

(10) According to the information provided by the Group, a gross floor area of approximately 3,201.00 square meters, which was erected on Land No. G04225-0017, were sold with a consideration of RMB18,818,883. However, the sold units have not been delivered to the buyers. In the course of our valuation, we have included those units in our valuation.

(11) Pursuant to 4 Pre-sale Permits issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the pre-sale of the property with a gross floor area of 188,282.97 square meters was permitted.

(12) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, among other things, the following information:

(i) China South City International possesses the granted land-use rights of the property and is entitled to use the property within the residual term of its land-use rights;

(ii) the land grant fee was fully settled;

(iii) the Contracts of Mortgage as mentioned in Notes (5)–(9) are valid. China South City International possesses the right to use the property. However, prior written consent of the mortgagee is required for the transfer and mortgage of the property;

(iv) China South City International is permitted to pre-sell the property in accordance with the area stated in the Pre-sale Permits; and

(v) China South City International should not have any legal impediment to obtain the Building Ownership Certificate of Block T01 of Textile and Clothing Trade Center in Phase One with combination of the two parcels of land stated in Note (4) above. However, refund of deposit may be requested by individual purchasers of the units before signing the formal Sale and Purchase Agreement.

(13) A summary of major certificates/approvals is shown as follows:

Land-use Rights Certificates	Yes
Building Ownership Certificates	Yes
Land Grant Contract	Yes
Supplemental Land Grant Contract	Yes
Pre-sale Permits	Yes

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as of June 30, 2009
7.	Portion of Textile and Clothing Trade Center, China South City Shenzhen (Phase Two), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	China South City Shenzhen comprises various buildings and structures erected on land with a total site area of approximately 1,059,840.39 square meters (11,408,122 square feet) (which represented the total site area for the whole project including Phase One and Phase Two). Gross floor area of Phase One is approximately 464,000.00 square meters (4,994,496 square feet). It was completed during the period from 2003 to 2006. Gross floor area of Phase Two is approximately 2,163,073.34 square meters (23,283,608 square feet) in which 525,474.34 square meters (5,656,202 square feet) were completed in 2008 and 2009 and the remaining portion is currently under construction. Textile and Clothing Trade Center in Phase Two comprises 6-storey building erected over 2-storey basement completed in 2009 with total gross floor area of approximately 340,368.46 square meters (3,663,726 square feet). The property comprises portion of the trade center in Phase Two with gross floor area of 63,231.00 square meters (680,618 square feet). The land use rights of the property were granted for a term of 50 years commencing on November 18, 2005 and expiring on November 17, 2055 for integrated logistics and storage uses.	The property is vacant.	RMB1,371,000,000 (100% interest attributable to the Group: RMB1,371,000,000)

(1) Pursuant to a Land-use Rights Certificate No. Shen Fang Di Zi DI 6000307637 issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the land-use rights of a parcel of land with Land No. G04225-0020 (combination of Land No. 04225-0018 and G04219-0060) with a total site area of 110,051.55 square meters were granted to China South City International, which is a 100% owned subsidiary of the Company, for a term of 50 years from November 18, 2005 to November 17, 2055 for integrated logistics and storage uses.

(2) Pursuant to 2 Certificates of Completion dated March 30, 2009 issued by Shenzhen Longgang District Construction Bureau, two blocks of Textile and Clothing Trade Center with total gross floor area of 340,368.46 square meters, which comprises gross floor area of trade center of 250,844.76 square meters and underground car parking and ancillary areas of 89,523.70 square meters, in China South City were completed.

(3) Pursuant to the Pre-sale Permits issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the pre-sale of the property with a gross floor area of 71,805.06 square meters was permitted.

(4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) China South City International possesses the granted land-use rights of the property and is entitled to use the property within the residual term of its land-use rights; and

(ii) the land grant fee was fully settled.

(5) A summary of major certificates/approvals is shown as follows:

Land-use Rights Certificate	Yes
Certificates of Completion	Yes
Pre-sale Permits	Yes

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as of June 30, 2009
8.	Warehouse, China South City Shenzhen (Phase Two), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	China South City Shenzhen comprises various buildings and structures erected on land with a total site area of approximately 1,059,840.39 square meters (11,408,122 square feet) (which represented the total site area for the whole project including Phase One and Phase Two). Gross floor area of Phase One is approximately 464,000.00 square meters (4,994,496 square feet). It was completed during the period from 2003 to 2006. Gross floor area of Phase Two is approximately 2,163,073.34 square meters (23,283,608 square feet) in which 525,474.34 square meters (5,656,202 square feet) were completed in 2008 and 2009 and the remaining portion is currently under construction. The property comprises 6-storey warehouse in Phase Two completed in 2008 with gross floor area of approximately 43,901.64 square meters (472,557 square feet). The land use rights of the property were granted for a term of 50 years commencing on August 8, 1992 and expiring on August 7, 2042 for Industrial/storage uses.	Portions of the property with gross floor area of 12,633.00 square meters are subject to various tenancies with latest one expiring on April 10, 2013 at a total monthly rent of approximately RMB279,877 whilst the remaining portion is vacant.	RMB159,000,000 (100% interest attributable to the Group: RMB159,000,000)

(1) Pursuant to a Land-use Rights Certificate No. Shen Fang Di Zi DI 6000164276 issued by Shenzhen Municipal of Land Resources and Housing Management, the land-use rights of a parcel of land with Land No. G05101-0001 with a total site area of 108,035.90 square meters were granted to China South City International, which is a 100% owned subsidiary of the Company, for a term of 50 years from August 8, 1992 to August 7, 2042 for industrial/storage uses.

(2) Pursuant to the Agreement of Land-use Rights of Land No. G05101-0001 dated 24 December 2004 made between China South City International (Party A) and Pinghu Residence Committee (Party B), Party A agreed to transfer its land-use rights of portion of Land No. G05101-0001, with site area of approximately 10,195.76 square meters, to Party B at a consideration of RMB3,037,389. However, the transfer has not been completed and the site area of 10,195.76 square meters is included in the abovementioned Land-use Rights Certificate No. Shen Fang Di Zi DI 6000164276. In the course of our valuation, we disregarded the affected part (i.e. site area of 10,195.76 square meters) in arriving at our opinion of value.

(3) Pursuant to a Certificate of Completion dated February 2, 2008 issued by Shenzhen Longgang District Construction Bureau, warehouse of China South City Shenzhen with gross floor area of 43,901.64 square meters was completed.

(4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) the land-use rights of parcel of land with site area of 10,195.76 square meters which mentioned in Note (2) above is belonged to Pinghu Residence Committee;

(ii) Apart from the parcel of land mentioned in Note (2), China South City International possesses the granted land-use rights of the property and is entitled to use the property within the residual term of its land-use rights; and

(iii) the land grant fee was fully settled.

(5) A summary of major certificates/approvals is shown as follows:

Land-use Rights Certificate	Yes
Certificate of Completion	Yes

Group III — Properties held by the Group for investment in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Investment Value in existing state as of June 30, 2009
9.	1,312 units, Trade Centers, China South City Shenzhen (Phase One), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	China South City Shenzhen comprises various buildings and structures erected on land with a total site area of approximately 1,059,840.39 square meters (11,408,122 square feet) (which represents the total site area for the whole project including Phase One and Phase Two). Gross floor area of Phase One is approximately 464,000.00 square meters (4,994,496 square feet). It was completed during the period from 2003 to 2006. Gross floor area of Phase Two is approximately 2,163,073.34 square meters (23,283,608 square feet) in which 525,474.34 square meters (5,656,202 square feet) were completed in 2008 and 2009 and the remaining portion is currently under construction. Developments of Phase One include 5 trade centers, 2 hotel buildings, 1 restaurant, 2 business centers and 1 executive office building. The property comprises 1,312 units in trade centers in Phase One with a gross floor area of 167,116.06 square meters (1,798,837 square feet) completed in 2004. The land-use rights of the property were granted for a term of 50 years commencing on July 10, 2003 and expiring on July 9, 2053 for integrated logistics and storage uses.	Portions of the property with a gross floor area of 141,251.26 square meters are subject to various tenancies expiring between 2009 and 2014 at a total monthly rent of approximately RMB2,941,187.	RMB 3,064,000,000 (100% interest attributable to the Group: RMB3,064,000,000)

(1) Pursuant to 4 Land-use Rights Certificates issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the land-use rights of 4 parcels of land with a total site area of approximately 407,081.31 square meters were granted to China South City International, which is a 100% owned subsidiary of the Company. Details of the certificates are shown as follows:

Land No.	Certificate No.	Land Use Rights Term	Site Area	Usage	Date of Registration
			(square meters)		
G04225-0017 . .	Shen Fang Di Zi Di No.6000109399	July 10, 2003– July 9, 2053	108,063.69	Integrated logistics and storage	December 17, 2003
G04224-0008 . .	Shen Fang Di Zi Di No.6000109415	July 10, 2003– July 9, 2053	104,870.34	Integrated logistics and storage	December 17, 2003
G04227-0070 . .	Shen Fang Di Zi Di No.6000109414	July 10, 2003– July 9, 2053	101,702.44	Integrated logistics and storage	December 17, 2003
G04227-0071 . .	Shen Fang Di Zi Di No.6000109413	July 10, 2003– July 9, 2053	92,444.84	Integrated logistics and storage	December 17, 2003

(2) Pursuant to 186 Building Ownership Certificates issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the property, with a total gross floor area of approximately 188,433.46 square meters, is held by China South City International. Details of the certificates are summarized below:

Land No.	Land-Use Rights Term	Usage	GFA (square meters)
G04224-0008	July 10, 2003–July 9, 2053	Integrated logistics and storage	46,300.00
G04227-0071	July 10, 2003–July 9, 2053	Integrated logistics and storage	44,276.87
G04225-0017	July 10, 2003–July 9, 2053	Integrated logistics and storage	41,098.62
G04227-0070	July 10, 2003–July 9, 2053	Integrated logistics and storage	56,757.97

(3) Pursuant to the Land Grant Contract No. Shen De He Zi (2007) 5043 dated June 12, 2007 entered into between Shenzhen Municipal Bureau of Land Resources and Housing Management and China South City International, Land No. G04219-0059 with a site area of 10,837.04 square meters was granted to the Company for a term of 50 years from June 12, 2007 to June 11, 2057 for logistics and storage uses.

(4) Pursuant to the Supplemental Land Grant Contract of Shen De He Zi (2003) 5077, Bu 3, Shen De He Zi (2007) 5043, Bu 2 dated May 25, 2009 entered into between Shenzhen Municipal Bureau of Land Resources and Housing Management and China South City International, Land No. G4219-0059 and Land No. 04225-0017 have been combined as Land No. G4225-0019 with a site area of 118,900.73 square meters and maximum plot ratio of 1.22. The land was granted for a term of 50 years from July 10, 2003 to July 9, 2053 for integrated logistics and storage uses.

(5) Pursuant to a Contract of Mortgage No. (2008) Zhen Zhong Yin Si Di Zi Di 0076 and 0077 Hao dated January 24, 2007, Blocks T17-T26 and T28 of Textile and Clothing Trade Center, Land Nos. G04227-0075, G04226-0034 and G04227-0079 were subject to a Mortgage in favour of Bank of China, Shenzhen Branch for a lending period expiring on December 29, 2011 to an extent of RMB390,000,000.

(6) Pursuant to a Contract of Mortgage No. 40000223-2009 Nian Bu Ji (Di) Zi Hao 0012, Blocks L13-L23 of Leather and Accessories Trade Center were subject to a Mortgage in favor of Industrial and Commercial Bank of China, Buji Branch for a lending period expiring on June 4, 2017 to an extent of RMB300,000,000.

(7) Pursuant to a Contract of Mortgage No. Di 2006 Gu 0839034R dated November 1, 2006, Blocks P01, P03-P12 of Printing, Paper Products and Packaging Trade Center were subject to a Mortgage in favour of China Construction Bank, Shenzhen Branch for a lending period expiring on October 31, 2011 to an extent of RMB300,000,000.

(8) Pursuant to a Contract of Mortgage No. 81906200900001757, the executive office and Blocks M02-M12 of Metals, Chemicals and Plastics Trade Center, Block L24 of Leather and Accessories Trade Center and Block P02 of Printing, Paper Products and Packaging Trade Center were subject to a Mortgage in favor of Agricultural Bank of China, Shenzhen Branch to an extent of RMB435,000,000.

(9) Pursuant to a Contract of Mortgage No. Di 2008 Zong 1115034R, 128 units of Trade Center were subject to a Mortgage in favor of China Construction Bank, Shenzhen Branch to an extent of RMB150,000,000.

(10) The property is subject to sale restriction. This assessment is made on the basis of Investment Value which does not represent the market value of the property.

(11) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, among other things, the following information:

(i) China South City International possesses the granted land-use rights of the property and is entitled to use the property within the residual term of its land-use rights;

(ii) the land grant fee was fully settled;

(iii) the Contracts of Mortgage as mentioned in Notes (5)–(9) are valid. China South City possesses the right to use the property. However, prior written consent of the mortgagee is required for the lease and mortgage of the property; and

(iv) China South City International should not have any legal impediment to obtain the Building Ownership Certificate of Block T01 of Textile and Clothing Trade Center in Phase One with combination of the two parcels of land stated in Note (4) above.

