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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**Form 6-K**

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**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of January 2011

Commission File Number 000-53776

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**China Metro-Rural Holdings Limited**

(Translation of registrant's name into English)

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Suite 803, 8/F, Tower 1, The Gateway  
25 Canton Road, Tsimshatsui, Kowloon, Hong Kong  
(Address of principal executive office)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F       Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)  
(1): \_\_\_\_\_

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)  
(7): \_\_\_\_\_

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes       No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): \_\_\_\_\_

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The information contained in this Report of Foreign Private Issuer on Form 6-K is furnished herewith and is incorporated by reference into the Registration Statement of the Registrant on Form S-8 (No. 333-165783).

**Explanatory Note:**

On July 9, 2010, China Metro-Rural Holdings Limited, or the Company, filed its Annual Report on Form 20-F for the year ended March 31, 2010, or the 2010 Form 20-F, with the U.S. Securities and Exchange Commission, or the Commission.

On July 28, 2010, the Company announced its decision to distribute its entire equity interest in Man Sang International Limited, or MSIL, to the Company's shareholders, or the Distribution. In line with the accounting policies of the Company and its subsidiaries, or the Group, the results attributable to MSIL were shown as discontinued operations in the Group's unaudited condensed consolidated interim financial information for the six months ended September 30, 2010.

In the Form 6-K furnished to the Commission on October 28, 2010, announcing the Company's consolidated results for the six months ended September 30, 2010, the Company classified the release of translation reserve resulting from the Distribution within the continuing operation on the condensed consolidated income statement. However, the release of translation reserve was a result of the distribution of the shares of MSIL which carried out the discontinued operations. Accordingly, the Group's results of operations for the six months ended September 30, 2010 included in the unaudited condensed consolidated interim financial statements in this Form 6-K reflect the release of translation reserve as a component of discontinued operations on the condensed consolidated income statement.

As a result of the Distribution, which was subsequent to the filing with the Commission of the 2010 Form 20-F, the Company re-presented in a separate report on Form 6-K furnished on January 18, 2011, or the Related 6-K Report, its consolidated financial statements for the three years ended March 31, 2010 to reflect the presentation of such financial statements, distinguishing between the Group's continuing operation and discontinued operations. In addition, management's discussion and analysis of the Group's financial performance for the three years ended March 31, 2010 was re-presented, distinguishing between the Company's continuing and discontinued operations. The Related 6-K Report is being furnished to the Commission contemporaneously with this Form 6-K.

In addition, this Form 6-K supplements the Related 6-K Report in respect of the Group's results of operations for the six months months ended September 30, 2010, and includes a full set of unaudited condensed consolidated interim financial information and related management's discussion and analysis of the Group's performance for the six months ended September 30, 2010.

The information included in the exhibits to this Form 6-K (which includes the Group's condensed consolidated interim financial information for the six months ended September 30, 2010, as well as management's review and analysis thereof) should be read in conjunction with the Related 6-K Report. This Form 6-K and the Related 6-K Report should also be read in conjunction with the 2010 Form 20-F.

**Exhibits**

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|------|--|
| 99.1 | Management's Discussion and Analysis of Financial Condition and Results of Operations  |
| 99.2 | Unaudited Condensed Consolidated Interim Results of Operations of China Metro- Rural Holdings Limited for the six months ended September 30, 2009 and September 30, 2010, and notes thereto. |



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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated interim condensed financial statements of China Metro-Rural Holdings Limited, or the Company, and its subsidiaries, or the Group, for the six months ended September 30, 2010 prepared under IFRS.*

*Some of the information contained in this discussion and analysis constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, or Act, which are, by their nature, subject to risks and uncertainties. This Act provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these statements as forward-looking and provide meaningful cautionary statements identifying important factors that could cause actual results to differ from the projected results. All statements, including statements regarding industry prospects and future results of operations or financial position, made in this press release are forward looking.*

*Words such as "anticipate", "believe", "estimate", "expect", "intend", "may", "plan", "predict", "project", "would" and similar expressions may identify forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in our public filings with the U.S. Securities and Exchange Commission, particularly those under "Cautionary Statement Concerning Forward-Looking Statements" and "Risk Factors" contained in our Annual Report on Form 20-F filed on July 9, 2010, and in our Form 6-K furnished on January 18, 2011. These forward-looking statements include, without limitation, statements relating to: the Group's future performance, the Company's expansion efforts, the state of economic conditions, the Group's market and the governmental policy. These forward-looking statements are based on assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes to be appropriate in particular circumstances. However, whether actual results and developments will meet the Group's expectations and predictions depends on a number of known and unknown risks and uncertainties and other factors, any or all of which could cause actual results, performance or achievements to differ materially from the Group's expectations, whether expressed or implied by such forward-looking statements.*

### Overview

At the end of six months ended September 30, 2010, the Group had one main business segment, our Agricultural Logistics Operation, which is presented as the continuing operation on the face of the condensed consolidated income statement of the Group for the six months ended September 30, 2010 and 2009.

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

On July 28, 2010, we declared a dividend to our shareholders which was satisfied by way of distribution in specie the entire equity interest in Man Sang International Limited, or MSIL, held by us, represented approximately 494 million ordinary shares, or the Distribution. The Distribution was completed in August 2010.

Following the Dividend discussed above, it resulted in the discontinuation of the Pearl Operation and the Real Estate Operation, or, collectively, the Discontinued Operations, which were previously carried out through MSIL. As a result of such discontinuation, the results of operations of the Discontinued Operations have been presented as a single line item on the face of condensed consolidated income statement of the Group for the six months ended September 30, 2010 and 2009. We are now entirely focused on being one of the leading developers and operators of large scale, integrated agricultural logistics and trade centers in Northern China.

## Condensed Consolidated Interim Results of Operations

The following is a discussion of our condensed consolidated interim results of operations for the six months ended September 30, 2010 and 2009.

### Results of operations of the Group

	Six months ended September 30,	
	2010 HK\$'000 (Unaudited)	As restated 2009 HK\$'000 (Unaudited)
<b>Continuing operation:</b>		
Revenue	359,421	155,758
Cost of sales	(215,884)	(96,823)
Gross profit	143,537	58,935
Other income, net	27,707	6,774
Other gains, net	2,494	—
Selling expenses	(11,495)	(3,983)
Administrative expenses	(29,058)	(18,546)
<b>Operating profit</b>	<b>133,185</b>	<b>43,180</b>
Finance income	652	180
Finance cost	(179)	—
Finance income – net	473	180
Share of results of an associate	(419)	—
<b>Profit before income tax</b>	<b>133,239</b>	<b>43,360</b>
Income tax expenses	(57,065)	(18,904)
<b>Profit for the period from continuing operation</b>	<b>76,174</b>	<b>24,456</b>
<b>Discontinued operations:</b>		
Profit for the period from discontinued operations, net of tax	29,878	14,400
<b>Profit for the period</b>	<b>106,052</b>	<b>38,856</b>
Attributable to:		
Equity holders of the Company	100,137	32,516
Non-controlling interests	5,915	6,340
	<u>106,052</u>	<u>38,856</u>

## Results of operations of the Discontinued Operations

	Six months ended September 30,	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenue	157,452	148,602
Cost of sales	(117,241)	(94,903)
Gross profit	40,211	53,699
Other income and gains, net	28,006	6,654
Expenses	(33,983)	(44,586)
Increase in fair value of investment properties	1,592	—
Finance income, net	87	621
Share of result of an associate	17	49
Profit before income tax	35,930	16,437
Income tax expense	(6,052)	(2,037)
Profit from discontinued operations	<u>29,878</u>	<u>14,400</u>
Attributable to:		
Equity holders of the Company	23,950	8,060
Non-controlling interests	5,928	6,340
	<u>29,878</u>	<u>14,400</u>

### *Six Months Ended September 30, 2010 Compared with Six Months Ended September 30, 2009*

#### **Continuing Operation**

##### **Revenue**

Revenue in the six months ended September 30, 2009 was approximately HK\$155.8 million, which consisted solely sales of trade center units. Revenue in the six months ended September 30, 2010 was approximately HK\$359.4 million, which consisted primarily sales of trade center units and supporting facilities of approximately HK\$357.6 million. The change was attributable to increase in sales of trade center units and supporting facilities with gross floor area of approximately 107,000 square meters (2009: approximately 49,000 square meters). The remainder of revenue represented rental income from leases of trade center units of approximately HK\$1.6 million and property management fee income of approximately HK\$0.2 million.

##### **Cost of Sales**

In the six months ended September 30, 2009, our cost of sales was approximately HK\$96.8 million. In the six months ended September 30, 2010, our cost of sales was approximately HK\$215.9 million. The cost of sales was based on direct and indirect costs of construction, land grant fee and capitalized expenses attributable to the area of properties that were recognized as sales.

##### **Gross Profit**

Our gross profit increased by HK\$84.6 million, or 143.6%, from HK\$58.9 million for the six months ended September 30, 2009 to HK\$143.5 million for the six months ended September 30, 2010. The gross profit margin, or gross profit as a percentage of total revenue, increased from 37.8% in the six months ended September 30, 2009 to 39.9% in the six months ended September 30, 2010. The increase was primarily due to an increase in the average selling prices while construction costs remained relatively steady.

### ***Other Income and Other Gains, Net***

In the six months ended September 30, 2009, our other income were approximately HK\$6.8 million, resulting primarily from net income recognized for a construction contract of approximately HK\$4.4 million and government grants of approximately HK\$2.3 million.

In the six months ended September 30, 2010, our other income and gains were approximately HK\$30.2 million, resulting primarily from government grants of approximately HK\$16.5 million, net income recognized for a construction contract of approximately HK\$10.9 million and gain on disposal of a land use right as a result of an injection into an associate of approximately HK\$2.2 million.