(12) A summary of major certificates/approvals is shown as follows:

Land-use Rights Certificates	Yes
Building Ownership Certificates	Yes
Land Grand Contract	Yes
Supplemental Land Grant Contract	Yes

No.	Property	Description and Tenure	Particulars of Occupancy	Investment Value in existing state as of June 30, 2009
10.	Block Nos. 1 and 2, Business Centers, China South City Shenzhen (Phase One), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	China South City Shenzhen comprises various buildings and structures erected on land with a total site area of approximately 1,059,840.39 square meters (11,408,122 square feet) (which represented the total site area for the whole project including Phase One and Phase Two). Gross floor area of Phase One is approximately 464,000.00 square meters (4,994,496 square feet). It was completed during the period from 2003 to 2006. Gross floor area of Phase Two is approximately 2,163,073.34 square meters (23,283,608 square feet) in which 525,474.34 square meters (5,656,202 square feet) were completed in 2008 and 2009 and the remaining portion is currently under construction. Developments of Phase One include 5 trade centers, 2 hotel buildings, 1 restaurant, 2 business centers and 1 executive office building. The property comprises two office buildings in Phase One with total gross floor area of 22,359.76 square meters (240,680 square feet) completed in 2004 and 2005. The land-use rights of the property were granted for a term of 50 years commencing on July 10, 2003 and expiring on July 9, 2053 for integrated logistics and storage uses.	Portions of the property with gross floor area of 12,204.00 square meters are subject to various tenancies expiring between 2009 and 2016 at a total monthly rent of approximately RMB578,580.	RMB146,000,000 (100% interest attributable to the Group: RMB146,000,000)

(1) Pursuant to 2 Land-use Rights Certificates issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the land-use rights of 2 parcels of land with a total site area of approximately 206,572.78 square meters were granted to China South City International, which is a 100% owned subsidiary of the Company. Details of the certificates are shown as follows:

Land No.	Certificate No.	Land Use Rights Term	Site Area (square meters)	Usage	Date of Registration
G04227-0070 . .	Shen Fang Di Zi Di No.6000109414	July 10, 2003– July 9, 2053	101,702.44	Integrated logistics and storage	December 17, 2003
G04224-0008 . .	Shen Fang Di Zi Di No.6000109415	July 10, 2003– July 9, 2053	104,870.34	Integrated logistics and storage	December 17, 2003

(2) Pursuant to 2 Building Ownership Certificates issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the property with total gross floor area of approximately 22,359.76 square meters is held by China South City International. Details of the certificates are summarized as below:

Certificate No.	Land-Use Rights Term	Usage	GFA (square meters)
Shen Fang Di Zi Di No. 6000249458	July 10, 2003–July 9, 2053	Integrated logistics and storage	11,164.71
Shen Fang Di Zi Di No. 6000249457	July 10, 2003–July 9, 2053	Integrated logistics and storage	11,195.05

(3) Pursuant to a Contract of Mortgage No. 81906200900001757, the executive office and Blocks M02-M12 of Metals, Chemicals and Plastics Trade Center, Block L24 of Leather and Accessories Trade Center and Block P02 of Printing, Paper Products and Packaging Trade Center were subject to a Mortgage in favor of Agricultural Bank of China, Shenzhen Branch to an extent of RMB435,000,000.

(4) The property is subject to sale restriction. This assessment is made on the basis of Investment Value which does not represent the market value of the property.

(5) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, among other things, the following information:

(i) China South City International possesses the granted land-use rights of the property and is entitled to use the property within the residual term of its land-use rights;

(ii) the land grant fee was fully settled; and

(iii) the Contract of Mortgage as mentioned in Note (3) is valid. China South City possesses the right to use the property. However, prior written consent of the mortgagee is required for the lease and mortgage of the property.

(6) A summary of major certificates/approvals is shown as follows:

Land-use Rights Certificates	Yes
Building Ownership Certificates	Yes

No.	Property	Description and Tenure	Particulars of Occupancy	Investment Value in existing state as of June 30, 2009
11.	Portion of Textile and Clothing Trade Center, China South City Shenzhen (Phase Two), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	China South City Shenzhen comprises various buildings and structures erected on land with a total site area of approximately 1,059,840.39 square meters (11,408,122 square feet) (which represented the total site area for the whole project including Phase One and Phase Two). Gross floor area of Phase One is approximately 464,000.00 square meters (4,994,496 square feet). It was completed during the period from 2003 to 2006. Gross floor area of Phase Two is approximately 2,163,073.34 square meters (23,283,608 square feet) in which 525,474.34 square meters (5,656,202 square feet) were completed in 2008 and 2009 and the remaining portion is currently under construction. Textile and Clothing Trade Center in Phase Two comprises 6-storey building erected over 2-storey basement completed in 2009 with total gross floor area of approximately 340,368.46 square meters (3,663,726 square feet). The property comprises portion of the trade center in Phase Two with gross floor area of 159,596.59 square meters, (1,717,898 square feet). The land use rights of the property were granted for a term of 50 years commencing on November 18, 2005 and expiring on November 17, 2055 for integrated logistics and storage uses.	Portion of property with gross floor area of 22,822.09 square meters are subject to various tenancies expiring between 2012 and 2015 at a total monthly rent of approximately RMB709,574.93	RMB2,783,000,000 (100% interest attributable to the Group: RMB2,783,000,000)

(1) Pursuant to the Land-use Rights Certificate No. Shen Fang Di Zi DI 6000307637 issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the land-use rights of a parcel of land with Land No. G04225-0020 (combination of Land No. 04225-0018 and G04219-0060) with a total site area of 110,051.55 square meters were granted to China South City International, which is a 100% owned subsidiary of the Company, for a term of 50 years from November 18, 2005 to November 17, 2055 for integrated logistics and storage uses.

(2) Pursuant to 2 Certificates of Completion dated March 30, 2009 issued by Shenzhen Longgang District Construction Bureau, two blocks of Textile and Clothing Trade Center with total gross floor area of 340,368.46 square meters, which comprises gross floor area of trade center of 250,844.76 square meters and underground car parking and ancillary areas of 89,523.70 square meters, in China South City Shenzhen were completed.

(3) Pursuant to the Pre-sale Permits issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the pre-sale of the property with a gross floor area of 71,805.06 square meters was permitted.

(4) The property is subject to sale restriction. This assessment is made on the basis of Investment Value which does not represent the market value of the property.

(5) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) China South City International possesses the granted land-use rights of the property and is entitled to use the property within the residual term of its land-use rights; and

(ii) the land grant fee was fully settled.

(6) A summary of major certificates/approvals is shown as follows:

Land-use Rights Certificate	Yes
Certificates of Completion	Yes
Pre-sale Permits	Yes

No.	Property	Description and tenure	Particulars of Occupancy	Investment Value in existing state as at June 30, 2009
12.	Portion of West Garden, China South City Shenzhen (Phase Two), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	China South City Shenzhen comprises various buildings and structures erected on land with a total site area of approximately 1,059,840.39 square meters (11,408,122 square feet) (which represented the total site area for the whole project including Phase One and Phase Two). Gross floor area of Phase One is approximately 464,000.00 square meters (4,994,496 square feet). It was completed during the period from 2003 to 2006. Gross floor area of Phase Two is approximately 2,163,073.34 square meters (23,283,608 square feet) in which 525,474.34 square meters (5,656,202 square feet) were completed in 2008 and 2009 and the remaining portion is currently under construction. West Garden is a residential development of Phase Two of China South City Shenzhen completed in 2008. The whole development comprises 19-storey, 21-storey and 25-storey residential buildings. Gross floor area of the development is approximately 141,203.96 square meters (1,519,919 square feet). The property comprises portion of the residential development in Phase Two with gross floor area of approximately 31,746.71 square meters (341,722 square feet). The land use rights of the property were granted for a term of 50 years commencing on May 16, 2005 and expiring on May 15, 2055 for other use.	The property is currently vacant.	RMB156,000,000 (100% interest attributable to the Group: RMB156,000,000)

(1) Pursuant to a Land-use Rights Certificate No. Shen Fang Di Zi Di 6000171010 issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the land-use rights of a parcel of land with Land No. G04223-0025 with a total site area of 39,992.02 square meters were granted to China South City International, which is a 100% owned subsidiary of the Company, for a term of 50 years from May 16, 2005 to May 15, 2055 for other use.

(2) Pursuant to a Building Ownership Certificate No. Shen Fang Di Zi Di 6000344109 dated May 11, 2009 issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, 3 blocks of residential buildings with total gross floor area of 141,203.96 square meters, which comprise gross floor areas of residential blocks and ancillary of 114,663.24 square meters and 26,540.72 square meters respectively, are held by China South City International for a term of 50 years expiring on May 15, 2055.

(3) The property is subject to sale restriction. This assessment is made on the basis of Investment Value which does not represent the market value of the property. Agreements for portion of the units with approximately 1,994.39 square meters were entered into between China South City International and individual users for a use term of 20 years and renewed for further 20 years with a consideration of RMB10,484,727. As these residential units have not been handed over to the user, in the course of our valuation, we have taken into account the aforesaid value in our valuation.

(4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) China South City International possesses the granted land-use rights of the property and is entitled to use and lease the property within the residual term of its land-use rights; and

(ii) the land grant fee was fully settled.

(5) A summary of major certificates/approvals is shown as follows:

Land-use Rights Certificate	Yes
Building Ownership Certificate	Yes

Group IV — Property held by the Group under development in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Investment Value in existing state as of June 30, 2009
13.	Portions of China South City Shenzhen (Phase Two), No. 1 Huanan Main Road, Pinghu, Longgang District, Shenzhen, Guangdong Province, PRC	China South City Shenzhen comprises various buildings and structures erected on land with a total site area of approximately 1,059,840.39 square meters (11,408,122 square feet) (which represented the total site area for the whole project including Phase One and Phase Two). Gross floor area of Phase One is approximately 464,000.00 square meters (4,994,496 square feet). It was completed during the period from 2003 to 2006. Gross floor area of Phase Two is approximately 2,163,073.34 square meters (23,283,608 square feet) in which 525,474.34 square meters (5,656,202 square feet) were completed in 2008 and 2009 and the remaining portion is currently under construction. Upon completion, the whole Phase Two will comprise five trade centers, commercial facilities, warehouses, residential and supporting facilities with gross floor area of 2,163,073.34 square meters (23,283,608 square feet). The property comprises four trade centers, commercial facilities, warehouse and residential supporting facilities. Breakdown of areas is as follows:	The property is currently under construction.	RMB13,547,000,000 (100% interest attributable to the Group: RMB13,547,000,000)

Block	Gross Floor Area	
	square meters	square feet
Trade Centers	905,300.00	9,744,649
Commercial Facilities .	259,300.00	2,791,105
Warehouse . .	103,100.00	1,109,768
Residential Supporting Facilities .	15,000.00	161,460
Carpark	288,500.00	3,105,414
Ancillary . . .	66,400.00	714,730
Total	1,637,600.00	17,627,126

Phase Two will be developed under several stages that scheduled to be completed during the period from the second half of 2009 to December 2012.

The land-use rights of the property were granted for various terms.[(1)–(3)]

(1) Pursuant to 8 Land-Use Rights Certificates issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the land-use rights of 8 parcels of land with a total site area of 628,220.24 square meters were granted to China South City International, which is a 100% owned subsidiary of the Company. Details of the certificates are shown as follows:

Land No.	Certificate No.	Land Use Rights Term	Site Area	Usage	Proposed Development
			(square meters)		
G05101-0001 . . .	Shen Fang Di Zi DI 6000164276	August 8, 1992– August 7, 2042	108,035.90	Industrial/ Storage	Warehouse
G04223-0025 . . .	Shen Fang Di Zi DI 6000171010	May 16, 2005– May 15, 2055	39,992.02	Other	Residential
G04224-0013 . . .	Shen Fang Di Zi DI 6000307636	December 6, 2005– December 5, 2055	126,671.81	Integrated logistics and storage	Leather trade center
G04227-0075 . . .	Shen Fang Di Zi DI 6000191478	November 4, 2005– November 3, 2055	66,542.03	Integrated logistics and storage	Metal trade center
G04227-0079 . . .	Shen Fang Di Zi DI 6000286545	June 29, 2007– June 28, 2057	20,145.27	Storage	Metal trade center
G04227-0072 . . .	Shen Fang Di Zi DI 6000117044	November 10, 2003– November 9, 2053	54,630.95	Integrated logistics and storage	Electronics trade center
G04226-0033 . . .	Shen Fang Di Zi DI 6000187493	September 27, 2005– September 26, 2055	38,500.33	Storage	Warehouse
G04226-0034 . . .	Shen Fang Di Zi DI 6000271232	May 10, 2007– May 9, 2057	63,650.39	Other	Printing product trade center

(2) Pursuant to the Supplemental Land Grant Contract No. Shen De He Zi (2005) 5088 Bu 1, Shen De He Zi (2007) 5091 Bu 1 dated March 20, 2008 entered into between Shenzhen Municipal Bureau of Land Resources and Housing Management and China South City International, which is a 100% owned subsidiary of the Company, Land No. G04227-0075 and G04227-0079 have been combined and changed to Land No. G04227-0080. The land-use rights of this parcel of land, with site area of 86,687.36 square meters and maximum plot ratio of 2.5, were granted for a term of 50 years from November 4, 2005 to November 3, 2055 for integrated logistics and storage use.

(3) Pursuant to the Planning Permits for Construction Land, Planning Permits for Construction Works and Approval for Commencement of Construction Works issued by Shenzhen Planning Bureau Longgang District, warehouse, commercial facilities, residential supporting facilities, and leather and accessories trade center fulfilled the requirement of city planning and permitted for commencement of works.

(4) Pursuant to a Contract of Mortgage No. Shen Ping Yin (Fu Xing) Di Zi (2008) A1001101360800013 dated August 8, 2008, Block T27 of Textile and Clothing Trade Center and Land No. G04226-0033 were subject to a Mortgage in favor of Shenzhen Ping An Bank Limited, Fuxing Branch for a lending period expiring on September 8, 2010 to an extent of RMB100,000,000.

(5) Pursuant to a Contract of Mortgage No. 2008 Nian Zhen Zhong Yin Xian Si Di Zi 0076 and 0077 Blocks T17-T26 and T28 of Textile and Clothing Trade Center, Land Nos. G04227-0075, G04226-0034 and G04227-0079 were subject to a Mortgage in favor of Bank of China, Shenzhen Branch for a lending period expiring on December 29, 2011 to an extent of RMB390,000,000.

(6) As advised by the Group, the total construction cost expended for the property as of the date of valuation was approximately RMB4,921,972,682 whereas the total construction cost to be expended was approximately RMB3,609,702,262. Accordingly, we have taken into account the said amounts in our valuation.

(7) According to the Land-Use Rights Certificates, upon completion, 30% of the property which was erected on parcels of land with Land No. G04224-0013, G04227-0075, G04227-0079 and G04226-0034 is transferable. As informed, the sale portion will be assigned to trade centers with a total gross floor area of approximately 264,233.00 square meters. Hence, the market value of such portion as if completed as of June 30, 2009 was RMB4,887,000,000 while the investment value of the remaining portion as if completed as of June 30, 2009 was RMB14,135,000,000.

(8) The property is subject to sale restriction. This assessment is made on the basis of Investment Value which does not represent the market value of the property.

(9) As informed by the Company, the undeveloped portion of Phase One will form a part of Phase Two. We assumed that this arrangement will be approved by the government.

(10) Land Nos. G04227-0072 and G04226-0033 were pending for development beyond the prescribed time limit. However, according to the government document, Land No. G04227-0072 will not be subject to any land idle fee whilst date of commencement of construction works of G04226-0033 was extended for 1 year from June 3, 2009.