### ***Selling Expenses***

Our selling expenses increased by HK\$7.5 million, or 188.6%, from HK\$4.0 million for the six months ended September 30, 2009 to HK\$11.5 million for the six months ended September 30, 2010. The increase in selling expenses was primarily due to an increase in advertising expenses of approximately HK\$6.5 million, an increase in salaries and commissions paid to sales executives for sales of properties of approximately HK\$0.4 million, an increase in printing expenses incurred for printing of marketing materials of approximately HK\$0.3 million and an increase in utility expenses incurred for sales center of approximately HK\$0.2 million. The increase in the above expenses was a result of new sales campaign initiated and the commencement of the new sales center in the six months ended September 30, 2010.

### ***Administrative Expenses***

Administrative expenses increased by approximately HK\$10.6 million, or 56.7%, from approximately HK\$18.5 million in the six months ended September 30, 2009 to approximately HK\$29.1 million in the six months ended September 30, 2010. The increase in administrative expenses was primarily due to an increase in impairment of trade receivables of HK\$5.1 million, an increase in salaries of approximately HK\$2.1 million, an increase in depreciation of approximately HK\$1.2 million, an increase in audit and consultancy fees of approximately HK\$0.6 million, an increase in entertainment expenses of approximately HK\$0.4 million and a general increase in other expenses in the six months ended September 30, 2010, but was set off partly by a decrease in listing related such as announcement costs and share registration fees of approximately HK\$0.9 million.

### ***Finance Income***

Our interest income from bank deposits increased by HK\$0.5 million, or 262.2%, from HK\$0.2 million for the six months ended September 30, 2009 to HK\$0.7 million for the six months ended September 30, 2010. The increase was primarily due to general increase in average bank balances.

In the six months ended September 30, 2009, we incurred interest expense of approximately HK\$10.4 million, all of which was capitalized in properties under development. In the six months ended September 30, 2010, we incurred interest expense of approximately HK\$12.1 million, out of which HK\$11.9 million was capitalized in properties under development and the rest of HK\$0.2 million was recognized as finance costs in the condensed consolidated income statement.

### ***Profit Before Income Tax From Continuing Operation***

As a result of the foregoing, we had a profit before tax from continuing operation of approximately HK\$43.4 million in the six months ended September 30, 2009. In the six months ended September 30, 2010, we had a profit before tax from continuing operation of approximately HK\$133.2 million.

### ***Taxation***

In the six months ended September 30, 2009, our income tax expenses were HK\$18.9 million generated by net current income tax expenses of HK\$10.5 million, land appreciation tax charge of HK\$9.8 million and a deferred tax credit of HK\$1.4 million. In the six months ended September 30, 2010, our income tax expenses of HK\$57.1 million consisted of net current income tax expenses of HK\$28.0 million and land appreciation tax charge of HK\$29.1 million.

The effective tax rate decreased from 43.6% in the six months ended September 30, 2009 to 42.8% in the six months ended September 30, 2010.

### ***Profit for the Period from Continuing Operation***

In the six months ended September 30, 2009, we incurred a net profit from continuing operation of approximately HK\$24.5 million. In the six months ended September 30, 2010 we generated a net profit from continuing operation of approximately HK\$76.2 million as a result of the cumulative effect of the factors discussed above.

### ***Non-Controlling Interests***

In the six months ended September 30, 2009 and 2010, loss from continuing operation attributable to non-controlling interests was nil and approximately HK\$13,000, respectively.

### **Discontinued Operations**

#### ***Revenue***

	<u>2010</u> HK\$ million	<u>2009</u> HK\$ million	<u>Change</u> %
Pearl Operation	88.3	116.2	(24.0)
Real Estate Operation	69.2	32.4	113.6
	<u>157.5</u>	<u>148.6</u>	6.0

#### Pearl Operation

In the six months ended September 30, 2009, revenue attributable to the Pearl Operation was HK\$116.2 million. During the period, the worldwide market demand decreased as result of the current global economic contraction.

In the six months ended September 30, 2010 prior to the Distribution, revenue attributable to the Pearl Operation was HK\$88.3 million. Sales in the Pearl Operation showed a sign of rebound, primarily due to the need to replenish inventory by our customers who conducted an excessively conservative and strict purchasing strategy during the period of global financial crisis.

#### Real Estate Operation

In the six months ended September 30, 2009, revenue attributable to the Real Estate Operation was HK\$32.4 million. To improve sales in the market center of China Pearl Jewellery City, preferential discounts were offered to property investors who purchase the shops in large numbers during the period.

In the six months ended September 30, 2010 prior to the Distribution, revenue attributable to the Real Estate Operation was HK\$69.2 million. A significant increase in revenue attributable to the Real Estate Operation was primarily due to a launch of sale of completed apartments located in China Pearl Jewellery City, in which it recognized sales of HK\$42.8 million contributed to total revenue in the Real Estate Operation during the period.

#### ***Cost of Sales***

	<u>2010</u> HK\$ million	<u>2009</u> HK\$ million	<u>Change</u> %
Pearl Operation	54.6	70.7	(22.8)
Real Estate Operation	62.6	24.2	158.7
	<u>117.2</u>	<u>94.9</u>	23.5

#### Pearl Operation

In the six months ended September 30, 2009, cost of sales attributable to the Pearl Operation was HK\$70.7 million. In the six months ended September 30, 2010 prior to the Distribution, cost of sales was HK\$54.6 million. Cost of sales primarily consisted cost of inventory, labour cost and production overhead

#### Real Estate Operation

In the six months ended September 30, 2009, cost of sales attributable to the Real Estate Operation was HK\$24.2 million. In the six months ended September 30, 2010 prior to the Distribution, cost of sales was HK\$62.6 million. Cost of sales primarily consisted of cost of construction, capitalized borrowing cost, china tax expenses in connection with sale of properties and direct cost and China tax expenses related to rental income.

## **Gross Profit**

### **Pearl Operation**

In the six months ended September 30, 2009, gross profit attributable to the Pearl Operation was HK\$45.5 million. In the six months ended September 30, 2010 prior to the Distribution, gross profit was HK\$33.7 million. Gross profit margin decreased from 39.2% for the six months ended September 30, 2009 to 38.2% for the six months ended September 30, 2010 prior to the Distribution. The decrease in gross profit margin was primarily due to an increase in cost of processing and production of pearls and jewelry product in the Mainland China, resulting from the gradual appreciation of the Renminbi against Hong Kong dollars

### **Real Estate Operation**

In the six months ended September 30, 2009, gross profit attributable to the Real Estate Operation was HK\$8.2 million. In the six months ended September 30, 2010 prior to the Distribution, gross profit was HK\$6.6 million. Gross profit margin decreased from 25.3% for the six months ended September 30, 2009 to 9.5% for the six months ended September 30, 2010 prior to the Distribution. The decrease in gross profit margin was primarily due to the promotional sales arrangement commenced in September 2009 which sells properties at preferential discount rates to property investors.

## **Other Income and Gains, Net**

In the six months ended September 30, 2009, our other income and gains were HK\$6.7 million, resulting primarily from a gain on disposals of financial assets at fair value through profit or loss of approximately HK\$6.6 million.

In the six months ended September 30, 2010 prior to the Distribution, our other income and gains were approximately HK\$28.0 million, resulting primarily from a gain on disposal of investment properties of approximately HK\$5.8 million and a release of translation reserve as a result of the Distribution of approximately HK\$20.3 million.

## **Expenses**

	<u>2010</u>	<u>2009</u>	<u>Change</u>
	HK\$ million	HK\$ million	%
Pearl Operation	27.7	40.8	(32.1)
Real Estate Operation	6.3	3.8	65.8
	<u>34.0</u>	<u>44.6</u>	(23.8)

### **Pearl Operation**

In the six months ended September 30, 2009, expenses attributable to the Pearl Operation was HK\$40.8 million, consisting of selling and distribution cost of HK\$6.9 million and administration expenses of HK\$33.9 million.

In the six months ended September 30, 2010 prior to the Distribution, expenses attributable to the Pearl Operation was HK\$27.7 million, consisting of selling and distribution cost of HK\$3.5 million and administration expenses of HK\$24.2 million.

### **Real Estate Operation**

In the six months ended September 30, 2009, expenses attributable to the Real Estate Operation was HK\$3.8 million, consisting of selling and distribution cost of HK\$2.9 million and general administration expenses of HK\$6.4 million but offset in part by recovery of provision for doubtful debt of HK\$5.5 million.

In the six months ended September 30, 2010 prior to the Distribution, expenses attributable to the Real Estate Operation was HK\$6.3 million, consisting of selling and distribution cost of HK\$2.0 million and general administration expenses of HK\$4.3 million.

## **Changes in Fair Values of Investment Properties**

In the six months ended September 30, 2010 prior to the Distribution, the fair value gain of investment properties was HK\$1.6 million. The increase in fair value was primarily due to an increase in market value for the properties in Hong Kong.

### ***Net Finance Income***

In the six months ended September 30, 2009, our interest income from bank deposits was HK\$0.9 million. In the six months ended September 30, 2010 prior to the Distribution, our interest income from bank deposits was HK\$1.1 million.

In the six months ended September 30, 2009, we incurred interest expense of approximately HK\$5.9 million, of which HK\$5.6 million was capitalized in properties under development and investment properties under construction and the rest of HK\$0.3 million was recognized as finance cost in the condensed consolidated financial statements. In the six months ended September 30, 2010 prior to the Distribution, we incurred interest expense of approximately HK\$3.5 million, of which HK\$2.5 million was capitalized in properties under development and investment properties under construction and the rest of HK\$1.0 million was recognized as finance cost in the condensed consolidated financial statements.

### ***Profit Before Income Tax from Discontinued Operations***

As a result of the foregoing, we had a profit before tax from discontinued operations of approximately HK\$16.4 million in the six months ended September 30, 2009. In the six months ended September 30, 2010 prior to the Distribution, we had a profit before tax of approximately HK\$35.9 million.

### ***Taxation***

In the six months ended September 30, 2009, our income tax expenses were HK\$2.0 million generated by current income tax of HK\$5.8 million, consisting of corporate income tax of HK\$5.6 million and land appreciation tax of HK\$0.2 million but offset in part by deferred tax credit of HK\$3.8 million.