(11) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, among other things, the following information:

(i) China South City International possesses the granted land-use rights of the property, and is entitled to use the property within the residual term of its land-use rights;

(ii) China South City International obtained all the approvals and entitled to develop the warehouse, commercial facilities, residential supporting facilities, and leather and accessories trade center;

(iii) the land grant fee was fully settled; and

(iv) the 2 Contracts of Mortgage as mentioned in Notes (4)–(5) are valid, China South City International possesses the rights to use the property. However, prior written consent of the mortgagee is required for the transfer and mortgage of the property.

(12) A summary of major certificates/approvals is shown as follows:

Land-Use Rights Certificates	Yes
Supplemental Land Grant Contract	Yes
Planning Permits for Construction Land	Yes (part)
Planning Permit for Construction Works	Yes (part)
Approval for Commencement of Construction Works	Yes (part)

Group V — Property held by the Group for future development in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as of June 30, 2009
14.	A parcel of land in Dongjiang, Chengling Village and Wefeng Village, Linjiang Town, Zijin County, Heyuan, Guangdong Province, PRC	The property comprises a parcel of land with site area of 486,530.00 square meters (5,237,010 square feet). The property forms a portion of the development of Property No. 17. The proposed development comprises a residential development with a total gross floor area of 729,795.00 square meters (7,855,513 square feet). The project will be developed in four phases. The whole development is scheduled to be completed in 2013. The land use rights of the property have been granted for a term of 70 years and 50 years for residential and commercial use, respectively.(1)	The property is currently a vacant site.	RMB387,000,000 (70% interest attributable to the Group: RMB270,900,000)

(1) Pursuant to the Land Grant Contract No. GP-2009-0081 entered into between Zijin Country Municipal Bureau of Land Resources and China South City Enterprise (Heyuan) Co. Ltd. ("China South City Enterprise"), which is a 70% owned subsidiary of the Company, the land-use rights of a parcel of land with site area of 486,530.00 square meters were granted to China South City Enterprise for a term of 70 years and 50 years for residential use and commercial use respectively for a consideration of RMB72,979,500.

(2) Pursuant to four Land-Use Rights Certificates issued by Zijin Country Municipal Bureau of Land Resources, the land-use rights of four parcels of land with a total site area of 486,530.00 square meters were granted to China South City Enterprise (Heyuan) Co. Ltd ("China South City Enterprise"), which is a 70% owned subsidiary of the Company. Details of the certificates are shown as follows:

Land No.	Certificate No.	Land Use Rights Expiry	Site Area (square meters)	Usage
21-04-0068-1	Zi Fu Guo Yong (2009) Di 0502-1 Hao	June 2059	11,132.80	Commercial/ Residential
21-04-0068-2	Zi Fu Guo Yong (2009) Di 0502-2 Hao	June 2059	61,074.00	Commercial/ Residential
21-04-0068-3	Zi Fu Guo Yong (2009) Di 0502-3 Hao	June 2079	154,800.60	Residential
21-04-0068-4	Zi Fu Guo Yong (2009) Di 0502-4 Hao	June 2079	259,522.60	Residential

(3) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, among other things, the following information:

(i) China South City Enterprise possesses the granted land-use rights of the property and is entitled to use the property within the residual term of its land-use rights; and

(ii) the land grant fee was fully settled.

(4) A summary of major certificates/approvals is shown as follows:

Land Grant Contract	Yes
Land-Use Rights Certificates	Yes

Group VI — Properties intended to be acquired by the Group in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as of June 30, 2009
15.	A parcel of land in Honggutan New District to be known as China South City Nanchang, Nanchang, Jiangxi Province, PRC	The property comprises a site area of approximately 2,000,120.00 square meters (21,528,108 square feet). Based on the information supplied by the Group, the property is proposed to be developed in three phases. The proposed development will comprise trade centers, office, executive office, warehouse, hotel, residential blocks and arcade with a total planned gross floor area of approximately 3,875,921.00 square meters (41,720,414 square feet). A breakdown of the planned gross floor area is as follows:	The property is currently a vacant site.	No Commercial Value

Block	Gross Floor Area	
	square meters	square feet
Trade centers . .	1,133,843.00	12,204,686
Office	150,000.00	1,614,600
Executive office. . .	10,000.00	107,640
Storage . . .	427,334.00	4,599,823
Hotel	150,000.00	1,614,600
Residential .	1,489,642.00	16,034,506
Shopping arcade . .	130,000.00	1,399,320
Carpark . . .	385,102.00	4,145,238
Total	3,875,921.00	41,720,414

The construction of the property is scheduled to commence in the first half of 2010 and complete in 2014.

(1) The Company has not yet acquired the property which is planned for future development.

(2) The property is subject to a Project Agreement for Nanchang Honggutan New District Integrated Logistics Center which was made between the Company and the Management Committee of Nanchang Honggutan New District on February 11, 2007.

(3) We have ascribed no commercial value to the property as of the date of valuation as the Group has not entered into any Land Grant Contract nor obtained the Land-Use Rights Certificate. For reference purpose, had the Group paid all land grant fees and received the Land-Use Rights Certificate of the property, the market value of the property as of the date of valuation would be in the sum of RMB6,881,000,000 on the assumption that the abovementioned development was approved by the relevant authorities.

(4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, among other things, the following information:

  (i) the agreement is valid, effective and legally enforceable; and

  (ii) in respect of obtaining the land, the Company has to go through legal procedures under the relevant PRC rules and regulations.

(5) A summary of major certificates/approvals is shown as follows:

Land Grant Contract	No
Land-Use Rights Certificate	No
Project Agreement	Yes

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as of June 30, 2009
16.	A parcel of land in Jiangnan District to be known as China South City Nanning, Nanning, Guangxi Province, PRC	The property comprises a site area of approximately 1,733,335.00 square meters (18,657,618 square feet). Based on the information supplied by the Group, the property is proposed to be developed in two phases. The proposed development will comprise trade centers, office, executive office, warehouse, hotel, residential blocks and arcade with a total planned gross floor area of approximately 4,162,600.00 square meters (44,806,226 square feet). A breakdown of the planned gross floor area is as follows:	The property is currently a vacant site.	No Commercial Value

Block	Gross Floor Area square meters	Gross Floor Area square feet
Trade centers	1,800,000.00	19,375,200
Office	200,000.00	2,152,800
Executive office	10,000.00	107,640
Storage	520,000.00	5,597,280
Hotel	100,000.00	1,076,400
Residential	1,166,600.00	12,557,282
Ancillary facilities	50,000.00	538,200
Carpark	316,000.00	3,401,424
Total	4,162,600.00	44,806,226

The construction of the property is scheduled to commence in the first half of 2010 and completed in 2014.

(1) The Company has not yet acquired the property which is planned for future development.

(2) The property is subject to a Framework Agreement which was made between the Company and the Government of Nanning on December 29, 2007.

(3) We have ascribed no commercial value to the property as of the date of valuation as the Group has not entered into any Land Grant Contract nor obtained the Land-Use Rights Certificate. For reference purpose, had the Group paid all land grant fees and received the Land-Use Rights Certificate of the property, the market value of the property as of the date of valuation would be in the sum of RMB8,100,000,000 on the assumption that the abovementioned development plan was approved by the relevant authorities.

(4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, among other things, the following information:

(i) the agreement is valid, effective and legally enforceable; and

(ii) in respect of obtaining the land, the Company has to go through legal procedures under the relevant PRC rules and regulations.

(5) A summary of major certificates/approvals is shown as follows:

Land Grant Contract	No
Land-Use Rights Certificate	No
Framework Agreement	Yes

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as of June 30, 2009
17.	A parcel of land in Dongjiang, Changling Village and Wufeng Village, Linjiang Town, Zijin County, Heyuan, Guangdong Province, PRC	The property comprises a site area of approximately 3,723,470.00 square meters (40,079,431 square feet)	The property is currently a vacant site.	No Commercial Value

(1) China South City Enterprise, which is a 70% owned subsidiary of the Company, has not yet acquired the property which is planned for future development.

(2) The property is subject to a Supplemental Agreement of Construction of Dongjiang Business Integrated Logistic and Ancillary Commercial and Residential Project dated April 21, 2009 entered into between The People's Government of Zijin County, Heyuan and China South City Enterprise.

(3) We have ascribed no commercial value to the property as of the date of valuation as the Group has not entered into any Land Grant Contract nor obtained the State-owned Land-Use Rights Certificate.

(4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, among other things, the following information:

(i) the agreement is valid, effective and legally enforceable; and

(ii) in respect of obtaining the land, the Company has to go through legal procedures under the relevant PRC rules and regulations.

(5) A summary of major certificates/approvals is shown as follows:

Land Grant Contract	No
Land-Use Rights Certificate	No
Supplementary Agreement	Yes

Group VII — Properties leased by the Group in the PRC

No.	Property	Description and Tenancy Details	Particulars of Occupancy	Market Value in existing state as of June 30, 2009
18.	Block Nos 1.2, 2.2 and 3.1, 100 Wanfu Street, Fangkeng Road, Pinghu Village Fu Man Industrial Estate, Pinghu Road, Longgang District, Shenzhen, Guangdong Province, PRC	The property comprises three industrial blocks with a gross floor area of approximately 13,700.00 square meters (147,467 square feet) completed in 1998. The property is leased to the Group from Fu Feng Tai Development Co. Ltd. for a term of 10 years expiring on March 31, 2015. Monthly rentals are listed as follows: **Lease Term** — **Monthly Rental (RMB)** April 1, 2005– October 31, 2010. . . 158,333 November 1, 2010– March 31, 2015. . . . 154,167	The property is occupied by the Group as dormitory.	No Commercial Value

(1) The lessee, China South City International, is a 100% owned subsidiary of the Company.

(2) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, among other things, the following information:

(i) Fu Feng Tai Development Co. Ltd has obtained the legal title of the property;

(ii) the lease agreement was registered with relevant government authorities;

(iii) the lease agreement is legal and valid; and

(iv) the Building Ownership Certificate restricted the property for industrial use. However, China South City International possesses the right to claim the loss from the lesser if the lease is terminated as required by the government authorities.

No.	Property	Description and Tenancy Details	Particulars of Occupancy	Market Value in existing state as of June 30, 2009
19.	Portion of Level 3, Pearl Market, Yangzishan Village, Shanxiahu Zhen, Zhuji, Zhejiang Province, PRC	The property comprise an office unit of the building with gross floor area of approximately 100.00 square meters (1,076 square feet) completed in 2000. The property is leased to the Group from China Pearls and Jewellery International City Co. Ltd. on monthly basis without any charges.	The property is occupied by the Group as office use.	No Commercial Value

(1) The lessee, Zhuji Pan-Asia Property Management Enterprise Ltd. ("Zhuji Pan-Asia"), is a 80% owned subsidiary of the Company.

(2) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:

(i) the lease agreement is legal and valid; and

(ii) Zhuji Pan-Asia is entitled to use the property within the residual term of the lease agreement.

No.	Property	Description and Tenancy Details	Particulars of Occupancy	Market Value in existing state as of June 30, 2009
20.	Units 611, 613 and 615, Level B, Executive Office of People's Government of Jiangnan District, Nanning, Guangxi Province, PRC	The property comprise three office units of the building with gross floor area of approximately 200.00 square meters (2,153 square feet) completed in 2000s. The property is leased to the Group from People's Government of Jiangnan District for a term expiring on May 4, 2011 free of rent.	The property is occupied by the Group as office use.	No Commercial Value

(1) The lessee, Nanning China South City Co. Ltd. ("China South City Nanning"), is a 100% owned subsidiary of the Company.

(2) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alia*, the following information:-

(i) the lease agreement is legal and valid; and

(ii) China South City Nanning is entitled to use the property within the residual term of the lease agreement.

No.	Property	Description and Tenancy Details	Particulars of Occupancy	Market Value in existing state as of June 30, 2009
21.	Level 17, Block 3 and Car Parking Space Nos. C38 and C39, Fenghedouhui, Honggutan District, Nanchang, Jiangxi Province, PRC	The property comprises an office unit of a commercial block with a gross floor area of approximately 476.00 square meters (5,124 square feet) and two car parking spaces completed in 2000s. The property is leased to the Group from Xiong Jun for a term expiring on September 17, 2009 at a monthly rental of RMB10,596.	The property is occupied by the Group for office and car parking uses.	No Commercial Value

(1) The lessee, China South City International, is a 100% owned subsidiary of the Company.

(2) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, among other things, the following information:

(i) the lease agreement is legal and valid; and

(ii) China South City International is entitled to use the property within the residual term of the lease agreement.

No.	Property	Description and Tenancy Details	Particulars of Occupancy	Market Value in existing state as of June 30, 2009
22.	Level 12, Xinyong Building, 32 Guangyu Street, Yinchuan District, Tieling, Liaoning Province, PRC	The property comprises an office unit of a commercial block with a gross floor area of approximately 700.00 square meters (7,535 square feet) completed in 2000s. The property is leased to the Group from China Northeast Logistics Co. Ltd. expiring on May 14, 2010 free of rent.	The property is occupied by the Group for office use.	No Commercial Value

(1) The lessee, Shenzhen First Asia Pacific Property Management Co., Ltd. ("Shenzhen First Asia Pacific"), is a 100% owned subsidiary of the Company.

(2) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, among other things, the following information:

(i) the lease agreement is legal and valid; and

(ii) Shenzhen First Asia Pacific Property is entitled to use the property within the residual term of the lease agreement.

Group VIII — Property leased by the Group in Hong Kong

No.	Property	Description and Tenancy Details	Particulars of Occupancy	Market Value in existing state as of June 30, 2009
23.	Units 2205–2206, 22nd Floor, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon	The Gateway comprises several office/hotel blocks erected upon a shopping arcade completed in 1992. The property comprise two office units on 22nd floor of a 36-storey commercial building with a floor area of approximately 359.81 square meters (3,873 square feet). The property is leased to the Company from Man Sang Jewellery Company Limited for a term from July 1, 2008 to March 16, 2011 at a monthly rental of approximately HK$148,000 (including relevant charges and fees).	The property is occupied by the Company as office.	No Commercial Value

(1) Pursuant to a Lease Agreement dated July 1, 2008 entered between Man Sang Jewellery Company Limited (Party A) and the Company (Party B), Party A agreed to sub-let a portion of the premises on 22nd Floor of Sun Life Tower (leased by Party A from Harbour City Estates Limited) to Party B for a term commencing from July 1, 2008 to March 16, 2011 at a monthly rental of approximately HK$148,000 (including relevant charges and fees), inclusive of Rates, management fee and other outgoings.

This Appendix contains a summary of our Articles of Association. The principal objective is to provide potential investors with an overview of our Articles of Association. As the information contained below is in a summary form, it does not contain all the information that may be important to potential investors. As stated in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI, a copy of the Articles of Association is available for inspection.

The Articles of Association were adopted on September 4, 2009. The following is a summary of certain provisions of the Articles of Association. Unless otherwise stated, terms used in this Appendix shall have the same meanings as ascribed to them in the Articles of Association.

ALTERATION OF CAPITAL

The Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into Shares of such amount, as the resolution shall prescribe.

The Company may by ordinary resolution:

(a) consolidate and divide all or any of its share capital into Shares of a larger or smaller amount than its existing Shares;

(b) cancel any Shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the Shares so cancelled;

(c) sub-divide its Shares or any of them into Shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Ordinance, and so that the resolution whereby any Share is sub-divided may determine that, as between the holders of the Shares resulting from such sub-division, one or more of the Shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new Shares; and

(d) divide any Shares into several classes and attach thereto respectively any preferred, deferred, qualified or other special rights, privileges, conditions or restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time determine, provided always that where the Company issues Shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such Shares and where the equity capital includes Shares with different voting rights, the designation of each class of Shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting."

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner prescribed by law and/or the rules prescribed by the Stock Exchange from time to time.

Subject always to the provisions of the Companies Ordinance and/or the rules prescribed by the Stock Exchange from time to time, the Board may exercise the power of the Company to purchase or otherwise acquire its own Shares (including any redeemable Shares) and/or warrants upon such terms and subject to such conditions as the Board may deem fit.

MODIFICATION OF RIGHTS

If at any time the share capital is divided into different classes of Shares, the rights attaching to any class of Shares (unless otherwise provided by the terms of issue of the Shares of that class) may, subject to the provisions of the Companies Ordinance, be varied with the consent in writing of the holders of three-fourths of the issued Shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of the relevant class. Subject to the applicable laws and the rules prescribed by the Stock Exchange from time to time, at every such separate general meeting the provisions of the Articles of Association relating to general meetings shall apply, mutatis mutandis, but so that the necessary quorum at any such meeting (other than an adjourned meeting) shall be one or more persons holding or representing by proxy at least one-third of the issued Shares of the class and that any holder of Shares of the relevant class present in person or by proxy may demand a poll.

TRANSFER OF SHARES

All transfers of Shares shall be effected by transfer in writing in any usual or common form or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a Clearing House (or its nominee), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time and shall be executed by or on behalf of the transferor and by or on behalf of the transferee. The transferor shall remain the holder of the Shares concerned until the name of the transferee is entered in the register of members in respect thereof.

The Board may in its absolute discretion and without giving any reason therefor decline to register any transfer of Shares (not being a fully paid Share) to any person provided that it shall register any transfer of Shares for the purpose of enforcing a security interest over such Shares. The Board shall not register a transfer to a person who is known to them to be an infant or a person of unsound mind but the Board shall not be bound to enquire into the age or soundness of mind of any transferee. In the case of a transfer to joint holders, the Board may also decline to register the transfer unless the number of transferees does not exceed four.

The Board may also decline to recognise any instrument of transfer unless:

(a) a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof;

(b) the instrument of transfer is accompanied by the certificate of the Shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and is delivered to the registered office of the Company;

(c) such other conditions as the Board may from time to time impose for the purpose of guarding against losses arising from forgery are satisfied;

(d) the instrument of transfer is in respect of only one (1) class of Share;

(e) the Shares concerned are free of any lien in favour of the Company; and

(f) if applicable, the instrument of transfer is duly and properly stamped.

Every instrument of transfer shall be left at the registered office of the Company for registration (or at such other place as the Board may appoint for such purpose) accompanied by the certificate of the Shares to be transferred and such other evidence as the Board may require to prove the title of the transferor or his right to transfer the Shares. If the Board refuses to register a transfer it shall within two (2) months after the date on which the transfer was lodged with the Company send to the transferor and the transferee notice of the refusal. All instruments of transfer which are registered may be retained by the Company but any instrument of transfer which the Board may decline to register shall (except in the case of fraud or suspected fraud) be returned to the person depositing the same together with the share certificate within two (2) months after the date on which the transfer was lodged with the Company.

SHARE CERTIFICATES

Every certificate for Shares or warrants or debentures or representing any other form of securities of the Company shall be issued under the common seal of the Company, which shall only be affixed with the authority of the Board, or in such other manner as the Board may authorise, having regard to the terms of the issue, the statutes and the rules prescribed by the Stock Exchange from time to time. Without limiting the generality of the foregoing, the Board may resolve that the common seal of the Company and/or signatures on any share certificates shall be applied to the certificates by mechanical means or shall be printed on them or that the certificates need not be signed at all. A share certificate shall specify the number and class of Shares to which it relates.

VOTES OF MEMBERS

Subject to the rules prescribed by the Stock Exchange from time to time, at every general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless (before or upon the declaration of the result of the show of hands) a poll be demanded by:

(a) the chairman of the meeting; or

(b) at least three (3) members present in person or by proxy having the right to vote on the resolution; or

(c) a member or members present in person or by proxy representing in aggregate not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or

(d) a member or members present in person or by proxy holding Shares conferring the right to attend and vote at the meeting on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or

(e) if required by the rules prescribed by the Stock Exchange from time to time, any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five (5) per cent. or more of the total voting rights at such meeting;

and a demand for a poll by a person as proxy for a member shall be as valid as if the demand were made by the member himself.

Subject to the provision of the Articles of Association summarised in the paragraph below and to the rights or restrictions for the time being attached to any class or classes of Shares, on a show of hands every member present in person or by proxy or representative shall have one (1) vote, and on a poll every member present in person or by proxy or representative shall have one (1) vote for each Share of which he is the holder and which is fully paid up (but so that no amount paid up on a Share in advance of calls or instalments shall be treated for the purpose of the Articles of Association as paid up on the Share). A person entitled to cast more than one (1) vote upon a poll need not use all his votes or cast all the votes he uses in the same way.

If a Clearing House (or its nominee(s)) is a member of the Company, it (or, as the case may be, its nominee) may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any general meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one (1) person is so authorised, the authorisation or proxy form shall specify the number and class of Shares in respect of which each such person is so authorised. A person so authorised under the provisions of the Articles of Association shall be entitled to exercise the same rights and powers on behalf of the Clearing House (or its nominee(s)) which he represents as that Clearing House (or its nominee(s)) could exercise as if such person were an individual member of the Company.

Where the Company has knowledge that any member is required under the Listing Rules to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any vote(s) cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

BORROWING POWERS

The Board may exercise all powers of the Company to borrow money for the purposes of the Company, without limit and upon such terms as they may think fit, and to mortgage or charge its undertaking, property (both present and future) and uncalled capital or any part thereof, and (subject, to the extent applicable, to the provisions of the statutes) to issue bonds, debentures, debenture stock, and, subject to section 57B of the Companies Ordinance, convertible debentures and convertible debenture stock and other securities, whether outright or as a security for any debt, liability or obligation of the Company or of any third party.

QUALIFICATION OF DIRECTORS

Unless otherwise determined by ordinary resolution of the members of the Company, the number of Directors shall not be less than the minimum required by the Companies Ordinance and there shall not be a maximum number of Directors. A Director shall not be required to be a member of the Company and shall not be required to hold any Shares by way of qualification.

DIRECTORS' REMUNERATION

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Directors may agree or, failing agreement, equally, except that if any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office.

Any Director who holds any executive office or who serves on any committee, or who otherwise performs services which in the opinion of the Board are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Board may determine.

The Board may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Board or of any committee of the Board or general meetings or otherwise in or about the business of the Company.

DIRECTORS' INTERESTS

A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as vendor, shareholder or otherwise and, subject to the Companies Ordinance, no such Director shall be accountable to the Company for any remuneration or benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs.

A Director may hold other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms as to remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine. No Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such office or place of profit or as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way, whether directly or indirectly, interested (whether or not such contract or arrangement is with any person, company or partnership of or in which any Director shall be a member) be liable to be avoided on that account nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established provided that such Director shall forthwith disclose the nature of his interest in any contract or arrangement in which he is interested as required by and subject to the provisions of the Companies Ordinance and the Articles of Association.

A Director who is in any way, whether directly or indirectly, materially interested in a contract, arrangement or transaction or proposed contract, arrangement or transaction with the Company and which is of significance in relation to the Company's business shall declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, in accordance with the Companies Ordinance. A general notice to the Board by a Director stating that, by reason of facts specified in the notice, he is to be regarded as interested in contracts, arrangements or transactions or proposed contracts, arrangements or transactions of any description which may subsequently be made or contemplated by the Company shall be deemed for the purposes of the Articles of Association to be a sufficient declaration of his interest, so far as attributable to those facts, in relation to any contract, arrangement or transaction or proposed contract, arrangement or transaction of that description which may subsequently be made or contemplated by the Company, but no such general notice shall have effect in relation to any contract, arrangement or transaction or proposed contract, arrangement or transaction unless it is given before the date on which the question of entering into the same is first taken into consideration on behalf of the Company.

Save as otherwise provided by the Articles of Association, a Director and his associates shall not vote on any resolution of the Board nor be counted in the quorum in respect of any contract, arrangement or any matters which he or any of his associates, is/are to his knowledge materially interested, and if he shall do so his vote shall not be counted, but this prohibition shall not apply in respect of the following matters:

(a) the giving of any security or indemnity either:

(i) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(b) any contract, arrangement or proposal concerning an offer of Shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(c) any contract, arrangement or proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in Shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in five (5) per cent. or more of the issued Shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;

(d) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director of his associate(s) may benefit; or

(ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(e) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of Shares or debentures or other securities of the Company by virtue only of his/their interest in Shares or debentures or other securities of the Company.

DIVIDENDS

The Company in general meeting may declare dividends in any currency, but no dividend shall exceed the amount recommended by the Directors.

Subject to the rights of persons, if any, entitled to Shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a Share in advance of calls shall be treated for the purposes of the Articles of Association as paid on the Share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid; but if any Share is issued on terms providing that it shall rank for dividend as from a particular date such Share shall rank for dividend accordingly.

All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividends or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Company of any unclaimed dividend or other sum payable on or in respect of a Share in to a separate account shall not constitute the Company a trustee in respect thereof.

I. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

We were incorporated in Hong Kong under the Companies Ordinance as a private limited liability company on May 8, 2002 under the name of Wide Huge Limited 大維有限公司. We changed our name to China South City Holdings Limited 華南城控股有限公司 with effect from July 26, 2002. Our registered office is at Room 2205, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The Founding Shareholders made an initial investment of HK$86,000,000 in aggregate to our Company, HK$200,000 of which in the form of share capital and HK$85,800,000 of which in the form of shareholders' loan.

2. Changes in the share capital of our Company

(i) We were incorporated with an authorized share capital of HK$200,000 divided into 200,000 shares of HK$1.00 each, of which one share was allotted and issued at par to each of Company Kit Registrations Limited and Company Kit Company Services Limited on May 8, 2002.

(ii) Pursuant to a shareholders' resolution dated November 3, 2006, the Shareholders resolved to: (1) subdivide our share capital into 20,000,000 shares of HK$0.01 each; and (2) increase the authorized share capital of our Company from HK$200,000 to HK$10,000,000 by the creation of an additional 980,000,000 Shares of HK$0.01 each, such additional Shares ranking pari passu in all respects with the existing Shares in our share capital with effect from November 3, 2006.

(iii) On September 4, 2009, the authorised share capital of the Company was increased from HK$10,000,000 to HK$300,000,000 divided into 30,000,000,000 ordinary Shares of HK$0.01 each. Immediately following the completion of the Global Offering and the Capitalization Issue, and taking no account of the Over-allotment Option and shares which may be issued pursuant to the exercise of the Share Options or options which may be granted under the Share Option Scheme, the issued share capital of the Company will be HK$60,000,000 divided into 6,000,000,000 Shares of HK$0.01 each, with 24,000,000,000 Shares remaining unissued.

Save as disclosed above, there has been no alteration in our share capital during the two year period ended on the Latest Practicable Date.

3. Resolutions of our Shareholders

An extraordinary general meeting of our Company was held on September 4, 2009 at which the Shareholders unanimously passed resolutions resolving, among other things, the following:

(i) the authorised share capital of the Company was increased from HK$10,000,000 to HK$300,000,000 divided into 30,000,000,000 ordinary Shares, with the additional ordinary Shares ranking *pari passu* in all respects with the existing Shares in the capital of the Company;

(ii) conditional on the same conditions stated under "Conditions of the Hong Kong Public Offering" in the section headed "Structure of the Global Offering" in this Prospectus, the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and any Shares which may be required to be issued if the Over-allotment Option is exercised;

(iii) a general unconditional mandate was granted to our Directors to exercise all powers of the Company to allot, issue and deal with (or by way of rights issue, a scrip dividend or similar arrangement or administering the Share Option Scheme or any other share option scheme or similar arrangement for the time being adopted by the Company) Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering and the Capitalization Issue and to make or grant offers, agreements, options or warrants which would or might be required while such powers are exercised, with such mandate to remain in effect until the earliest of:

(a) the conclusion of our next annual general meeting;

(b) the expiration of the period within which our next annual general meeting is required by the Articles of Association or any applicable laws to be held; or

(c) the day on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

(iv) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase or otherwise acquire Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules, with an aggregate nominal value not exceeding 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering and the Capitalization Issue and to make or grant offers, agreements, options or warrants which would or might be required while such powers are exercised, with such mandate to remain in effect until the earliest of:

(a) the conclusion of our next annual general meeting;

(b) the expiration of the period within which our next annual general meeting is required by the Articles of Association or any applicable laws to be held; or

(c) the day on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

(v) the general unconditional mandate referred to in sub-paragraph (iii) above shall be extended by the addition to the aggregate nominal value of our share capital which may be issued or agreed to be issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of our share capital repurchased by us under the general mandate referred to in sub-paragraph (iv) above;

(vi) conditional on the same conditions stated under "Conditions of the Hong Kong Public Offering" in the section headed "Structure of the Global Offering" in this Prospectus, the capitalization of an aggregate amount of HK$85,800,000 shareholders' loan made by the Founding Shareholders to the Company according to their proportionate shareholding was approved, whereby HK$44,800,000 will be paid up in full at par value for the allotment and issuance of an aggregate number of 4,480,000,000 Shares to the Founding Shareholders (or their nominees) in the following manner based on their respective proportionate shareholdings, with the remaining HK$41,000,000 to be credited to the share premium account of our Company:

Name of Shareholder	Number of Shares to be Allotted and Issued
Accurate Gain Developments Limited	1,344,000,000
Proficient Success Limited	1,120,000,000
Carrianna Development Limited	896,000,000
Kinox Holdings Limited	224,000,000
Luk Ka International Limited	224,000,000
Kings Faith International Limited	672,000,000

The Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares and the Directors be and are hereby authorized to issue such Shares and give effect to such allotment and issue;

(vii) the Articles of Association were unconditionally approved and adopted with effect from close of business on the day of the meeting;

(viii) conditional on the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares to be issued pursuant to the Share Option Scheme and the commencement of listing of the Shares on the Stock Exchange, the rules of the Share Option Scheme were approved and adopted and the Directors were authorised, at their absolute discretion, to grant options and allot and issue Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme; and

(ix) the contents of the Share Option Agreements were approved and ratified and the Directors were authorised to allot and issue new Shares thereunder.