In the six months ended September 30, 2010 prior to the Distribution, our income tax expenses were HK\$6.1 million generated by current income tax of HK\$8.6 million, consisting of corporate income tax of HK\$5.0 million and land appreciation tax of HK\$3.6 million but offset in part by deferred tax credit of HK\$2.5 million.

The effective tax rate increased from 12.4% in the six months ended September 30, 2009 to 16.8% in the six months ended September 30, 2010 prior to the Distribution. The increase was due to an increase in sales of properties in the PRC which was subject to land appreciation tax at progressive rates.

### ***Profit for the Period from Discontinued Operations***

In the six months ended September 30, 2009, we incurred a net profit of approximately HK\$14.4 million. In the six months ended September 30, 2010 prior to the Distribution, we generated a net profit of approximately HK\$29.9 million as a result of the cumulative effect of the factors discussed above.

### ***Non-Controlling Interests***

In the six months ended September 30, 2009, profit attributable to non-controlling interests was approximately HK\$6.3 million. In the six months ended September 30, 2010 prior to the Distribution, profit attributable to non-controlling interests was approximately HK\$5.9 million.

### ***B. 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 six months ended September 30, 2009, we financed our operations primarily through internally generated funds, bank borrowings and loans from our shareholders. For the six months ended September 30, 2010, we financed our operations primarily through internally generated funds and bank borrowings. We expect to have sufficient sources of funds for the remainder of the year ending March 31, 2011 to support our current operations, as well as finance ongoing and future projects. These sources are expected to include: (1) rental and sales revenues; (2) debt financing arrangements with banks, including project financing and working capital facilities and (3) financing through capital markets.

### ***Working Capital***

Our current assets consist of completed properties held for sale, inventories, trade receivables, prepayments, deposits and other receivables, pledged bank balances and cash and cash equivalents. Our current liabilities primarily consist of trade payables, other payables, accruals and deposits received, interest-bearing bank borrowings and taxes payable.

As of March 31, 2010 and September 30, 2010, we had net current assets, representing the amount by which our current assets exceeded our current liabilities, of approximately HK\$837.2 million and HK\$423.3 million, respectively. The fluctuation in our working capital position during this period primarily reflected changes in cash provided by and used in operating, investing and financing activities, when developing our industrial and agricultural trade centers, supporting commercial facilities, warehouse facilities and other facilities in China Northeast Logistics City.

#### Cash Flows

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

	Six months ended September 30,	
	2010 HK\$'000 (Unaudited)	As restated 2009 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	(69,171)	3,079
Net cash used in investing activities	(678,243)	(28,178)
Net cash generated from financing activities	142,068	347,234
Net (decrease)/increase in cash and cash equivalents	(605,346)	322,135
Effect of foreign exchange rate changes on cash and cash equivalents, net	4,214	(29)
Cash and cash equivalents at the beginning of the period	746,669	503,912
Cash and cash equivalents at the beginning of the period	<u>145,537</u>	<u>826,018</u>

#### Cash Flow (Used in)/Generated from Operating Activities

We derive cash from operating activities solely from the sale of trade center units in our Agricultural Logistics Operation. We use cash generated from operating activities principally for investments in properties under development and purchase of inventory such as pearls.

In the six months ended September 30, 2010, net cash used in operating activities was HK\$69.2 million, which consisted of operating cash inflow before changes in working capital of HK\$129.1 million, cash outflow of net interest and tax of HK\$16.9 million and working capital cash outflow of HK\$181.4 million. Working capital changes primarily reflected a negative change resulting from additions to properties under development of HK\$259.8 million, an increase in inventories of HK\$0.5 million, an increase in trade and other receivables of HK\$177.5 million, a decrease of trade payables, other payables and accruals of HK\$2.8 million and a decrease in receipt in advance of HK\$46.7 million, partially offset by positive changes resulting from a decrease in completed properties held for sale of HK\$255.1 million and a decrease in a construction contract of HK\$50.8 million. The additions in properties under development were attributable to construction activities carried out for our properties development projects. The decrease in trade payables, other payables and accruals was attributable to settlement of construction costs incurred for construction of properties. The decrease in received in advance was attributable to recognition of revenue on pre-sold properties upon completion of the construction of the units and the units were delivered to the purchasers.

In the six months ended September 30, 2009, net cash generated by operating activities was HK\$3.1 million, which consisted of operating cash inflow before changes in working capital of HK\$54.6 million, and cash outflow of net interest and tax of HK\$18.1 million and working capital cash outflow of HK\$33.4 million. Working capital changes primarily reflected a negative change resulting from additions to properties under development of HK\$223.1 million, an increase in a construction contract of HK\$33.6 million and a decrease in deposits received of HK\$77.4 million, partially offset by positive changes resulting from a decrease in inventories of HK\$3.2 million, a decrease in completed properties held for sale of HK\$102.8 million, a decrease in amounts due from related parties of HK\$94.0 million, a decrease in trade and other receivables of HK\$50.0 million and an increase in trade payables, other payables and accruals of HK\$50.7 million. The additions in properties under development and an increase in trade payables and accruals were attributable to construction activities carried out for our properties development projects. The decrease in received in advance was attributable to recognition of revenue on pre-sold properties upon completion of the construction of the units and the units were delivered to the purchasers.

#### *Cash Flow Used in Investing Activities*

Our principal investment activity is the construction of investment properties. In the six months ended September 30, 2010, net cash used in investing activities was HK\$678.2 million, which primarily consisted of cash outflow of HK\$716.6 million resulting from the purchase of property, plant and equipment, additions to investment properties under construction, purchase of marketable securities, cash disposed as a result of deemed disposal of a subsidiary and cash disposed as a result of the Distribution, partially offset by cash inflow of HK\$38.4 million resulting from proceeds received from disposals of an investment property and proceeds received from disposals of marketable securities. In the six months ended September 30, 2009, net cash used in investing activities was HK\$28.2 million, which primarily consisted of a cash outflow of HK\$81.2 million resulting from the purchase of property, plant and equipment, additions to investment properties under construction and purchase of marketable securities, partially offset by cash inflow of HK\$53.0 million resulting from proceeds received from disposals of marketable securities.

#### *Cash Flow Generated from Financing Activities*

Our cash from financing activities was derived from bank borrowings and loans from shareholders. In the six months ended September 30, 2010, net cash generated from financing activities was HK\$142.1 million, consisted of cash outflow of HK\$74.5 million resulting from repayment of bank borrowings, partially offset by cash inflow of HK\$216.6 million resulting from proceeds from new bank loans, contribution from a non-controlling interests of a subsidiary and a decrease in restricted and pledged bank deposits. In the six months ended September 30, 2009, net cash provided by financing activities was HK\$347.2 million, consisted of cash inflow of HK\$505.4 million for proceeds from new bank loans, contribution from shareholders and minority shareholders of a subsidiary, partially offset by cash outflow of HK\$158.2 million resulting from repayment of bank borrowings and an increase in restricted and pledged bank deposits.

**CHINA METRO-RURAL HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(UNAUDITED)**  
**FOR THE SIX MONTHS ENDED**  
**SEPTEMBER 30, 2010 AND 2009**

**CHINA METRO-RURAL HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**

	Notes	For the six months ended September 30,		
		2010 US\$'000 (Unaudited) (Note 29)	2010 HK\$'000 (Unaudited)	As restated 2009 HK\$'000 (Unaudited) (Note 3(c)(i))
<b>Continuing operation:</b>				
Revenue	5	46,079	359,421	155,758
Cost of sales		<u>(27,677)</u>	<u>(215,884)</u>	<u>(96,823)</u>
Gross profit		18,402	143,537	58,935
Other income, net		3,552	27,707	6,774
Other gains, net		319	2,494	—
Selling expenses		(1,474)	(11,495)	(3,983)
Administrative expenses		<u>(3,725)</u>	<u>(29,058)</u>	<u>(18,546)</u>
<b>Operating profit</b>		17,074	133,185	43,180
Finance income		84	652	180
Finance cost		(23)	(179)	—
Finance income – net		61	473	180
Share of results of an associate		(54)	(419)	—
<b>Profit before income tax</b>	7	17,081	133,239	43,360
Income tax expenses	8	<u>(7,316)</u>	<u>(57,065)</u>	<u>(18,904)</u>
<b>Profit for the period from continuing operation</b>		9,765	76,174	24,456
<b>Discontinued operations:</b>				
Profit for the period from discontinued operations, net of tax	10	3,831	29,878	14,400
<b>Profit for the period</b>		<u>13,596</u>	<u>106,052</u>	<u>38,856</u>
Attributable to:				
Equity holders of the Company		12,838	100,137	32,516
Non-controlling interests		758	5,915	6,340
		<u>13,596</u>	<u>106,052</u>	<u>38,856</u>
<b>Dividend – Non-cash</b>	9	<u>59,804</u>	<u>466,474</u>	<u>—</u>
<b>Earnings per share from continuing and discontinued operations attributable to equity holders of the Company during the period</b>				
<b>Basic earnings per share</b>				
From continuing operation		US\$ 0.15	HK\$ 1.19	HK\$ 0.38
From discontinued operations		US\$ 0.05	HK\$ 0.37	HK\$ 0.13
		<u>US\$ 0.20</u>	<u>HK\$ 1.56</u>	<u>HK\$ 0.51</u>
<b>Diluted earnings per share</b>				
From continuing operation		US\$ 0.15	HK\$ 1.19	HK\$ 0.38
From discontinued operations		US\$ 0.05	HK\$ 0.37	HK\$ 0.13
		<u>US\$ 0.20</u>	<u>HK\$ 1.56</u>	<u>HK\$ 0.51</u>

The above condensed consolidated income statement should be read in conjunction with the accompanying notes.