4. Changes in the share capital of our subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report set forth in Appendix I.

The following sets out the alteration in the share capital of the subsidiaries of our Company within the two years preceding the date of this Prospectus:

(a) China Central City (BVI) Limited 華中城 (BVI) 有限公司

On October 23, 2007, China Central City (BVI) Limited 華中城 (BVI) 有限公司 was incorporated under the laws of BVI with an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which one share was allotted and issued to our Company.

(b) ASEAN City (BVI) Limited 東盟城 (BVI) 有限公司

On October 23, 2007, ASEAN City (BVI) Limited 東盟城 (BVI) 有限公司 was incorporated under the laws of BVI with an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which one share was allotted and issued to our Company.

(c) China Central City (Hong Kong) Limited 華中城 (香港) 有限公司

On November 9, 2007, China Central City (Hong Kong) Limited 華中城 (香港) 有限公司 was incorporated under the laws of Hong Kong with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each, of which one share was allotted and issued to China Central City (BVI) Limited.

(d) ASEAN City (Hong Kong) Limited 東盟城 (香港) 有限公司

On November 9, 2007, ASEAN City (Hong Kong) Limited 東盟城 (香港) 有限公司 was incorporated under the laws of Hong Kong with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each, of which one share was allotted and issued to ASEAN City (BVI) Limited.

(e) Nanchang China South City

On November 16, 2007, Nanchang China South City was incorporated under the laws of the PRC with registered capital of RMB150,000,000, in which 100% of the interest is held by China South International.

(f) Zhuji Pan-Asia

On November 8, 2007, Zhuji Pan-Asia was incorporated under the laws of the PRC with registered capital of RMB500,000, which was held as to 80% of the interest by Shenzhen First Asia Pacific and 20% of the interest by China Pearls and Jewellery PRC.

(g) Tieling First Asia Pacific

On December 26, 2007, Tieling First Asia Pacific was incorporated under the laws of the PRC with registered capital of RMB500,000, in which 100% of the interest is held by Shenzhen First Asia Pacific.

(h) Nanning China South City

On August 28, 2009, Nanning China South City was incorporated under the laws of the PRC with registered capital of RMB150,000,000, in which 100% of the interest is held by China South International.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years preceding the date of this Prospectus.

5. Repurchase of our own securities

This section includes information required by the Stock Exchange to be included in this Prospectus concerning the repurchase of our own securities.

5.1 *Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a specific transaction.

(ii) *Source of funds*

Repurchases must only be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws of Hong Kong. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) *Trading restrictions*

The total number of shares which a company is authorized to repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of its issued share capital of the company as of the date of the ordinary resolution authorizing such repurchase. A company may not issue or announce an issue of securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange, no matter whether the issue is on the Stock Exchange or not. In addition, all repurchases of securities on the Stock Exchange in any calendar month are limited to a maximum of 25% of the trading volume of such securities on the Stock Exchange in the immediately preceding calendar month. The Listing Rules also prohibit a company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage for that company required by the Stock Exchange. A company must procure that any broker appointed by it to effect the repurchase of securities discloses to the Stock Exchange such information with respect to the repurchases as the Stock Exchange may request.

(iv) *Status of repurchased securities*

All repurchased securities (whether on the Stock Exchange or otherwise) are automatically delisted and the relative certificates for those securities must be cancelled and destroyed. Under the laws of Hong Kong, the repurchased securities are deemed cancelled once the Company repurchases its securities.

(v) *Suspension of repurchases*

The Listing Rules prohibit a company from repurchasing its securities on the Stock Exchange at any time after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, a company (other than companies listed under Chapter 21 of the Listing Rules) shall not repurchase its securities during the period of one month immediately preceding the earlier of the publication of the annual report or interim report of the company, unless there are special circumstances. In addition, the Stock Exchange reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(vi) *Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, the Company must disclose in its annual report and accounts details regarding repurchase of securities made during the year, including a monthly breakdown of purchases of shares made during the financial year under review showing the number of shares purchased each month (whether on the Stock Exchange or otherwise) and the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid by the Company for such purchases. The Directors' report shall contain reference to the purchases made during the year and the Directors' reasons for making such purchases.

(vii) *Connected Persons*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a Connected Person, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a Connected Person is prohibited from knowingly selling his securities to the company.

5.2 *Information relevant to the repurchase mandate*

(i) Our Directors believe that it is in the best interests of our Company and our Shareholders to have a general authority from Shareholders to enable our Directors to repurchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or our earnings per Share and will only be made when our Directors believe that such repurchases will benefit the Company and our Shareholders.

(ii) In repurchasing securities, we may only apply funds legally available for such purchase in accordance with our Articles of Association and the applicable laws of Hong Kong.

The funds for repurchasing securities by our Company will be the distributable profit of our Company or from the proceeds of the Shares issued for the purpose of such repurchase.

(iii) We expect that the carrying out in full of the repurchase of all relevant Shares at any time during the proposed purchase period will not have a material adverse impact on the working capital requirements or the gearing position of the Company, comparing to the financial position of the Company as disclosed in the audited financial statements of our Company as of March 31, 2009 as set out in this Prospectus. However, our Directors do not propose to exercise the repurchase mandate if our Directors believe that the exercise of the repurchase mandate will have a material adverse impact on the working capital requirements or the gearing position of the Company.

(iv) None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined under the Listing Rules), have any present intention to sell any Shares to the Company or its subsidiaries in the event that the repurchase mandate is approved by the Shareholders.

(v) Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate according to the relevant resolution passed by the Shareholders in the extraordinary general meeting of the Company on September 4, 2009 and in accordance with the Listing Rules, any applicable laws of Hong Kong, and the Articles of Association.

(vi) If as a result of a repurchase of securities, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of such increase, may obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code and may be required to comply with the relevant requirements under such provision as a result of the increase in proportionate interest. Save as aforesaid, our Directors are not aware of any consequences that would arise under the Takeovers Code as a result of a repurchase pursuant to the repurchase mandate.

(vii) Any repurchase of Shares which results in the amount of Shares held by the public being reduced to less than 25% of the issued share capital of the Company could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. Except in extraordinary circumstances, a waiver of this provision would not normally be given by the Stock Exchange. Our Directors do not have current intention to exercise the repurchase of securities which will result in the public float (as defined under the Listing Rules) being reduced to less than 25% of the issued share capital of our Company.

(viii) No Connected Person of the Company has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the repurchase mandate is exercised.

II. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this Prospectus, have not been terminated and are or may be material:

(i) the Share Option Agreements dated July 31, 2008 entered into by each of Cheng Chung Hing, Leung Moon Lam, Fung Sing Hong Stephen and Tse Man Yu with the Company for the purpose of formalizing all previous share option arrangements. Details of these agreements are set out under the paragraph headed "Share Option Agreements" in this Appendix V;

(ii) the deed of indemnity and warranties dated September 4, 2009 made by Cheng Chung Hing, Cheng Tai Po, Ho Min Sang, Yan Sau Man, Amy, Tak Sing Alliance Holdings Limited, Leung Moon Lam, Sun Kai Lit Cliff, Ma Wai Mo and Ma Yu Hung in favor of our Company. Details of this deed are set out under the paragraph headed "Indemnity" in this Appendix V;

(iii) the deed of non-competition dated September 4, 2009 entered into by Cheng Chung Hing, Cheng Tai Po and Leung Moon Lam with our Company. Details of this deed are set out under the paragraph headed "Deed of Non-Competition" in the "Relationship with our Controlling Shareholders and Directors" section of this Prospectus;

(iv) the deeds of option and undertaking dated September 4, 2009 entered into by each of Cheng Chung Hing and Leung Moon Lam with our Company, respectively. Details of the deeds are set out under the paragraph headed "Deed of Option and Undertaking" in the "Relationship with our Controlling Shareholders and Directors" section of this Prospectus; and

(v) the Hong Kong Underwriting Agreement dated September 16, 2009 entered into between our Company, Merrill Lynch Far East Limited, Merrill Lynch International, BOCI Asia Limited, the Hong Kong Underwriters, the Controlling Shareholders and the Founding Shareholders. Details of this agreement are set out under the paragraph headed "Hong Kong Underwriting Agreement" in the "Underwriting" section of this Prospectus.

2. Intellectual property rights

(i) *Trademarks*

As of the Latest Practicable Date, members of the Group had registered the following trademarks:

Trademark	Registered Owner	Class(es)	Place of Registration	Validity Period	Registration Number
華南城	China South City Holdings Limited	35, 36, 39, 43	Hong Kong	March 7, 2006– March 6, 2016	300593848
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	1	PRC	June 28, 2006– June 27, 2016	3889733
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	2	PRC	June 28, 2006– June 27, 2016	3889732
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	3	PRC	June 28, 2006– June 27, 2016	3889731
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	4	PRC	June 28, 2006– June 27, 2016	3889730
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	5	PRC	June 28, 2006– June 27, 2016	3889649
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	6	PRC	December 21, 2005– December 20, 2015	3889648

Trademark	Registered Owner	Class(es)	Place of Registration	Validity Period	Registration Number
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	7	PRC	January 28, 2006– January 27, 2016	3889647
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	8	PRC	December 21, 2005– December 20, 2015	3889646
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	9	PRC	March 21, 2006– March 20, 2016	3889645
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	10	PRC	May 28, 2005– May 27, 2015	3889644
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	11	PRC	November 28, 2005– November 27, 2015	3889643
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	12	PRC	January 28, 2006– January 27, 2016	3889642
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	13	PRC	March 14, 2005– March 13, 2015	3889641
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	14	PRC	June 28, 2006– June 27, 2016	3889640
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	15	PRC	June 28, 2006– June 27, 2016	3889650
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	16	PRC	June 28, 2006– June 27, 2016	3890423
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	17	PRC	June 28, 2006– June 27, 2016	3890422
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	18	PRC	February 7, 2007– February 6, 2017	3890421
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	19	PRC	June 28, 2006– June 27, 2016	3890420
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	20	PRC	June 28, 2006– June 27, 2016	3890430

Trademark	Registered Owner	Class(es)	Place of Registration	Validity Period	Registration Number
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	21	PRC	June 28, 2006– June 27, 2016	3890439
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	22	PRC	February 7, 2007– February 6, 2017	3890438
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	23	PRC	February 7, 2007– February 6, 2017	3890437
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	24	PRC	February 7, 2007– February 6, 2017	3890436
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	25	PRC	February 7, 2007– February 6, 2017	3890435
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	26	PRC	February 7, 2007– February 6, 2017	3890434
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	27	PRC	February 7, 2007– February 6, 2017	3890433
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	28	PRC	February 7, 2007– February 6, 2017	3890432
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	29	PRC	November 28, 2005– November 27, 2015	3890431
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	30	PRC	December 7, 2005– December 6, 2015	3889699
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	31	PRC	November 28, 2005– November 27, 2015	3889698
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	32	PRC	November 28, 2005– November 27, 2015	3889697
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	34	PRC	November 28, 2005– November 27, 2015	3889695
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	35	PRC	September 21, 2006– September 20, 2016	3889694

Trademark	Registered Owner	Class(es)	Place of Registration	Validity Period	Registration Number
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	36	PRC	April 7, 2009– April 6, 2019	3889693
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	37	PRC	August 7, 2008– August 6, 2018	3889692
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	38	PRC	July 7, 2006– July 6, 2016	3889691
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	39	PRC	January 21, 2009– January 20, 2019	3889690
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	40	PRC	April 14, 2006– April 13, 2016	3889709
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	41	PRC	September 28, 2006– September 27, 2016	3889708
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	42	PRC	October 21, 2006– October 20, 2016	3889707
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	43	PRC	September 28, 2006 - September 27, 2016	3889706
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	44	PRC	July 7, 2006– July 6, 2016	3889705
华南城	China South International Industrial Materials City (Shenzhen) Co. Ltd.	45	PRC	July 7, 2006– July 6, 2016	3889704
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	1	PRC	August 21, 2005– August 20, 2015	3714484
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	2	PRC	August 28, 2005– August 27, 2015	3714485
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	3	PRC	January 7, 2006– January 6, 2016	3714486
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	4	PRC	April 28, 2005– April 27, 2015	3714487

Trademark	Registered Owner	Class(es)	Place of Registration	Validity Period	Registration Number
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	5	PRC	February 14, 2006–February 13, 2016	3714488
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	6	PRC	June 21, 2005–June 20, 2015	3714494
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	7	PRC	August 21, 2005–August 20, 2015	3714495
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	8	PRC	March 7, 2005–March 6, 2015	3714496
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	9	PRC	May 14, 2005–May 13, 2015	3714497
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	10	PRC	April 21, 2005–April 20, 2015	3714498
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	11	PRC	April 28, 2005–April 27, 2015	3714499
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	12	PRC	August 14, 2005–August 13, 2015	3714500
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	13	PRC	March 21, 2005–March 20, 2015	3714501
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	14	PRC	September 21, 2005–September 20, 2015	3714502
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	15	PRC	October 28, 2005–October 27, 2015	3714503
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	16	PRC	December 7, 2005–December 6, 2015	3714504
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	17	PRC	July 7, 2005–July 6, 2015	3714505
	China South International Industrial Materials City (Shenzhen) Co. Ltd.	18	PRC	June 28, 2006–June 27, 2016	3714506

Trademark	Registered Owner	Class(es)	Place of Registration	Validity Period	Registration Number
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	19	PRC	July 21, 2006– July 20, 2016	3714507
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	20	PRC	January 28, 2006– January 27, 2016	3714508
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	21	PRC	November 21, 2005– November 20, 2015	3714509
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	22	PRC	December 28, 2005– December 27, 2015	3714510
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	23	PRC	January 14, 2006– January 13, 2016	3714511
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	24	PRC	July 14, 2006– July 13, 2016	3714512
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	25	PRC	June 28, 2006– June 27, 2016	3714513
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	26	PRC	December 7, 2005– December 6, 2015	3714514
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	27	PRC	December 14, 2005– December 13, 2015	3714515
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	28	PRC	July 14, 2006– July 13, 2016	3714516
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	29	PRC	July 21, 2005– July 20, 2015	3714517
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	30	PRC	April 28, 2005– April 27, 2015	3714518
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	31	PRC	April 21, 2005– April 20, 2015	3714519
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	32	PRC	April 28, 2005– April 27, 2015	3714520

Trademark	Registered Owner	Class(es)	Place of Registration	Validity Period	Registration Number
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	33	PRC	April 21, 2005– April 20, 2015	3714521
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	34	PRC	April 21, 2005– April 20, 2015	3714522
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	35	PRC	August 28, 2005– August 27, 2015	3714523
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	36	PRC	February 7, 2006– February 6, 2016	3713884
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	37	PRC	December 21, 2005– December 20, 2015	3713885
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	38	PRC	October 28, 2005– October 27, 2015	3713886
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	39	PRC	October 28, 2005– October 27, 2015	3713887
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	40	PRC	August 28, 2005– August 27, 2015	3713888
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	41	PRC	September 28, 2005– September 27, 2015	3713889
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	42	PRC	February 14, 2006– February 13, 2016	3713890
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	43	PRC	February 14, 2006– February 13, 2016	3713891
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	44	PRC	November 7, 2005– November 6, 2015	3713892
......	China South International Industrial Materials City (Shenzhen) Co. Ltd.	45	PRC	October 28, 2005– October 27, 2015	3713893
....	China South International Industrial Materials City (Shenzhen) Co. Ltd.	35	PRC	March 14, 2009– March 13, 2019	5015467

Trademark	Registered Owner	Class(es)	Place of Registration	Validity Period	Registration Number
. . . .	China South International Industrial Materials City (Shenzhen) Co. Ltd.	36	PRC	June 21, 2009– June 20, 2019	5015466
. . . .	China South International Industrial Materials City (Shenzhen) Co. Ltd.	41	PRC	May 28, 2009– May 27, 2019	5016298
. . . .	China South International Industrial Materials City (Shenzhen) Co. Ltd.	43	PRC	June 21, 2009– June 20, 2019	5016258
. . . .	China South International Industrial Materials City (Shenzhen) Co. Ltd.	44	PRC	June 21, 2009– June 20, 2019	5016257

As of the Latest Practicable Date, members of the Group had applied for registration of the following trademarks:

Trademark	Name of Applicant	Class(es)	Place of Application	Validity Period	Application Number
China South City	China South City Holdings Limited	35, 36, 37, 39, 41, 43	HK	N/A	301288521
華 南 城	China South City Holdings Limited	35, 36, 37, 39, 41, 43	HK	N/A	301314701

(ii) *Domain names*

As of the Latest Practicable Date, members of our Group had full legal rights over and had registered the following domain names:

Domain Name	Registrant	Validity Period
www.csc-sz.com	China South International Industrial Materials City (Shenzhen) Co. Ltd.	April 14, 2003– April 14, 2011
www.csc-hk.com	China South City Holdings Limited	September 13, 2003– September 13, 2010
华南国际工业原料城.com.	China South International Industrial Materials City (Shenzhen) Co. Ltd.	July 11, 2009– July 11, 2011
华南国际工业原料城.cn	China South International Industrial Materials City (Shenzhen) Co. Ltd.	July 20, 2009– July 20, 2011
华南城.cn.	China South International Industrial Materials City (Shenzhen) Co. Ltd.	July 30, 2009– July 30, 2011
深圳华南城.cn	China South International Industrial Materials City (Shenzhen) Co. Ltd.	August 11, 2007– August 11, 2011

Domain Name	Registrant	Validity Period
深圳华南城.com	China South International Industrial Materials City (Shenzhen) Co. Ltd.	August 11, 2007– August 11, 2011
www.chinasouthcity.hk	China South International Industrial Materials City (Shenzhen) Co. Ltd	August 22, 2007– August 22, 2011
www.chinasouthcity.com	China South International Industrial Materials City (Shenzhen) Co. Ltd.	July 15, 2009– June 9, 2011
www.csc56.com	China South National Express Logistics (Shenzhen) Co. Ltd.	Valid until October 21, 2009
www.szgrandcityhotel.com	Grand City Hotel (Shenzhen) Co. Ltd.	Valid until March 4, 2010
www.csc86.com.cn	China South International Industrial Materials City (Shenzhen) Co. Ltd.	Valid until February 11, 2012
www.csc86.net	China South International Industrial Materials City (Shenzhen) Co. Ltd.	Valid until February 11, 2012
www.csc86.net.cn	China South International Industrial Materials City (Shenzhen) Co. Ltd.	Valid until February 11, 2012
www.csc86.com	China South International Industrial Materials City (Shenzhen) Co. Ltd.	Valid until March 3, 2015

Save as aforesaid, there are no other trademarks, patents, other intellectual or industrial property rights which are material in relation to the Group's business.

III. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

1. Particulars of the Directors' service agreements and letters of appointment

(a) *Executive Directors*

Each of the executive Directors has entered into a service agreement with our Company, pursuant to which each of them accepts that, for a specific term of three years from the Listing Date, their respective appointment as an executive Director shall be governed by the terms and conditions set out therein. The agreement may be terminated by, among others, serving not less than three months' prior notice in writing by either party on the other, and upon such termination, the executive Director shall, upon the Company's request, resign immediately from such offices held by him in the Company or any other member of the Group.

The basic salary of each of the executive Directors is subject to review by the Board at the end of each financial year of our Company.

Under the respective service contracts for Cheng Chung Hing and Leung Moon Lam, each of them is entitled to a performance bonus of an amount equal to 1% of the audited consolidated net profit after taxation and minority interests but before extraordinary items of the Company for that financial year. Without prejudice to the foregoing, each of the executive Directors, namely Cheng Chung Hing, Leung Moon Lam and Xu Yang, is also entitled to a discretionary bonus of an amount to be determined by the Board or the remuneration committee in its absolute discretion. The maximum aggregate amount of all bonuses payable to all the executive Directors (including the said performance bonus and the discretionary bonus) in any financial year of our Company shall not be more than 3% of the audited consolidated net profit after taxation and minority interests but before extraordinary items of our Company for the relevant financial year.

Each of the executive Directors will also be entitled to reimbursement of all reasonable travelling, hotel, entertainment and other expenses properly incurred in the performance of his duties under the relevant service contract.

(b) *Non-executive Directors and independent non-executive Directors*

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with our Company, pursuant to which each of them accepts that, for a specific term of three years from the Listing Date, their respective appointment as a non-executive Director or an independent non-executive Director (as the case may be) shall be governed by the terms and conditions set out therein. The letter of appointment may be terminated by, among others, giving three months' prior notice in writing by either party to the other, and upon such termination, the non-executive Director or independent non-executive Director (as the case may be) shall, upon the Company's request, resign immediately from such offices held by him in the Company or any other member of the Group.

2. Directors' Emoluments

For details of the Directors' emoluments in respect of the last three fiscal years, the current fiscal year and after Listing, please see "Directors, Senior Management and Employees — Directors' Emoluments."

3. Disclosure of interests in the share capital of our Company

(a) Interests and/or short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations following the Global Offering

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and none of the Share Options is exercised and not taking into account of the Share Transfer and the stock borrowing arrangements set out under the paragraph headed "Stabilization" in the "Structure of the Global Offering" section), the interests and short positions of the Directors and our chief executive in the Shares, underlying Shares or debentures of our Company and its associated corporations (within the meaning of Part XV of SFO), which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have such provisions of SFO) or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, or which will be required pursuant to section 352 of the SFO to be entered in the register of interests referred to therein, will be as follows:

Long position in the Shares

	Capacity and Number of Shares Held			Number of Shares subject to outstanding Share Options[1]		
Director	Personal interest	Family interest	Corporate interest		Total number of Shares	Approximate percentage of Shareholding
Cheng Chung Hing	66,000,000	—	2,475,000,000[2]	66,000,000	2,541,000,000	42.35
Leung Moon Lam .	66,000,000	—	675,000,000[3]	66,000,000	741,000,000	12.35
Ma Kai Cheung. . .	—	—	900,000,000[4]	—	900,000,000	15
Sun Kai Lit Cliff. .	—	—	225,000,000[5]	—	225,000,000	3.75
Ma Wai Mo	—	—	225,000,000[6]	—	225,000,000	3.75

(1) These represent the number of Shares which will be issued to the Directors upon the exercise of the Share Options held by the Directors as their personal interests.

(2) Cheng Chung Hing owns as to 50% in the issued share capital of Accurate Gain Developments Limited and 42% in the issued share capital of Proficient Success Limited. Accurate Gain Developments Limited and Proficient Success Limited directly hold 22.5% (or 1,350,000,000 Shares) and 18.75% (or 1,125,000,000 Shares), respectively, of the shareholding of our Company.

(3) Leung Moon Lam directly owns as to 80% in the issued share capital of Kings Faith International Limited, with the remaining 20% held by Wetter (China) Limited. Wetter (China) Limited is owned as to 77% by Poly Faith Investment Ltd., which is in turn held as to 50% by Leung Moon Lam. Kings Faith International Limited directly holds 11.25% (or 675,000,000 Shares) of the shareholding of our Company.

(4) Ma Kai Cheung, as beneficial owner and beneficiary of trust and through the interest of his spouse, is interested in 43.58% of the issued share capital of Tak Sing. Tak Sing, through a number of intermediaries, wholly owns Carrianna Development Limited, which in turn directly holds 15% (or 900,000,000 Shares) of the shareholding of our Company.

(5) Sun Kai Lit Cliff directly owns the entire issued share capital of Kinox Holdings Limited, which in turn holds 3.75% (or 225,000,000 Shares) of the shareholding of our Company.

(6) Ma Wai Mo owns as to 50% in the issued share capital of Luk Ka Overseas, which in turn wholly owns the issued share capital of Luk Ka International Limited. Luk Ka International Limited directly holds 3.75% (or 225,000,000 Shares) of the shareholding of our Company.

(b) Interests and/or short positions of the Substantial Shareholders in the Shares and underlying Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

Save as disclosed in the section headed "Substantial Shareholders," our Directors are not aware of any person (not being a Director) who will, immediately following the completion of the Global Offering and the Capitalization Issue, but without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option, the Share Options, or options which may be granted under the Share Option Scheme or the Share Transfer, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be (directly or indirectly) interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

4. Connected transactions and related party transactions

Details of the connected transactions are set out in the section of this Prospectus headed "Connected Transactions," and details of the related party transactions are set out in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

5. Personal Guarantees

Our Directors (except Xu Yang and the independent non-executive Directors) have, during the Track Record Period, provided personal guarantees in favour of certain banks for banking facilities granted to certain members of the Group. As of the Latest Practicable Date, all of these guarantees had been released.

6. Disclaimers

Save as disclosed in this Prospectus:

(i) none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or any associated corporation (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, will be required to be notified to the Company and the Stock Exchange once the Shares are listed thereon;

(ii) so far as is known to any of our Directors or our chief executive, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings;

(iii) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;

(iv) none of our Directors or any of the persons referred to in the paragraph headed "Qualifications of experts" of this Appendix is interested in the promotion of the Company, or in any assets which have been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to us, or are proposed to be so acquired, disposed of or leased; and

(v) none of the persons referred to in the paragraph headed "Qualifications of experts" of this Appendix has any shareholding in our Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

IV. SHARE OPTION AGREEMENTS

To provide for incentives and reward to certain key individuals who have contributed to the economic achievement of our Group, the following four employees of our Group have been granted options to subscribe Shares:

	Name	Position held in our Company	Residential Address
1.	Cheng Chung Hing	Executive Director and co-chairman	20B, The Mayfair 1 May Road Hong Kong
2.	Leung Moon Lam	Executive Director	Flat A, 4/F, Block 6 Julimount Garden 1–5 Hin Tai Street Shatin New Territories Hong Kong
3.	Fung Sing Hong Stephen	Chief financial officer	No. 40, Section D First Street, Fairview Park Yuen Long New Territories Hong Kong
4.	Tse Man Yu	Deputy chief financial officer and company secretary	Flat E, 19/F., Tower 9 Ocean Shores II 8 O King Road Tseung Kwan O N.T., Hong Kong

To formalize all previous arrangements that our Company has with each of the Share Option Grantees, our Company entered into a Share Option Agreement with each of them, which sets out the terms and conditions on which the Share Options can be exercised.

A summary of the principal terms of the Share Option Agreements is set forth below.