**CHINA METRO-RURAL HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<u>For the six months ended September 30,</u>		
	2010 US\$'000 (Unaudited) (Note 29)	2010 HK\$'000 (Unaudited)	As restated 2009 HK\$'000 (Unaudited) (Note 3(c)(i))
Profit for the period	13,596	106,052	38,856
Other comprehensive income, net of tax:			
Increase in fair value of leasehold land and buildings, net of deferred income tax	594	4,636	9,972
Exchange difference on translation of foreign operations	3,152	24,588	244
<b>Total comprehensive income for the period</b>	<u>17,342</u>	<u>135,276</u>	<u>49,072</u>
Total comprehensive income for the period attributable to:			
Equity holders of the Company	15,103	117,807	36,814
Non-controlling interests	2,239	17,469	12,258
	<u>17,342</u>	<u>135,276</u>	<u>49,072</u>

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

**CHINA METRO-RURAL HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Notes	At September 30, 2010 US\$'000 (Unaudited) (Note 29)	2010 HK\$'000 (Unaudited)	At March 31, 2010 HK\$'000 (Unaudited) (Notes 3(b) and 3(c)(i))
<b>Non-current assets</b>				
Investment properties	12	13,527	105,513	866,329
Investment properties under construction	13	29,458	229,770	293,020
Property, plant and equipment	14	10,160	79,251	183,327
Prepaid lease payments and land use rights	15	1,461	11,396	22,459
Deposit for acquisition of land use rights	16	26,966	210,331	115,389
Interest in an associate	20	2,208	17,222	100
Deferred income tax assets		—	—	1,289
		<u>83,780</u>	<u>653,483</u>	<u>1,481,913</u>
<b>Current assets</b>				
Inventories		—	—	51,646
Completed properties held for sale		19,131	149,225	422,755
Properties under development	17	40,002	312,017	258,046
Prepaid lease payments and land use rights	15	41	317	2,198
Construction contract	18	—	—	50,557
Trade and other receivables		24,400	190,321	229,808
Financial assets at fair value through profit or loss		—	—	49,194
Tax recoverable		—	—	5,526
Restricted and pledged bank deposits		22,474	175,301	179,752
Cash and cash equivalents		18,659	145,537	746,669
		<u>124,707</u>	<u>972,718</u>	<u>1,996,151</u>
<b>Current liabilities</b>				
Trade payables, other payables and accruals		18,932	147,668	454,224
Receipt in advance		7,555	58,933	286,372
Current income tax liabilities		15,733	122,717	139,428
Bank borrowings	19	28,213	220,060	277,446
Amount due to an associate		1	5	1,530
		<u>70,434</u>	<u>549,383</u>	<u>1,159,000</u>
Net current assets		<u>54,273</u>	<u>423,335</u>	<u>837,151</u>
Total assets less current liabilities		<u>138,053</u>	<u>1,076,818</u>	<u>2,319,064</u>
<b>Non-current liabilities</b>				
Deferred income tax liabilities		6,139	47,882	132,258
Bank borrowings	19	43,061	335,881	329,245
		<u>49,200</u>	<u>383,763</u>	<u>461,503</u>
<b>Net assets</b>		<u>88,853</u>	<u>693,055</u>	<u>1,857,561</u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

**CHINA METRO-RURAL HOLDINGS LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – (Continued)**

	Notes	At September 30, 2010 US\$'000 (Unaudited) (Note 29)	2010 HK\$'000 (Unaudited)	At March 31, 2010 HK\$'000 (Unaudited) (Notes 3(b) and 3(c)(i))
<b>Equity</b>				
Equity attributable to equity holders of the Company				
Share capital	21	64	500	500
Reserves		88,789	692,555	1,061,489
		<u>88,853</u>	<u>693,055</u>	<u>1,061,989</u>
Non-controlling interests		—	—	795,572
<b>Total equity</b>		<u><u>88,853</u></u>	<u><u>693,055</u></u>	<u><u>1,857,561</u></u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

**CHINA METRO-RURAL HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<u>For the six months ended September 30,</u>		
	2010 US\$'000 (Unaudited) (Note 29)	2010 HK\$'000 (Unaudited)	As restated 2009 HK\$'000 (Unaudited) (Note 3(c)(i))
<b>Net cash (used in)/generated from operating activities</b>	(8,868)	(69,171)	3,079
<b>Net cash used in investing activities</b>	(86,954)	(678,243)	(28,178)
<b>Net cash generated from financing activities</b>	18,214	142,068	347,234
<b>Net (decrease)/increase in cash and cash equivalents</b>	(77,608)	(605,346)	322,135
Cash and cash equivalents at beginning of the period	95,727	746,669	503,912
Effect of foreign exchange rate changes	540	4,214	(29)
Cash and cash equivalents at end of the period	<u>18,659</u>	<u>145,537</u>	<u>826,018</u>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CHINA METRO-RURAL HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Notes	Attributable to owners of the Company							Total HK\$'000 (Unaudited)	Non- controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
	Issued capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Property revaluation reserve HK\$'000 (Unaudited)	Accumulated translation reserve HK\$'000 (Unaudited)	Capital reserve HK\$'000 (Unaudited)	Statutory surplus reserve HK\$'000 (Unaudited)	Retained profits HK\$'000 (Unaudited)			
Balance at April 1, 2009 as previously reported	77	—	32,907	35,498	104,228	4,771	394,123	571,604	812,052	1,383,656
Adoption of IAS 17 (Amendment)	3(c)(i) —	—	5,874	—	—	—	410	6,284	9,283	15,567
Balance at April 1, 2009 (As restated)	77	—	38,781	35,498	104,228	4,771	394,533	577,888	821,335	1,399,223
Profit for the period	—	—	—	—	—	—	32,516	32,516	6,340	38,856
Other comprehensive income:										
Increase in fair value of leasehold land and buildings, net of deferred income tax	—	—	4,026	—	—	—	—	4,026	5,946	9,972
Exchange difference on translation of foreign operations	—	—	—	272	—	—	—	272	(28)	244
Total comprehensive income for the period	—	—	4,026	272	—	—	32,516	36,814	12,258	49,072
Transfer to retained profits upon disposal of properties	—	—	(321)	—	—	—	321	—	—	—
Release of property revaluation reserve upon depreciation of leasehold land and buildings	—	—	(88)	—	—	—	88	—	—	—
Share-based payments	—	—	—	—	1,606	—	—	1,606	2,372	3,978
Contribution from non- controlling interests	—	—	—	—	—	—	—	—	9,067	9,067
Issue of preferred shares to equity holders	1	—	—	—	—	—	—	1	—	1
Share repurchase	(28)	—	—	—	—	—	—	(28)	—	(28)
Balance at September 30, 2009, as restated	50	—	42,398	35,770	105,834	4,771	427,458	616,281	845,032	1,461,313

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CHINA METRO-RURAL HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – (Continued)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010

Notes	Attributable to owners of the Company							Total HK\$'000 (Unaudited)	Non- controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
	Issued capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Property revaluation reserve HK\$'000 (Unaudited)	Accumulated translation reserve HK\$'000 (Unaudited)	Capital reserve HK\$'000 (Unaudited)	Statutory surplus reserve HK\$'000 (Unaudited)	Retained profits HK\$'000 (Unaudited)			
Balance at April 1, 2010 as previously reported	500	1,003,200	32,377	36,834	(597,316)	5,067	567,838	1,048,500	775,645	1,824,145
Adoption of IAS 17 (Amendment)	—	—	13,031	—	—	—	458	13,489	19,927	33,416
Balance at April 1, 2010 (As restated)	500	1,003,200	45,408	36,834	(597,316)	5,067	568,296	1,061,989	795,572	1,857,561
Profit for the period	—	—	—	—	—	—	100,137	100,137	5,915	106,052
Other comprehensive income:										
Increase in fair value of leasehold land and buildings, net of deferred income tax	—	—	1,868	—	—	—	—	1,868	2,768	4,636
Exchange difference on translation of foreign operations	—	—	—	15,802	—	—	—	15,802	8,786	24,588
Total comprehensive income for the period	—	—	1,868	15,802	—	—	100,137	117,807	17,469	135,276
Transfer to retained profits upon disposal of properties	—	—	(144)	—	—	—	144	—	—	—
Release of property revaluation reserve upon depreciation of leasehold land and buildings	—	—	(499)	—	—	—	499	—	—	—
Share-based payments	—	—	—	—	463	—	—	463	685	1,148
Issue of new shares by subsidiaries	—	—	—	—	—	—	—	—	640	640
Deemed payment to non-controlling interests	—	—	—	—	(446)	—	—	(446)	446	—
Transfer to retained profits upon lapse of share options	—	—	—	—	(58)	—	58	—	—	—
Deemed disposal of a subsidiary	20	—	—	—	—	—	—	—	(8,957)	(8,957)
Dividend – Distribution of subsidiaries	9	—	—	—	—	—	(466,474)	(466,474)	(805,855)	(1,272,329)
Release of reserve upon distribution of subsidiaries	—	—	(46,633)	(20,284)	(39,966)	(5,067)	91,666	(20,284)	—	(20,284)
Balance at September 30, 2010	500	1,003,200	—	32,352	(637,323)	—	294,326	693,055	—	693,055

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## **CHINA METRO-RURAL HOLDINGS LIMITED**

### **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

#### **1. GENERAL INFORMATION**

China Metro-Rural Holdings Limited (the “Company”, “we” or “us”) is a limited liability company incorporated and domiciled in the British Virgin Islands (“BVI”) as an international business company under the BVI International Business Companies Act on August 14, 1995 and automatically re-registered as a business company on January 1, 2007 pursuant to the BVI Companies Act.

The Company, through its subsidiaries (together referred to as the “Group”), develops and operates large-scale integrated agricultural logistics platform in the People’s Republic of China (“PRC”). Specifically, the Group operates in (1) the property development which engages in the development of integrated agricultural logistics centers and supporting residential properties; (2) the property investment which invests in integrated agricultural logistics and trade centers and supporting facilities; and (3) the property management which engages in the management of the development properties within the integrated agricultural logistics platform. During the six months ended September 30, 2010, the Company declared a dividend (“Special Dividend”) to its shareholders which was satisfied by way of distribution in specie of the equity interest in Man Sang International Limited (“MSIL”), held by the Company, represented approximately 494 million ordinary shares in MSIL (the “Distribution”), which was completed during the current period. Upon the completion of the Distribution, the Group no longer held interest in MSIL and has discontinued its Jewelry and real estate businesses and presented those businesses as “discontinued operations” in the condensed consolidated income statement for all periods presented. Further details of the Group’s discontinued operations are set out in note 10 to the condensed consolidated interim financial information.

The shares of the Company have been listed on the NYSE Amex under the ticker symbol of “CNR”.

The condensed consolidated interim financial information has been approved and authorized for issue by the Board of Directors on January 18, 2011.

The condensed consolidated interim financial information has not been audited.

#### **2. BASIS OF PREPARATION**

This condensed consolidated interim financial information for the six months ended September 30, 2010 has been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim financial reporting”. The unaudited condensed consolidated financial information furnished reflects all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim period presented. All such adjustments are of a normal recurring nature. The condensed consolidated interim financial information should be read in conjunction with the re-presented annual financial statements for the three years ended March 31, 2010 included in a separate report on Form 6-K furnished on January 18, 2011 (the “Related 6-K Report”), which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

#### **3. ACCOUNTING POLICIES**

The accounting policies are consistent with those of the annual financial statements for the year ended March 31, 2010, except as described below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

## CHINA METRO-RURAL HOLDINGS LIMITED

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(a) *Reclassifications as a result of the Distribution*

Certain reclassifications have been made to prior period's amounts due to the Distribution where the operating results of MSIL for the period prior to the distribution are classified as discontinued operations for the periods presented in the Group's condensed consolidated income statement.

Given the distributed non-cash assets are ultimately controlled by the same parties before and after the Distribution, the Company, for its individual financial statements, chose to recognize the Distribution at the carrying amount of the investment in MSIL immediate prior to the Distribution.

(b) *Classification of Bank Loans*

In November 2010, the IFRS Interpretation Committee (the "IFRIC") confirmed its conclusion at its meeting from September 2010 that a liability, which contains a clause which gives the lender the unconditional right to demand repayment at any time, should be classified as a current liability in accordance with IAS 1 – Presentation of financial statements ("IAS 1") irrespective of the probability that the lender will invoke the clause without cause. The market practice in Hong Kong previously has been to classify term loans as a non-current liability based on the agreed schedule repayment date(s). The unconditional right was considered to be protective and the likelihood of it being exercised was remote or would only be exercised in adverse conditions. However, the IFRIC's conclusion provided additional clarity on the application of IAS 1. Accordingly, in order to comply with the requirements of IFRIC, the Group changed its accounting policy on the classification of loan agreements that contain a repayment on demand clause and adjustments were made to the Group's historical financial statements and certain financial information for prior years to reflect the IFRIC's conclusion.

The new accounting policy has been applied retrospectively by representing the opening balances at April 1, 2009, with consequential reclassification adjustments to comparatives for the year ended March 31, 2010. The adjustments are non-cash and had no impact on the consolidated statement of income statement or consolidated statement of cash flow. As at March 31, 2010, the current portion of bank borrowings has increased by approximately HK\$28,392,000, whereas the non-current portion of bank borrowings has decreased by approximately HK\$28,392,000.

(c) *New and amended standards adopted by the Group*

(i) *Adoption of IAS 17 (Amendment) Leases*

IAS 17 (Amendment) 'Leases' (effective January 1, 2010) deletes specific guidance regarding classification of leases of land, so as to eliminate the inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of IAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Prepaid lease payments and land use rights", and amortized over the lease term.

**CHINA METRO-RURAL HOLDINGS LIMITED**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

IAS 17 (Amendment) has been applied retrospectively for annual periods beginning on or after April 1, 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired prepaid lease payment and land use rights as at April 1, 2010 on the basis of information existing at the inception of those leases, and recognized the prepaid lease payment in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain prepaid lease payment from operating leases to finance leases.

If the property interest is classified as finance lease and held for own use, that land interest is accounted for as 'Property, plant and equipment' and is stated at fair value based on periodic valuations less subsequent depreciation according to the Group's adopted accounting policies.

The effect on the adoption of this revised standard, where the effects only have impacts to the Discontinued Operations, is analyzed as follows:

- (a) Effect on the comparative figures of the unaudited condensed consolidated income statement

**For the six months ended September 30, 2009**

	As previously reported HK\$'000	IAS 17 (Amendment) HK\$'000	As restated HK\$'000
<b><i>Increase/(decrease) in profit:</i></b>			
Depreciation	(4,102)	(592)	(4,694)
Amortization of prepaid land lease payments	(855)	353	(502)
Income tax expense	<u>(20,980)</u>	<u>39</u>	<u>(20,941)</u>
Net profit attributable to:			
Equity holders of the Company	32,597	(81)	32,516
Non-controlling interests	<u>6,459</u>	<u>(119)</u>	<u>6,340</u>
	<u>39,056</u>	<u>(200)</u>	<u>38,856</u>

- (b) Effect on the comparative figures of the unaudited condensed consolidated statement of comprehensive income which is mainly attributable to the change in fair value of leasehold land and buildings

**For the six months ended September 30, 2009**

	As previously reported HK\$'000	IAS 17 (Amendment) HK\$'000	As restated HK\$'000
<b><i>Increase in comprehensive income:</i></b>			
Total comprehensive income attributable to:			
Equity holders of the Company	32,869	3,945	36,814
Non-controlling interests	<u>6,431</u>	<u>5,827</u>	<u>12,258</u>
	<u>39,300</u>	<u>9,772</u>	<u>49,072</u>

**CHINA METRO-RURAL HOLDINGS LIMITED**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

(c) Effect on the comparative figures of the unaudited condensed consolidated statement of changes in equity

**At April 1, 2009**

	As previously reported HK\$'000	IAS 17 (Amendment) HK\$'000	As restated HK\$'000
<b><i>Increase in equity:</i></b>			
Within equity attributable to the Company			
Other property revaluation reserve	32,907	5,874	38,781
Retained profits	394,123	410	394,533
Within equity attributable to non-controlling interests	<u>812,052</u>	<u>9,283</u>	<u>821,335</u>

**At April 1, 2010**

	As previously reported HK\$'000	IAS 17 (Amendment) HK\$'000	As restated HK\$'000
<b><i>Increase in equity:</i></b>			
Within equity attributable to the Company			
Other property revaluation reserve	32,377	13,031	45,408
Retained profits	567,838	458	568,296
Within equity attributable to non-controlling interests	<u>775,645</u>	<u>19,927</u>	<u>795,572</u>

**CHINA METRO-RURAL HOLDINGS LIMITED**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

(d) Effect on the comparative figures of the unaudited condensed consolidated statement of financial positions

**At March 31, 2010**

	As previously reported HK\$'000	IAS 17 (Amendment) HK\$'000	HK\$'000
<b><i>Increase/(decrease) in assets:</i></b>			
Property, plant and equipment	116,477	66,850	183,327
Prepaid land lease payments	51,488	(26,831)	24,657
<b><i>Increase in liabilities:</i></b>			
Deferred tax liabilities	125,655	6,603	132,258
<b><i>Increase in equity:</i></b>			
Within equity attributable to the Company			
Other property revaluation reserve	32,377	13,031	45,408
Retained profits	567,838	458	568,296
Within equity attributable to non-controlling interests	<u>775,645</u>	<u>19,927</u>	<u>795,572</u>

(ii) *Adoption of IFRS 3 (revised) Business combinations*

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), 'Consolidated and separate financial statements', at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. There has been no impact of IAS 27 (revised) on the current period.

## CHINA METRO-RURAL HOLDINGS LIMITED

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(d) *Standards, amendments and interpretations to existing standards effective in current period but not relevant to the Group:*

- IFRIC 17, 'Distribution of non-cash assets to owners', effective for annual periods beginning on or after July 1, 2009. This is not currently applicable to the Group, as MSIL remained under the control of shareholders of the Company before and after the Distribution.
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after July 1, 2009. This is not relevant to the Group, as it has not received any assets from customers.
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after January 1, 2010. This is not relevant to the Group as it is an existing IFRS preparer.
- 'Group cash-settled share-based payment transactions' (Amendment to IFRS 2) as issued in June 2009. The amendment is required to be applied for annual periods beginning on or after January 1, 2010. This is not relevant to the Group as it does not have cash-settled share-based payment transactions.
- 'Classification of rights issues' (Amendments to IAS 32) was issued in October 2009. The amendment is required to be applied for annual periods beginning on or after February 1, 2010. This is not relevant to the Group as it has no rights issues in the current period.
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective January 1, 2010.

(e) *New standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on or after April 1, 2010 and have not been early adopted. The Group is yet to assess the full impact of these following new standards, new interpretations and amendments to standards and interpretation:*

- 'Deferred tax: Recovery of underlying assets' (Amendments to IAS 12), issued in December 2010. The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 Investment Property. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendment should be applied for annual periods beginning on or after January 1, 2012.
- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption.
- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from January 1, 2011. Earlier application for either the entire standard or the government-related entity is permitted. The Group will apply the revised IAS 24 from April 1, 2011.

## CHINA METRO-RURAL HOLDINGS LIMITED

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

- Under 'Classification of rights issued' (Amendments to IAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after February 1, 2010. Earlier application is permitted.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after July 1, 2010. Earlier application is permitted.
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective January 1, 2010.

#### 4. SEASONALITY OF OPERATIONS

The Group's revenues and operating profits are subject to seasonal fluctuation with peak operations in the first half of the fiscal year. This is due to the seasonal nature of the northeastern part of China where it can become severely cold in the second half of the fiscal year whereby it delays the construction progress of the Group's property development projects. Accordingly, higher revenues and operating profits are usually expected in the first half than in the second half of the fiscal year.

## CHINA METRO-RURAL HOLDINGS LIMITED

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

#### 5. REVENUE

Revenue represents (i) the amounts received and receivable from customers in respect of goods sold, less returns and allowances, (ii) the proceeds received and receivable from the sales of properties during the period and (iii) the amounts received and receivable in respect of leasing and property management fee of investment properties.