1. Summary of the principal terms of the Share Option Agreements

Under the Share Option Agreements, our Company conditionally granted to each Share Option Grantee a Share Option to subscribe a certain number of Shares representing a designated percentage of the total issued share capital of our Company upon the Listing (including the exercise of the Over-allotment Option), at a price equivalent to 50% of the Offer Price. The Share Option may be exercised in whole or in part, and at any time for a period of up to two years commencing from the Listing Date for Fung Sing Hong Stephen and Tse Man Yu and up to three years commencing from the Listing Date for Cheng Chung Hing and Leung Moon Lam, following which the Share Option (if not exercised) shall lapse automatically. Such entitlement or right to exercise the Share Option varies or lapses in the following circumstances and in the following manner:

In respect of Cheng Chung Hing and Leung Moon Lam –

(i) in the event that the Share Option Grantee tenders his resignation as a Director for any reason by giving the Company a resignation notice, if the Share Option Period has not as of the date of his resignation notice commenced, the Share Option shall lapse; and if the Share Option Period has commenced, the Share Option Grantee may exercise the Share Option (to the extent not already exercised) at any time until the earlier of the date of expiry of the Share Option Period or the last day of the period of six months following the date the directorship of the Share Option Grantee has ceased as a result of such resignation;

(ii) in the event that the Share Option Grantee ceases to be a Director as a result of the Company giving notice to the Share Option Grantee pursuant to the Director's service agreement, the Share Option Grantee may exercise the Share Option (to the extent not already exercised) at any time during the Share Option Period until whichever is the earlier of the date of expiry of the Share Option Period or the last day of the period of six months following the date of such occurrence;

(iii) in the event that the Share Option Grantee ceases to be a Director by reason of death, lunatic or of unsound mind or a patient for any purpose of any statute relating to mental health before exercising the Share Option in full, the Share Option Grantee or his legal personal representative(s) shall be entitled, after the commencement of the Share Option Period until the earlier of the date of expiry of the Share Option Period or the last day of the period of 12 months from the date of cessation (or such longer period as the Board may determine), to exercise the Share Option (to the extent not already exercised in full);

(iv) in the event that the Share Option Grantee ceases to be a Director (otherwise than by way of resignation as described in (i) above, termination as described in (ii) or (iii) above, or pursuant to the provisions of the Articles of Association relating to the retirement of Directors by rotation, provided that the Share Option Grantee is re-elected at the annual general meeting at which he retires), the Share Option shall lapse forthwith, whether or not the Share Option Period has commenced;

In respect of Fung Sing Hong Stephen and Tse Man Yu –

(v) in the event that the Share Option Grantee tenders his/her resignation for any reason by giving the Company a resignation notice, if the Share Option Period has not at the date of the resignation notice commenced, the Share Option shall lapse; and if the Share Option Period has commenced, the Share Option Grantee may exercise the Share Option (to the extent not already exercised) at any time until whichever is the earlier of the date of expiry of the Share Option Period or the last day of the period of six months following the date the employment of the Share Option Grantee has ended as a result of such resignation;

(vi) in the event the Company terminates the employment of the Share Option Grantee on one or more of the specified grounds in the Share Option Grantee's employment agreement or the Share Option Grantee commits a breach of a specified clause in the Share Option Grantee's employment agreement during the term of the employment of the Share Option Grantee or after the termination of the employment, the Share Option shall lapse forthwith, whether or not the Share Option Period has commenced;

(vii) in the event the Company terminates the employment of the Share Option Grantee not on one or more of the specified grounds in the Share Option Grantee's employment agreement and:

(a) if the Share Option Period has not at the date of such occurrence commenced and the Shares have not been listed on the Stock Exchange by December 31, 2011, the Share Option shall lapse on December 31, 2011; or

(b) if the Share Option Period has not at the date of such termination commenced and the Shares have been listed on the Stock Exchange by December 31, 2011, the Share Option Grantee may still exercise the Share Option during the Share Option Period; or

(c) if the Share Option Period has commenced, the Share Option Grantee may exercise the Share Option (to the extent not already exercised) at any time until whichever is the earlier of the date of expiry of the Share Option Period or the last day of the period of 6 months following the date of such occurrence; and

(viii) in the event that the Share Option Grantee ceases to be an employee of the Group by reason of death, ill health, disability or insanity before exercising the Share Option in full, the Share Option Grantee or his/her personal representative(s) shall be entitled after commencement of the Share Option Period until whichever is the earlier of the date of expiry of the Share Option Period or the last day of the period of 12 months from the date of cessation (or such longer period as the Board may determine) to exercise the Share Option (to the extent not already exercised in full).

In the event of any capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction), corresponding adjustments (if any) shall be made to (i) the number of Shares subject to the Share Option; (ii) the subscription price in relation to the outstanding Share Option; and/or (iii) the method of exercise of the Share Option, provided that no adjustment shall be made to the extent that the effect of such adjustment would be to enable a Share to be issued at less than its nominal value or which would give a Share Option Grantee a different proportion of the issued share capital of our Company as to which he or she was previously entitled. In respect of any adjustment required by the foregoing provisions (other than any made on a capitalization issue), an independent financial adviser or the auditors of the Company for the time being must confirm to our Company in writing that the adjustments satisfy the foregoing proviso.

The Share Option Agreements are conditional upon: (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares which may fall to be issued pursuant to the exercise of the Share Options; and (ii) the commencement of the listing of the Shares on the Stock Exchange.

The Shares to be allotted upon the exercise of the Share Option will be subject to all the provisions of the Articles of Association and will rank pari passu with the fully paid Shares in issue on the date of allotment.

The Share Options shall be personal to the Share Option Grantees and shall not be assignable, and the Share Option Grantees shall not in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to the Share Options or purport to do any of the foregoing. Any breach of the foregoing shall entitle our Company to cancel any outstanding Share Option, or any part thereof, in favor of the relevant Share Option Grantee.

2. Share Options granted

As of the completion of the Global Offering (including the exercise of the Over-allotment Option), Share Options to subscribe for 186,750,000 Shares in aggregate at an exercise price equivalent to 50% of the Offer Price have been conditionally granted to each of the four Share Option Grantees under the Share Option Agreements. As of the date of this Prospectus, none of the Share Options have been exercised.

Particulars of the Share Options when exercised in full are set out below:

Name	No. of Shares subject to Share Options (assuming that the Over-allotment Option has been exercised in full and the Capitalization Issue is completed)	Percentage of total issued share capital of our Company upon the completion of the Global Offering (including the exercise in full of the Over-allotment Option and the completion of the Capitalization Issue) and upon exercise of all Share Options
Cheng Chung Hing	68,475,000	1.1
Leung Moon Lam	68,475,000	1.1
Fung Sing Hong Stephen	37,350,000	0.6
Tse Man Yu	12,450,000	0.2
Total:	186,750,000	3.0

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the Share Options under the Share Option Agreements.

Exercise of any of the above outstanding Share Options will have a dilution effect on the shareholdings of the Shareholders at the time of such exercise of the Share Options as well as on the earnings per Share for the relevant financial year of the Group. Assuming that all the Share Options granted under the Share Option Agreements had been exercised in full during the year ended March 31, 2009 and that 6,180,000,000 Shares, comprising 6,000,000,000 Shares to be in issue immediately after the Global Offering and the Capitalization Issue and 180,000,000 Shares to be issued upon the exercise of all the Share Options, were deemed to have been in issue throughout the year ended March 31, 2009, but not taking into account of any Shares which may be allotted or issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme, this would have a dilutive effect on audited earnings per Share for the year ended March 31, 2009 from approximately HK$12.6 cents to approximately HK$12.2 cents.

Assuming the completion of the Global Offering and the Capitalization Issue, and that the Over-allotment Option is not exercised (without taking into account the Share Transfer, our shareholding structure before and after the full exercise of all the Share Options granted under the Share Option Agreements will be as follows:

Shareholders	Shareholding structure immediately after completion of the Global Offering and the Capitalization Issue, but before the exercise of the Share Options and the Over-allotment Options and not taking into account the Share Transfer(1)		Shareholding structure immediately after completion of the Global Offering and the Capitalization Issue, and full exercise of the Share Options but before the exercise of the Over-allotment Options and not taking into account the Share Transfer(1)	
	No. of Shares	%	No. of Shares	%
Accurate Gain Developments Limited	1,350,000,000	22.5	1,350,000,000	21.84
Proficient Success Limited	1,125,000,000	18.75	1,125,000,000	18.20
Carrianna Development Limited	900,000,000	15	900,000,000	14.56
Kings Faith International Limited	675,000,000	11.25	675,000,000	10.92
Kinox Holdings Limited	225,000,000	3.75	225,000,000	3.64
Luk Ka International Limited	225,000,000	3.75	225,000,000	3.64
Cheng Chung Hing	—	—	66,000,000	1.07
Leung Moon Lam	—	—	66,000,000	1.07
Public				
— Fung Sing Hong Stephen	—	—	36,000,000	0.58
— Tse Man Yu	—	—	12,000,000	0.19
— Others	1,500,000,000	25	1,500,000,000	24.27

Assuming the Global Offering, the Capitalization Issue and the Share Transfer (assuming the Offer Price is HK$1.40 per Share, being the low end of the indicative Offer Price range and the Existing Shareholders have elected to transfer more Transfer Shares to the Noteholders to make up the shortfall as described in the section headed "Corporate History and Corporate Structure — The Notes," if any) are completed, our shareholding structure before and after the full exercise of all the Share Options granted under the Share Option Agreements will be as follows:

Shareholders	Shareholding structure immediately after completion of the Global Offering, the Capitalization Issue and the Share Transfer, but before the exercise of the Share Options and the Over-allotment Options(1)		Shareholding structure immediately after completion of the Global Offering, the Capitalization Issue and the Share Transfer, after the full exercise of the Share Options and the Over-allotment Options(1)	
	No. of Shares	%	No. of shares	%
Accurate Gain Developments Limited	1,329,551,996	22.16	1,329,551,996	20.74
Proficient Success Limited	1,107,959,997	18.47	1,107,959,997	17.28
Carrianna Development Limited	886,367,997	14.77	886,367,997	13.82
Kings Faith International Limited	664,775,998	11.08	664,775,998	10.37
Kinox Holdings Limited	221,591,999	3.69	221,591,999	3.46
Luk Ka International Limited	221,591,999	3.69	221,591,999	3.46
Cheng Chung Hing	—	—	68,475,000	1.07
Leung Moon Lam	—	—	68,475,000	1.07
Public				
— Fung Sing Hong Stephen	—	—	37,350,000	0.58
— Tse Man Yu	—	—	12,450,000	0.19
— Noteholders	68,160,014	1.14	68,160,014	1.06
— Others	1,500,000,000	25.00	1,725,000,000	26.90

Assuming the Global Offering, the Capitalization Issue and the Share Transfer (assuming the Offer Price is HK$2.10 per Share, being the high end of the indicative Offer Price range and the Existing Shareholders have elected to transfer more Transfer Shares to the Noteholders to make up the shortfall as described in "Corporate History and Corporate Structure — The Notes," if any), our shareholding structure before and after the full exercise of all the Share Options granted under the Share Option Agreements will be as follows:

Shareholders	Shareholding structure immediately after completion of the Global Offering, the Capitalization Issue and the Share Transfer, but before the exercise of the Share Options and the Over-allotment Options(1)		Shareholding structure immediately after completion of the Global Offering, the Capitalization Issue and the Share Transfer, after the full exercise of the Share Options and the Over-allotment Options(1)	
	No. of Shares	%	No. of shares	%
Accurate Gain Developments Limited	1,339,913,759	22.33	1,339,913,759	20.90
Proficient Success Limited	1,116,594,799	18.61	1,116,594,799	17.41
Carrianna Development Limited	893,275,840	14.89	893,275,840	13.93
Kings Faith International Limited	669,956,880	11.17	669,956,880	10.45
Kinox Holdings Limited	223,318,960	3.72	223,318,960	3.48
Luk Ka International Limited	223,318,960	3.72	223,318,960	3.48
Cheng Chung Hing	—	—	68,475,000	1.07
Leung Moon Lam	—	—	68,475,000	1.07
Public				
— Fung Sing Hong Stephen	—	—	37,350,000	0.58
— Tse Man Yu	—	—	12,450,000	0.19
— Noteholders	33,620,802	0.56	33,620,802	0.52
— Others	1,500,000,000	25.00	1,725,000,000	26.90

(1) All figures have been rounded to the nearest two decimal place.

Each of Cheng Chung Hing and Leung Moon Lam undertakes to the Company that he will not exercise his respective Share Options granted under the respective Share Option Agreements if, as a result of the exercise of such Share Options, the minimum public float of the Company (as prescribed by the Listing Rules) will not be maintained.

Please refer to the section headed "Underwriting" in this Prospectus for details of the lock-up arrangements restricting Cheng Chung Hing and Leung Moon Lam from selling or otherwise disposing of our Shares.

Except as stated above, no other options have been granted or agreed to be granted by us under the Share Option Agreements.

V. SHARE OPTION SCHEME

1. Summary of terms

The following is a summary of the principal terms of the Share Option Scheme:

(a) *Purpose*

The purpose of the Share Option Scheme is to provide incentives to Participants to contribute to the Company and to enable the Company to recruit high-calibre employees and attract human resources that are valuable to the Group.

(b) *Who may join*

The Board may grant (subject to acceptance in accordance with the terms of the Share Option Scheme) an option to subscribe for such number of Shares as it may determine at a price determined in accordance with paragraph (d) below to any Participant, subject to such conditions as the Board may think fit, and provided that no grants shall be made except to such number of Participants and in such circumstances that the Company will not be required under applicable securities laws and regulations to issue a prospectus or other offer document in respect thereof, and will not result in the breach by the Company or its Directors of any applicable securities laws and regulations or in any filing or other requirements arising.

(c) *Payment on acceptance of option*

HK$1.00 is payable by the Participant who accepts the grant of an option in accordance with the terms of the Share Option Scheme on acceptance of the grant of an option.

(d) *Subscription price*

The subscription price for the Shares under the options to be granted under the Share Option Scheme will be a price determined by the Board and notified to a Participant at the time the grant of the options is made to (and subject to acceptance by) the Participant and will be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of the grant (subject to acceptance) of the option, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant (subject to acceptance) of the option; and (c) the nominal value of the Shares.

(e) *Maximum number of Shares subject to the Share Option Scheme*

The limit on the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of any member of the Group must not exceed 30% of the number of issued Shares from time to time. Options lapsed or cancelled in accordance with the terms of the relevant share option scheme(s) shall not be counted for the purpose of calculating the said 30%-limit.

In addition, subject as provided below in this paragraph (e), the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of any member of the Group, must not represent more than 10% of the nominal amount of all the issued Shares as of the date of commencement of the listing of the Shares on the Stock Exchange (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the relevant share option scheme(s) shall not be counted for the purpose of calculating the said 10%-limit.

The Company may refresh the said 10%-limit (or further refresh a 10%-limit previously refreshed) at any time, subject to prior Shareholders' approval given at a general meeting of the Company in accordance with the relevant provisions of the Listing Rules, provided that the maximum number of Shares which may be issued under options to be granted under the Share Option Scheme (when aggregated with any Shares which may be issued under options to be granted under any other share option scheme(s) of any member of the Group) under the limit as refreshed must not exceed 10% of the number of issued Shares as of the date of the approval of the refreshed limit, excluding any Shares that are subject to options previously granted (subject to acceptance) under the Share Option Scheme or any other share option scheme(s) of any member of the Group (whether the options are outstanding, cancelled or lapsed or have been exercised). The Company may also seek separate approval from the Shareholders in general meeting in accordance with the relevant provisions of the Listing Rules for granting options beyond the original or refreshed 10%-limit to such Participants, in respect of such number of Shares and on such terms as may be specified in such approval.