	For the six months ended September 30,	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
<b>Continuing operation</b>		
Sales of properties	357,568	155,758
Rental and property management income	1,853	—
	<u>359,421</u>	<u>155,758</u>
<b>Discontinued operations</b>		
Sales of pearls and jewelry	88,300	116,155
Sales of properties	57,574	20,060
Rental income	11,578	12,387
	<u>157,452</u>	<u>148,602</u>
	<u>516,873</u>	<u>304,360</u>

#### 6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive board of directors that are used to make strategic decision.

The Group has three reportable operating segments, where two of which were discontinued during the current period as a result of the Distribution. The Group's operating businesses are structured and managed separately according to nature of the operations and the product perspectives. Each of the Group's reportable segments represents a strategic business unit that is subject to risks and returns that are different from other reportable operating segment. Details of the reportable operating segment are as follows:

*Continuing operation:*

Agricultural logistics – Development, sales and leasing of properties of integrated agricultural logistics and trade platform in the PRC

*Discontinued operations:*

Pearls and jewelry – Purchasing, processing, assembling, merchandising, wholesale distribution of pearls and jewelry products; and

Property development and investment – Development, sales and leasing of properties, including industrial complex in Shenzhen, the PRC, a market center with various supporting facilities in Zhuji, the PRC and commercial properties in Hong Kong.

**CHINA METRO-RURAL HOLDINGS LIMITED**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

The segment information provided to the executive board of directors for the reporting segments for the six months ended September 30, 2010 is as follows:

**Segment results:**

	<u>Continuing operation</u>		<u>Discontinued operations</u>			<u>Total HK\$'000</u>
	<u>Agricultural Logistics HK\$'000</u>	<u>Sub-total HK\$'000</u>	<u>Pearls and Jewelry HK\$'000</u>	<u>Property Development and Investment HK\$'000</u>	<u>Sub-total HK\$'000</u>	
<b>For the six months ended September 30, 2010 (Unaudited)</b>						
Segment revenue	359,421	359,421	88,300	69,485	157,785	517,206
Inter-segment revenue	—	—	—	(333)	(333)	(333)
Revenue to external customers	<u>359,421</u>	<u>359,421</u>	<u>88,300</u>	<u>69,152</u>	<u>157,452</u>	<u>516,873</u>
Segment operating profit	135,762	135,762	7,174	7,613	14,787	150,549
Finance income	651	651	696	358	1,054	1,705
Finance costs	(179)	(179)	(919)	(49)	(968)	(1,147)
Share of results of associates	(419)	(419)	—	17	17	(402)
Segment profit before tax	<u>135,815</u>	<u>135,815</u>	<u>6,951</u>	<u>7,939</u>	<u>14,890</u>	<u>150,705</u>

	<u>Continuing operation</u>		<u>Discontinued operations</u>			<u>Total HK\$'000</u>
	<u>Agricultural Logistics HK\$'000</u>	<u>Sub-total HK\$'000</u>	<u>Pearls and Jewelry HK\$'000</u>	<u>As restated Property Development and Investment HK\$'000</u>	<u>As restated Sub-total HK\$'000</u>	
<b>For the six months ended September 30, 2009 (Unaudited)</b>						
Segment revenue						
Inter-segment revenue	155,758	155,758	116,155	32,845	149,000	304,758
Revenue to external customers	—	—	—	(398)	(398)	(398)
	<u>155,758</u>	<u>155,758</u>	<u>116,155</u>	<u>32,447</u>	<u>148,602</u>	<u>304,360</u>
Segment operating profit	47,703	47,703	11,082	4,492	15,574	63,277
Finance income	177	177	586	250	836	1,013
Finance costs	—	—	—	(255)	(255)	(255)
Share of results of associates	—	—	—	49	49	49
Segment profit before tax	<u>47,880</u>	<u>47,880</u>	<u>11,668</u>	<u>4,536</u>	<u>16,204</u>	<u>64,084</u>

**CHINA METRO-RURAL HOLDINGS LIMITED**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**Segment assets:**

	Continuing operation		Discontinued operations			Total HK\$'000
	Agricultural Logistics HK\$'000	Sub-total HK\$'000	Pearls and Jewelry HK\$'000	Property Development and Investment HK\$'000	Sub-total HK\$'000	
<b>Total segment assets</b>						
As at September 30, 2010 (Unaudited)	<u>1,611,172</u>	<u>1,611,172</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,611,172</u>
As at March 31, 2010	<u>1,378,464</u>	<u>1,378,464</u>	<u>533,734</u>	<u>1,452,932</u>	<u>1,986,666</u>	<u>3,365,130</u>

A reconciliation of “segment profit before tax” to the Group’s “Profit before tax” is provided as follows:

	For the six months ended September 30,					
	2010			2009		
	Continuing operation HK\$'000 (Unaudited)	Discontinued Operations HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Continuing operation HK\$'000 (Unaudited)	As restated Discontinued Operations HK\$'000 (Unaudited)	As restated Total HK\$'000 (Unaudited)
Total profit before tax for reportable segments	135,815	14,890	150,705	47,880	16,204	64,084
Gain on disposals of financial assets at fair value through profit or loss	—	1,128	1,128	—	6,595	6,595
Net unrealized loss on financial assets at fair value through profit or loss	—	(51)	(51)	—	(1,396)	(1,396)
Share based payments	—	(1,148)	(1,148)	—	(3,978)	(3,978)
Dividend income	—	1,112	1,112	—	374	374
Recycling of exchange difference to profit or loss upon Distribution (note 10)	—	20,284	20,284	—	—	—
Corporate finance income	1	1	2	3	40	43
Corporate expenses	(2,577)	(286)	(2,863)	(4,523)	(1,402)	(5,925)
Profit before tax of the Group	<u>133,239</u>	<u>35,930</u>	<u>169,169</u>	<u>43,360</u>	<u>16,437</u>	<u>59,797</u>

The amounts provided to the executive board of directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

**CHINA METRO-RURAL HOLDINGS LIMITED****NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****7. PROFIT BEFORE TAX**

The following items have been charged/(credited) to the Group's profit before tax from continuing operation:

	For the six months ended September 30,	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Finance costs:		
Interest on bank borrowings	12,148	10,396
Less: amount capitalized	<u>(11,969)</u>	<u>(10,396)</u>
	179	—
Cost of completed properties held for sale	214,577	96,823
Cost of services provided	1,307	—
Government grants	(16,480)	(2,266)
Employee benefit expenses (including directors' emoluments)	7,039	4,586
Depreciation of property, plant and equipment	1,564	321
Amortization of prepaid lease payments and land use rights	182	498
Provision for impairment of trade and other receivables	5,081	—
Land use tax	8,773	8,580
Contract income, net	(10,857)	(4,435)
Gain on deemed disposal of a subsidiary	(90)	—
Gain on disposals of land use rights	<u>(2,174)</u>	<u>—</u>

**8. INCOME TAX EXPENSE**

The Group's income tax expense attributable to continuing operation as presented on the face of the condensed consolidated income statement is analyzed as follows:

	For the six months ended September 30,	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Current income tax:		
PRC corporate income tax	28,575	9,930
PRC land appreciation tax	29,061	9,795
Other	<u>(571)</u>	<u>579</u>
	57,065	20,304
Deferred tax	—	(1,400)
Tax charge for the period from continuing operation	<u>57,065</u>	<u>18,904</u>

## CHINA METRO-RURAL HOLDINGS LIMITED

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

#### Hong Kong profits tax

Hong Kong profits tax has been provided at a rate of 16.5% (six months ended September 30, 2009: 16.5%) on estimated assessable profits arising in Hong Kong during the period.

#### PRC corporate income tax

The PRC corporate income taxes in respect of operations in mainland China is calculated at the applicable tax rates on estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

#### PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property expenditures.

## 9. DIVIDEND

	Note	For the six months ended September 30,	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Special Dividend – HK\$7.27 (2009: Nil) per ordinary share	11	<u>466,474</u>	<u>—</u>

## 10. DISCONTINUED OPERATIONS

As detailed in note 1 to the condensed consolidated financial information, upon completion of the Distribution during the current period, the Group discontinued its pearls and jewelry, and property development and investment businesses. These businesses distributed were reported in the condensed consolidated financial information for the six months ended September 30, 2010 as discontinued operations.

**CHINA METRO-RURAL HOLDINGS LIMITED**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

Financial information relating to the discontinued operations for the six months ended September 30, 2010 up to the date of the Distribution is set out below

(a) *Financial performance information*

	For the six months ended September 30,	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenue	157,452	148,602
Cost of sales	(117,241)	(94,903)
Gross profit	40,211	53,699
Other income and gains, net	7,722	6,654
Recycling of exchange difference to profit or loss upon the Distribution (Note)	20,284	—
Expenses	(33,983)	(44,586)
Increase in fair value of investment properties	1,592	—
Finance income, net	87	621
Share of result of an associate	17	49
Profit before income tax	35,930	16,437
Income tax expense	(6,052)	(2,037)
Profit from discontinued operations	<u>29,878</u>	<u>14,400</u>
Attributable to:		
Equity holders of the Company	23,950	8,060
Non-controlling interests	5,928	6,340
	<u>29,878</u>	<u>14,400</u>

Note: The financial performance of the discontinued operations included a release of translation reserve during the six months ended September 30, 2010.

(b) *Cash flows information*

	For the six months ended September 30,	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Net cash inflow from operating activities	79,856	89,099
Net cash outflow from investing activities (2010 includes cash outflow of HK\$596,993,000 (note 11) from the Distribution)	(600,504)	(4,193)
Net cash inflow from financing activities	17,640	11,297
Net (decrease)/increase in cash generated by the discontinued operations	<u>(503,008)</u>	<u>96,203</u>

## CHINA METRO-RURAL HOLDINGS LIMITED

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

#### 11. DISTRIBUTION OF MSIL

The assets and liabilities of MSIL as of July 28, 2010 distributed by the Company as a result of the Distribution (as detailed in note 1) during the current period are as follows:

	Notes	HK\$'000 (Unaudited)
Net assets distributed:		
Investment properties	12	844,560
Investment properties under construction	13	77,404
Property, plant and equipment	14	114,068
Prepaid lease payments	15	9,237
Interest in an associate		119
Deferred tax assets		1,337
Inventories		56,232
Completed properties held for sale		220,304
Properties under development	17	493
Trade receivables		138,987
Financial assets at fair value through profit or loss		51,630
Income tax receivable		4,834
Cash and cash equivalents	10	596,993
Trade payables, other payables and accruals		(305,657)
Deposits received / Receipt in advance		(185,965)
Income tax payable		(82,151)
Interest-bearing bank borrowing	19	(183,998)
Amount due to an associate		(1,557)
Deferred tax liability		(84,541)
Non-controlling interests		<u>(805,855)</u>
Special Dividend	9	<u>466,474</u>

#### 12. INVESTMENT PROPERTIES

During the six months ended September 30, 2010, the Group acquired investment properties of approximately HK\$4,340,000 (2009: Nil), transferred investment properties of approximately HK\$75,310,000 (2009: Nil) from investment properties under construction upon completion, disposed of certain investment properties at a consideration of approximately HK\$17,185,000 (2009: Nil), resulted in a gain on disposal of approximately HK\$5,795,000 (2009: Nil) and disposal of investment properties of approximately HK\$844,560,000 (note 11) as a result of the Distribution (2009: Nil).

For the interim period ended September 30, 2010, the Company did not engage any independent firms of professional property valuers. The Company's investment properties were last valued at March 31, 2010 by management based in part on valuation by independent firms of property valuers, on market value basis. The valuations were arrived at by reference to comparable market transaction and where appropriate, on the basis of capitalization of net income. As there have been no major changes in the surrounding conditions since March 31, 2010, in the opinion of directors, the carrying values of investment properties approximate to their fair values.

## **CHINA METRO-RURAL HOLDINGS LIMITED**

### **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

#### **13. INVESTMENT PROPERTIES UNDER CONSTRUCTION**

During the six months ended September 30, 2010, the Group capitalized construction costs of approximately HK\$80,705,000 (2009: HK\$37,271,000) to investment properties under construction, transferred investment properties under construction of approximately HK\$75,310,000 (2009: Nil) to investment properties upon completion and disposed investment properties under construction of approximately HK\$77,404,000 (note 11) as a result of the Distribution (2009: Nil). In addition, an amount of approximately HK\$29,970,000 was transferred to property under development during the six months ended September 30, 2009. There is no such transfer in current period.

#### **14. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended September 30, 2010, the Group acquired items of property, plant and equipment of approximately HK\$2,775,000 (2009: HK\$2,345,000) and disposed certain items of property, plant and equipment of approximately HK\$114,068,000 (note 11) as a result of the Distribution (2009: Nil). During the six months ended September 30, 2009, the Group disposed certain items of property, plant and equipment at a consideration of approximately HK\$5,000, resulted a loss of approximately HK\$2,000 on disposal of property, plant and equipment. There is no such disposal in current period.

#### **15. PREPAID LEASE PAYMENTS AND LAND USE RIGHTS**

During the six months ended September 30, 2010, the Group injected a land use rights into its associate at a consideration of approximately HK\$3,876,000, resulted in a gain on disposal of land use rights of approximately HK\$2,174,000 (2009: Nil) and disposal of land use rights of approximately HK\$9,237,000 (note 11) as a result of the Distribution (2009: Nil).

#### **16. DEPOSIT FOR ACQUISITION OF LAND USE RIGHTS**

During the six months ended September 30, 2010, the Group has entered into an agreement with the PRC local government where the Group provided an escrow money of RMB80,000,000 (approximately HK\$92,657,000) to the PRC local government (The "Escrow Money") as an expression of good faith on the Group's determination to acquire land use rights in respect of certain land plots situated in mainland China. The Escrow Money will be fully refunded upon completion of the acquisitions of those land use rights.

#### **17. PROPERTIES UNDER DEVELOPMENT**

During the six months ended September 30, 2010, the Group capitalized construction costs of approximately HK\$259,830,000 (2009: HK\$223,057,000) and interest expense of HK\$12,181,000 (2009: HK\$11,782,000) to properties under development, disposed properties under development of approximately HK\$493,000 (note 11) as a result of the Distribution (2009: Nil), transferred properties of approximately HK\$195,220,000 (2009: Nil) to completed properties held for sale upon completion and disposed properties under development of approximately HK\$27,199,000 (note 20) as a result of a deemed disposal of a subsidiary (2009: Nil). In addition, an amount of approximately HK\$29,970,000 was transferred from investment properties under construction during the six months ended September 30, 2009. There is no such transfer in current period.

## CHINA METRO-RURAL HOLDINGS LIMITED

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

#### 18. CONSTRUCTION CONTRACT

During the six months ended September 30, 2010, the Group's construction contract was completed and as a result, an aggregate payment of approximately HK\$14,537,000 received from the customer and recorded in the Group's "Receipts in advance" at March 31, 2010 was used to offset against the construction contract, which was derecognized in the current period. Net income from the construction contract of approximately HK\$10,857,000 (2009: HK\$4,435,000) was recognized during the current period.

#### 19. BORROWINGS

During the six months ended September 30, 2010, the Group repaid bank loans of approximately HK\$74,552,000 (2009: HK\$45,200,000) and obtained new bank loans of approximately HK\$194,470,000 (2009: HK\$396,402,000). In addition, the Group disposed of bank borrowings of approximately HK\$183,998,000 (note 11) during the current period as a result of the Distribution as detailed in note 1 to the condensed consolidated financial information (2009: Nil).

As at September 30, 2010, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities	Less than 1 year HK\$'000 (Unaudited)	Between 1 and 2 years HK\$'000 (Unaudited)	Between 2 and 5 years HK\$'000 (Unaudited)	Total contractual cash flows HK\$'000 (Unaudited)	Carrying amount HK\$'000 (Unaudited)
<b>At September 30, 2010</b>					
Trade and other payables	127,596	—	—	127,596	127,596
Bank borrowings	220,060	138,985	196,896	555,941	555,941
Interest obligations	28,534	16,178	7,422	52,134	52,134
Amount due to an associate	5	—	—	5	5
	<u>376,195</u>	<u>155,163</u>	<u>204,318</u>	<u>735,676</u>	<u>735,676</u>
<b>At March 31, 2010</b>					
Trade and other payables	432,005	—	—	432,005	432,005
Bank borrowings	277,446	136,287	192,958	606,691	606,691
Interest obligations	28,050	15,288	9,412	52,750	52,750
Amount due to an associate	1,530	—	—	1,530	1,530
	<u>739,031</u>	<u>151,575</u>	<u>202,370</u>	<u>1,092,976</u>	<u>1,092,976</u>

The carrying amounts of the Group's bank borrowings approximate to their fair values. All bank borrowings are denominated in Renminbi and are carried at amortized costs with effective interest rates ranging from 5.31% to 7.02% per annum (March 31, 2010: 4.8% to 6.1% per annum).

**CHINA METRO-RURAL HOLDINGS LIMITED**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**20. DEEMED DISPOSAL OF A SUBSIDIARY**

During the six months ended September 30, 2010, China Northeast Logistic City Co., Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with the non-controlling interest of Tieling Motor Vehicles Trading Co., Ltd. (“Motor Vehicles Company”), a then non-wholly owned subsidiary of the Company, whereby both parties agreed to revise their shareholdings in Motor Vehicles Company as follows: (1) China Northeast Logistic City Co., Ltd. to ultimately hold 40% equity interest in Motor Vehicles Company by further injecting parcels of lands with an aggregate deemed fair value of RMB18,000,000 (approximately HK\$20,443,000), where HK\$3,876,000 (note 15) of which was injected to Motor Vehicles Company in the current period; and (2) the non-controlling interest of Motor Vehicles Company to ultimately hold 60% equity interest in Motor Vehicles Company by further injecting cash amounting to RMB37,000,000 (approximately HK\$42,022,000) where the entire amount was injected into Motor Vehicles Company in the current period. As a result of this transaction, Motor Vehicles Company has become an associate of China Northeast Logistic City Co., Ltd and is no longer consolidated. The following is an analysis of the net assets on the date which Motor Vehicles Company was being disposed of:

	Note	For the six months ended September 30,	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Net assets deemed disposed of:			
Cash and bank balances		9,256	—
Prepayments and other receivables		3,484	—
Property under development	17	27,199	—
Accounts payable		(3,842)	—
Due to a non-controlling interest		(13,705)	—
Non-controlling interest		(8,957)	—
		<u>13,435</u>	<u>—</u>
Gain on deemed disposal of a subsidiary		90	—
		<u>13,525</u>	<u>—</u>
Satisfied by:			
Interest in an associate upon deemed disposal		<u>13,525</u>	<u>—</u>

An analysis of the net outflow of cash and cash equivalents in respect of the deemed disposal of a subsidiary is as follows:

	For the six months ended September 30,	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Cash and bank balances disposed of and net outflow of cash and cash equivalents in respect of the deemed disposal of a subsidiary	<u>9,256</u>	<u>—</u>

**CHINA METRO-RURAL HOLDINGS LIMITED**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**21. SHARE CAPITAL**

	Number of shares		Share capital	
	September 30, 2010 '000 (Unaudited)	March 31, 2010 '000 (Unaudited)	September 30, 2010 HK\$'000 (Unaudited)	March 31, 2009 HK\$'000
<b>Authorised:</b>				
Preferred shares of US\$0.001 par value	200	200	2	2
Ordinary shares of US\$0.001 par value	1,000,000	1,000,000	7,793	7,793
	<u>1,000,200</u>	<u>1,000,200</u>	<u>7,795</u>	<u>7,795</u>
<b>Issued and fully paid:</b>				
Preferred shares	100	100	1	1
Ordinary shares	64,126	64,126	499	499
	<u>64,226</u>	<u>64,226</u>	<u>500</u>	<u>500</u>

**22. SHARE OPTION SCHEME**

On August 2, 2002, MSIL, a subsidiary of the Group prior to the Distribution, adopted a new share option scheme (the "2002 Scheme") and terminated the share option scheme adopted on September 8, 1997 (the "1997 Scheme").