The total number of Shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted under the Share Option Scheme and any other share option scheme(s) of any member of the Group in any 12-month period immediately preceding any proposed date of the grant (subject to acceptance) of options to each Participant must not exceed 1% of the number of Shares in issue as of the proposed grant date. Any further grant of options in excess of this limit is subject to prior Shareholders' approval given at a general meeting of the Company in accordance with the relevant provisions of the Listing Rules, with the relevant Participant and his associates (as defined in the Listing Rules) abstaining from voting.

(f) *Exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each Grantee, which must not be more than 10 years from the date of the grant (subject to acceptance) of the option.

The right to exercise an option is not subject to or conditional upon the achievement of any performance target unless otherwise stated in the grant letter which is to be made by the Company to the Participant upon granting of option.

(g) *Rights are personal to Grantee*

An option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle the Company to cancel any outstanding option, or any part thereof, in favour of such Grantee.

(h) *Rights on ceasing employment or other engagement*

If the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of the Group for any reason other than death, ill health, disability or insanity, then, if the option period has not at the date of cessation commenced, the option shall lapse; and if the option period has commenced, the Grantee may exercise the option up to his entitlement at the date of cessation (to the extent not already exercised) until whichever is the earlier of the date of expiry of the option period or the last day of the period of 1 month (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual day of employment, office, agency, consultancy or representation with the relevant member of the Group whether payment in lieu of notice is made or not (if applicable).

For the purposes of this paragraph (h), a Grantee shall not be regarded as ceasing to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of the Group if he ceases to hold a position of employment, office, agency, consultancy or representation with a particular member of the Group but at the same time takes up a different position of employment, office, agency, consultancy or representation with another member of the Group.

(i) *Rights on death, ill health, disability or insanity*

If the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of the Group by reason of death, ill health, disability or insanity before exercising the option in full and none of certain events which would be a ground for termination of his employment, office, agency, consultancy or representation specified in the Share Option Scheme arises, the Grantee or his legal personal representative(s) shall be entitled after commencement of the option period until whichever is the earlier of the date of expiry of the option period or the last day of the period of 12 months from the date of cessation (or such longer period as the Board may determine) to exercise the option (to the extent not already exercised) in full or to the extent specified in the notice to exercise such option.

(j) *Rights on takeover*

If a general offer to acquire Shares (whether by takeover offer, merger, privatisation proposal by scheme of arrangement between the Company and its members or otherwise in like manner) is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Grantee (or his legal personal representatives) shall, even if the option period has not yet commenced, be entitled to exercise the option (to the extent not already exercised) at any time until whichever is the earlier of the date of expiry of the option period or the last day of the period of 14 days after the date on which the offer becomes or is declared unconditional, after which the option shall lapse.

(k) *Rights on winding up*

If a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Grantees (together with a notice of the existence of the provisions of the Share Option Scheme) and thereupon, each Grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than five business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(l) *Effects of alterations to capital*

Subject to the limits described in paragraph (e) above, in the event of any capitalisation issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction), such corresponding adjustments (if any) will be made to the number of Shares subject to the Share Option Scheme, the number of Shares subject to outstanding options, the subscription price in relation to each outstanding option and/or the method of exercise of the options, provided that no adjustment shall be made to the extent that the effect of such adjustment would be to enable a Share to be issued at less than its nominal value or which would give a Grantee a different proportion of the issued share capital of the Company as to which he was previously entitled. In respect of any adjustment required by the foregoing provisions, other than any made on a capitalisation issue, an independent financial adviser or the auditors for the time being of the Company must also confirm to the Board in writing that the adjustments satisfy the foregoing provision.

In any event, any such alterations will be made on the basis that a Grantee shall have the same proportion of the issued share capital of the Company. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(m) *Lapse of options*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the option period;

(ii) the expiry of any of the other periods referred to in paragraphs (h), (i) or (j) above;

(iii) subject to paragraph (k) above, the earliest of the close of business on the fifth business day prior to the general meeting referred to in paragraph (k) above or the date of commencement of the winding up of the Company;

(iv) save as otherwise provided in paragraph (j) above, or by the court in relation to the scheme in question, upon the sanctioning pursuant to the Companies Ordinance by the High Court of Hong Kong of a compromise or arrangement between the Company and its members or creditors for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies;

(v) the date on which the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of the Group by reason of the termination of his employment, office, agency, consultancy or representation on certain grounds specified in the Share Option Scheme including misconduct, bankruptcy, insolvency, having made any arrangement or composition with his creditors generally and conviction of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer or principal would be entitled to terminate his employment, office, agency, consultancy or representation at common law or pursuant to applicable laws or under the Grantee's contract, agreement or arrangement with the relevant member of the Group; and

(vi) the date on which the Board exercises the Company's right to cancel the option because of a breach by the Grantee of the rules summarised in paragraph (g) above.

(n) *Ranking and voting rights of Shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association and will rank pari passu with the fully paid Shares in issue on the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment, or, if later, before the date of registration of the allotment in the register of members of the Company.

A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the Grantee (or any other person) as the holder thereof.

(o) *Cancellation of options*

The Board may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant Grantee, as the Board may in its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation.

Where the Company cancels any options granted but not exercised and grants new options to the same Grantee, the grant of such new options may only be made under the Share Option Scheme if there is available unissued options (excluding the cancelled options) within each of the 10%-limits as referred to in paragraph (e) above.

(p) *Alteration to the Share Option Scheme*

The terms of the Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Participants unless with the prior sanction of a resolution of the Shareholders in general meeting, except where the sole purpose of the alteration is to align the provisions of the Shares Option Scheme with the amendments to the applicable laws, regulations or Listing Rules, in which case the alteration may be approved by resolution of the Board and does not require the Shareholders' approval in general meeting.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must first be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must first be approved by the Shareholders in general meeting.

(q) *Termination of the Share Option Scheme*

The Company by resolution of its Shareholders in general meeting or of the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be granted or accepted but the provisions of the Share Option Scheme shall remain in force in all other respects. All options granted and accepted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

(r) *Period of the Share Option Scheme*

Subject to termination as referred to in paragraph (q) above, the Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date (after which period no further options will be granted or accepted), and thereafter for so long as there are outstanding any unexercised options granted and accepted pursuant thereto prior to the expiration of the said ten-year period so as to give effect to the exercise of any such options or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

(s) *Conditions*

The Share Option Scheme has been approved by the Shareholders in general meeting, and is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares to be issued pursuant to the exercise of options under the Share Option Scheme, and the commencement of the listing of the Shares on the Stock Exchange.

(t) *Restrictions on the timing of grant of option*

Subject always to the Listing Rules, a grant of options may not be made: (i) after a price sensitive event or matter in relation to the securities of the Company has occurred or has been the subject of a decision, until such price sensitive information has been published in accordance with the Listing Rules; (ii) on any day on which the Company's financial results are published; (iii) during the period of 60 days immediately preceding the publication date of the Company's annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (iv) during the period of 30 days immediately preceding the publication date of the Company's quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(u) *Grant of options to connected persons*

Where any grant of options is proposed to be made to a Participant who is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, such grant must first be approved by all the independent non-executive Directors excluding any independent non-executive Director who is the proposed Grantee of such options.

If the grant of options is to be made to a Participant who is a Substantial Shareholder or an independent non-executive Director, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option scheme(s) of any member of the Group in the 12-month period up to and including the proposed date of the grant (subject to acceptance) of the options: (i) representing in aggregate over 0.1% of the number of Shares then in issue; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on each relevant date of the grant (subject to acceptance) of the options, in excess of HK$5 million, then such grant of options must first be approved by the Shareholders in general meeting, with all the connected persons of the Company abstaining from voting on the proposed grant. Any vote taken at the meeting to approve the proposed grant of such options must be taken on a poll. In addition, any proposed change in the terms of options granted to a Participant who is a Substantial Shareholder or an independent non-executive Director, or any of their respective associates, must first be approved by the Shareholders in general meeting on a similar basis (as to abstention and voting by poll) as stated above.

VI. OTHER INFORMATION

1. Taxation on holders of Shares

(a) *Hong Kong*

Tax on dividends

No Tax is payable in Hong Kong in respect of dividends paid by us.

Profits

No Tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a maximum rate of 15% on individuals. Gains from sales of shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares.

If one of the parties to the sale is a non-resident of Hong Kong and does not pay the required stamp duty, the duty not paid will be charged on the instrument of transfer (in addition to the stamp duty otherwise chargeable thereon), and the transferee will be liable for payment of such duty.

Consultation with professional advisors

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, or any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, or dealing in, the Shares.

2. Litigation

As of the Latest Practicable Date, we were not a party to 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 any member of the Group.

3. Indemnity

Estate duty and taxation

By a deed of indemnity and warranties dated September 4, 2009, Cheng Chung Hing, Cheng Tai Po, Ho Min Sang, Yan Sau Man, Amy, Tak Sing, Leung Moon Lam, Sun Kai Lit Cliff, Ma Wai Mo and Ma Yu Hung have given certain indemnities in favor of our Company (for itself and as trustee for its subsidiaries) in respect of, among other matters:

(a) any liability for Hong Kong estate duty (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) which might be incurred by any member of our Group by reason of the death of any person and by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance) to any member of our Group on or before the Unconditional Date;

(b) taxation which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters, or things earned, accrued, received, entered into, occurred or occurring (or alleged or deemed to be so earned, accrued, received, entered into, occurred or occurring) on or before the Unconditional Date; and

(c) all actions, claims, losses, damages, costs (including all legal costs), charges, expenses, interests, penalties or other liabilities which any member of our Group may incur on or before the Unconditional Date in connection with (i) the investigation, assessment or contesting of any taxation claim; (ii) the settlement of any taxation claim or claim under this deed; (iii) any legal proceedings in which any member of our Group claims under or in respect of this and in which judgment is given for and in favour of any member of our Group; or (iv) the enforcement of any such settlement or judgment.

The indemnifiers are severally responsible for any liability under this deed in the agreed proportion of the aggregate liability, and are not liable for any failure on the part of any other indemnifier to perform its obligations under this deed.

Under this deed, the indemnifiers will not be liable in respect of estate duty and taxation liabilities:

(i) for which full provision or allowance, or full payment or discharge, has been made or taken into account in the audited consolidated accounts of the Company made up as at and for the year ended on March 31, 2009;

(ii) which is incurred or is increased as a result of imposition of taxation as a consequence of any retrospective change in law, rules or regulations or interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority (whether in Hong Kong or elsewhere) coming into force after the Unconditional Date;

(iii) to the extent that any provision or reserve made for such taxation in the audited consolidated accounts for the Company for the year ended on March 31, 2009 is established to be an overprovision or an excessive reserve;

(iv) which would not have arisen but for any act or omission of, or transaction by, any members of the Group voluntarily effected and outside the ordinary course of business (other than pursuant to a legally binding commitment created on or before the Unconditional Date or consisting of any members of the Group ceasing or being deemed to cease to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation); and

(v) which is discharged by another person and that no member of our Group is required to reimburse such person in respect of the discharge of such tax liabilities.

4. Sole Sponsor

The Sole Sponsor has made an application on behalf of the Company to the Listing Committee for listing of, and permission to deal in, on the Main Board of the Stock Exchange the Shares in issue and to be issued as described in this Prospectus. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The Sole Sponsor has declared pursuant to Rule 3A.08 of the Listing Rules that it is independent pursuant to 3A.07 of the Listing Rules.

5. Preliminary Expenses

The estimated amount of the expenses of the Global Offering is approximately HK$206 million in aggregate (assuming an Offer Price of HK$1.75, being the mid-point of the stated range of the Offer Price between HK$1.40 and HK$2.10 per Share) payable by the Company, as more fully detailed in the section headed "Underwriting — Underwriting Arrangements and Expenses — Commission and Expenses" of this Prospectus.

6. Promoter

Our Company has no promoter for the purposes of the Listing Rules.

7. Qualifications of experts

Name	Qualifications
Merrill Lynch Far East Limited	Deemed licensed under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) as defined under the SFO
Ernst & Young	Certified Public Accountants
Savills Valuation and Professional Services Limited	Property valuers
Commerce & Finance Law Offices	Registered law firm in the PRC

8. Consents of experts

Each of Merrill Lynch Far East Limited, Ernst & Young, Savills Valuation and Professional Services Limited and Commerce & Finance Law Offices, has given and has not withdrawn its respective written consents to the issue of this Prospectus with copies of their reports, valuation certificates, letters or opinions (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they are respectively included.

9. Binding effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

10. Commissions received

The Underwriters will receive an underwriting commission as referred to under the section "Underwriting" in this Prospectus.

11. Miscellaneous

Save as disclosed in this Prospectus:

(i) within the two years immediately preceding the date of this Prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or a consideration other than cash;

(ii) no Share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the two years immediately preceding the date of this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Share or loan capital of the Company or any of its subsidiaries;

(iv) no commission has been paid or is payable to any person (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;

(v) since the last 12 months there has been no material and adverse change in our financial or trading position or prospects of the Company;

(vi) we have not issued or agreed to issue any founder shares, management shares or deferred shares;

(vii) none of the equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(viii) the English text of this Prospectus shall prevail over the Chinese text.

12. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies for registration include:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the section headed "Other Information — Qualifications of experts" in Appendix V to this Prospectus; and

(c) a copy of each of the material contracts referred to in the section headed "Further Information about our Business — Summary of material contracts" in Appendix V to this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Baker & McKenzie of 23rd Floor, One Pacific Place, 88 Queensway, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

(a) our Memorandum and Articles of Association;

(b) the service agreements and letters of appointment referred to in the paragraph headed "Further Information about Directors, Management and Staff — Particulars of the Directors' service agreements and letters of appointment" in Appendix V to this Prospectus;

(c) the material contracts referred to in the section headed "Further Information About Our Business — Summary of material contracts" in Appendix V to this Prospectus;

(d) the Accountants' Report prepared by Ernst & Young, the text of which is set out in Appendix I to this Prospectus;

(e) the letter from Ernst & Young in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this Prospectus;

(f) the letter, summary of values and valuation certificate relating to our property interests prepared by Savills Valuation and Professional Services Limited, the texts of which are set out in Appendix III to this Prospectus;

(g) the written consents referred to in the section headed "Other Information — Consents of experts" in Appendix V to this Prospectus;

(h) the audited consolidated financial statements of our Group for the years ended March 31, 2007, 2008 and 2009; and

(i) the rules of the Share Option Scheme.

華南城

China South City Holdings Limited