The purpose of the 2002 Scheme was to provide incentive to the eligible participants to contribute to the Group and to enable the Group to recruit high-caliber employees and attract resources that are valuable to the Group. Under the 2002 Scheme, the board of directors of MSIL may grant options to any person being an employee, officer, agent, or consultant of the Group including executive or non-executive directors of MSIL and its subsidiaries, to subscribe for shares in MSIL at a price to be determined by the board of directors being the highest of (a) the closing price of the shares on The Hong Kong Stock Exchange Limited on the date of grant of the option, which must be a trading day; (b) the average closing price of the shares of The Hong Kong Stock Exchange Limited for the five trading days immediately preceding the date of grant of the option and (c) the nominal value of the shares.

The total number of share in respect of which the 2002 Scheme and any other share option schemes of the Group is not permitted to exceed 10% of the number of shares in issue at the date of adoption of the 2002 Scheme or such number of shares as result of a sub-division of consolidation of the number of shares at that date. Subject to as provided for in the 2002 Scheme, but the total number of shares which may be issued under the 2002 Scheme must not exceed 30% of the number of shares in issue from time to time.

No participant shall be granted an option which, if accepted and exercised in full, would result in the participant becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and which may be issued upon exercise of all options granted and to be granted to him, together with all options granted and to be granted to him under any other share option schemes of the Company and/or any subsidiaries, within the 10-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options), would exceed 1% of the number of shares in issue as at the proposed date of grant.

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### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The 2002 Scheme shall be valid and effective for a period of 10 years commencing August 2, 2002.

Options granted must be taken up within 28 days of the date of grant upon payment of HK\$ for each grant of options. Subject as provided in the 2002 Scheme, options may be exercised at any time during the option period, which is to be notified by the board of directors to each grantee, commencing on the date of grant or such later date as the board of directors may decide and expiring on such date as the board of directors may determine, provided that such period is not to exceed ten years from the date of grant, and subject to any restrictions that may be imposed by the board of directors in its discretion.

Details of the principal terms of the 2002 Scheme are set out in the circular of MSIL dated July 4, 2002.

The following tables disclose details of MSIL's share options held by MSIL's directors and employees and movements in such holding during the six months ended September 30, 2010 prior to the Distribution.

Date of grant	Exercisable Period	Exercise Price	Outstanding At April 1, 2010	Granted	Exercised	Lapsed	Outstanding at July 28, 2010
<b>Directors of MSIL</b>							
May 2, 2006	May 2, 2006 to May 1, 2012	0.253	12,000,000	—	—	—	12,000,000
September 1, 2009	September 1, 2009 to August 31, 2012	Note i 0.450	8,000,000	—	—	—	8,000,000
September 1, 2009	September 1, 2009 to August 31, 2012	Note ii 0.450	10,000,000	—	—	—	10,000,000
			<u>30,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>30,000,000</u>
<b>Employees</b>							
May 2, 2006	May 2, 2006 to May 1, 2012	0.253	15,000,000	—	—	—	15,000,000
September 18, 2006	September 18, 2006 to September 17, 2011	0.233	7,000,000	—	—	—	7,000,000
March 13, 2007	January 1, 2008 to March 12, 2012	0.500	5,000,000	—	—	—	5,000,000
August 27, 2009	August 27, 2009 to August 26, 2012	Note iii 0.397	20,050,000	—	(1,600,000)	(750,000)	17,700,000
			<u>47,050,000</u>	<u>—</u>	<u>(1,600,000)</u>	<u>(750,000)</u>	<u>44,700,000</u>
			<u>77,050,000</u>	<u>—</u>	<u>(1,600,000)</u>	<u>(750,000)</u>	<u>74,700,000</u>
Weighted average exercise price			HK\$ 0.351				HK\$ 0.349
Options vested			55,550,000				53,950,000
Weighted average exercise price of options vested			HK\$ 0.318				HK\$ 0.315
Weighted average remaining contractual life			2.18 years				1.84 years

During the current period prior to the Distribution, no share options were granted, 1,600,000 share options were exercised and 750,000 share options were lapsed.

Notes:

- (i) 2,500,000 options were vested on the date of grant, another 2,500,000 options can be exercised from September 1, 2010 and the remaining 3,000,000 options can be exercised from September 1, 2011.
- (ii) 5,000,000 options can be exercised from September 1, 2010 and the remaining 5,000,000 options can be exercised from September 1, 2011.
- (iii) 14,750,000 options were vested on the date of grant, 3,000,000 options can be exercised from August 27, 2010 and the remaining 3,000,000 options can be exercised from August 27, 2011.

**CHINA METRO-RURAL HOLDINGS LIMITED**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**23. RELATED PARTY TRANSACTIONS**

The Group entered into the following related party transactions, which were carried out in the ordinary course of business:

<u>Related party relationship</u>	<u>Nature of transaction</u>	For the six months ended	
		September 30, 2010	September 30, 2009
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Key management personnel including directors	Salaries and other allowance	7,315	8,051
	Retirement benefit	32	28
	Share-based payments	1,004	1,618
		<u>8,351</u>	<u>9,697</u>
An entity which is significantly influenced by a key management personnel of the Company	Reimbursement of rental charges paid on behalf	<u>639</u>	<u>939</u>

**24. PLEDGE OF ASSETS**

At the statement of financial position date, the Group had pledged the following assets to banks to secure banking facilities granted to the Group:

	September 30, 2010	March 31, 2010
	HK\$'000 (Unaudited)	HK\$'000
Pledge bank deposits	—	17,000
Land	7,737	16,027
Investment properties	105,513	268,771
Completed properties held for sale	21,575	16,303
Property, plant and equipment	54,346	26,031
Properties under development	13,116	11,856
Investment properties under construction	—	66,323
	<u>202,287</u>	<u>422,311</u>

**CHINA METRO-RURAL HOLDINGS LIMITED****NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****25. CAPITAL COMMITMENTS**

	September 30, 2010 HK\$'000 (Unaudited)	March 31, 2010 HK\$'000
Capital injection in respect of investment in a subsidiary in the PRC	<u>389,220</u>	<u>—</u>
Capital expenditure in relation to construction of properties and acquisition of land contracted for but not provided in the condensed consolidated financial statements	<u>249,708</u>	<u>115,007</u>

**26. OPERATING LEASE ARRANGEMENTS***The Group as lessee*

At the statements of financial position date, the Group had outstanding commitments for future minimum lease payments in respect of non-cancellable operating leases which fall due as follows:

	September 30, 2010 HK\$'000 (Unaudited)	March 31, 2010 HK\$'000
Operating leases which expire:		
Within one year	370	8,887
In the second to fifth year inclusive	<u>447</u>	<u>2,519</u>
	<u>817</u>	<u>11,406</u>

Leases are negotiated for an average term of one to five years and rentals are fixed during the relevant lease period.

## CHINA METRO-RURAL HOLDINGS LIMITED

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

#### *The Group as lessor*

Property rental income earned during the six months ended September 30, 2010 was HK\$13,195,000 (2009: HK\$12,387,000). Most of the investment properties held have committed tenants for the next one to three years.

At the statements of financial position date, the Group had contracted with tenants for the following future minimum lease receivables:

	September 30, 2010 HK\$'000 (Unaudited)	March 31, 2010 HK\$'000
Within one year	2,465	25,982
In the second to fifth year inclusive	706	10,350
	<u>3,171</u>	<u>36,332</u>

#### 27. CONTINGENT LIABILITIES

On August 25, 2009, at the general meeting, the shareholders of Man Sang Holdings, Inc., the former immediate holding company, resolved that Man Sang Holdings, Inc. be dissolved and liquidated, whereby Man Sang Holdings, Inc. had been succeeded by the Company. From its inception in August 1995 through the completion of the dissolution and liquidation on August 25, 2009, the Company was a wholly-owned subsidiary of Man Sang Holdings, Inc. The liquidation did not result in tax for Man Sang Holdings, Inc. Such result is subject to assessment by U.S. tax authority. As the Company has succeeded Man Sang Holdings, Inc. and contractually assumed all of Man Sang Holdings Inc.'s rights, obligations and liabilities, if the assessment differs from actual result, it may give rise to the possibility of outflow in settlement of tax by the Company. The directors are of the view that the likelihood of an indemnification liability arising from such dissolution at year ended March 31, 2010 is remote. There has been no new development as at the date of this condensed consolidated interim financial information was approved and authorized for issue by the Board of Directors. Accordingly, no accrual has been made.

#### 28. POST BALANCE SHEET EVENT

On November 22, 2010, a wholly-owned subsidiary of the Company entered into a cooperation agreement with an independent third party, Hero Key Limited ("Hero Key"), whereby Hero Key was allotted 15 ordinary shares of HK\$1 each, representing 15% equity interest, in a newly incorporated subsidiary of the Company (the "Subsidiary") at their nominal values to jointly invest in the Group's logistics platform project in Dezhou, Shandong of the PRC. An amount of approximately HK\$12,000,000 was advanced from Hero Key as a shareholder's loan to the Subsidiary. The shareholder's loan from Hero Key is unsecured, interest free, has no fixed terms of repayment and is repayable upon the Subsidiary starts retaining profits.

**CHINA METRO-RURAL HOLDINGS LIMITED**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**29. US DOLLAR EQUIVALENTS**

The US dollar equivalents of the figures shown in the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position and condensed consolidated statement of cash flows are supplementary information and have been translated at HK\$7.8 to US\$1.00. Such translation should not be construed as representations that the Hong Kong dollar amounts represent, or have been or could be converted into, US dollars at that or any other rate.