UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended March 31, 2012

OR

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

OR

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

Date of event requiring this shell company report .

For the transition period from to

Commission file number 000-53776.

China Metro-Rural Holdings Limited
(Exact name of Registrant as specified in its charter)

China Metro-Rural Holdings Limited
(Translation of Registrant's name into English)

British Virgin Islands
(Jurisdiction of incorporation or organization)

Suite 2204, 22/F, Sun Life Tower
The Gateway, 15 Canton Road
Tsimshatsui, Kowloon, Hong Kong
(Address of principal executive office)

Mr. Sio Kam Seng
Chief Executive Officer and Chairman of the Board
China Metro-Rural Holdings Limited
Suite 2204, 22/F, Sun Life Tower, The Gateway
15 Canton Road, Tsimshatsui, Kowloon, Hong Kong
Telephone: (852) 2111 3815
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

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

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

None
(Title of Class)

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

None
(Title of Class)

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

As of March 31, 2012 there were 73,543,782 shares of the issuer's ordinary shares, $0.001 par value outstanding and 100,000 shares of the issuer's preferred shares, $0.001 par value outstanding.

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

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

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

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

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

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

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

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

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

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

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

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INTRODUCTION

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

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

PRESENTATION OF FINANCIAL INFORMATION

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

On July 28, 2010, the Company announced its decision to distribute its entire equity interest in Man Sang International Limited, or MSIL, to the Company’s shareholders, or Distribution. In line with the accounting policies of the Company and its subsidiaries, or the Group, the results attributable to MSIL are shown as discontinued operations in the Group’s consolidated financial statements.

The results of the continuing operations are presented in the consolidated income statement for the three years ended March 31, 2012. However, discontinued operations are presented in the consolidated income statement for the same periods as a separate amount, comprising the total of the post-tax profit or loss of the discontinued operations for the period together with any post-tax gain or loss recognized on the measurement to fair value less costs to sell, of the assets/disposal groups constituting discontinued operations. While contained in the consolidated financial statements in this Annual Report, the statement of financial position as at March 31, 2012, 2011 and 2010 has not been revised for the discontinued operations.

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

CURRENCY TRANSLATION

In this Annual Report, unless otherwise specified or the context otherwise requires, all references to "U.S. dollars," "dollars" or "US$" are to the legal currency of the United States and all references to "H.K. dollars" or "HK$" are to the legal currency of Hong Kong. Unless otherwise noted, all translations from H.K. dollars to U.S. dollars were made at the rate of HK$7.80 to US$1.00. On July 6, 2012, the noon buying rate in New York City for cable transfers in H.K. dollars per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York was HK$7.7542 to US$1.00. We make no representation that the H.K. dollar or U.S. dollar amounts referred to in this Annual Report could have been or could be converted into U.S. dollars or H.K. dollars, as the case may be, at any particular rate or at all. See "Key Information—Exchange Rate Information" for more detailed information regarding the translation of H.K. Dollars into U.S. dollars.

In addition, this Annual Report contains translations of Renminbi (RMB) amounts into U.S. dollars at specified rates solely for the convenience the readers of this Annual Report. Unless otherwise noted, all translations from RMB to U.S. dollars were made at the rate of RMB6.35 to US$1.00. On July 6, 2012, the noon buying rate in New York City for cable transfers in RMB per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York was RMB6.3640 to US$1.00. We make no representation that the RMB or U.S. dollar amounts referred to in this Annual Report could have been or could be converted into U.S. dollars or RMB, as the case may be, at any particular rate or at all. See "Key Information—Exchange Rate Information" for more detailed information regarding the translation of RMB into U.S. dollars.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report which are not historical facts may constitute "forward-looking statements" that involve risks and uncertainties. Forward-looking statements are based on certain assumptions and expectations of future events that are subject to risks and uncertainties. Such statements are made in reliance upon the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. Actual results and trends may differ materially from historical results or those projected in any such forward-looking statements depending on a variety of factors, including those described under "Risk Factors" beginning on page 5 of this Annual Report.

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

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

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected Financial Data

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

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

The selected consolidated statements of operation data of the Group presents the results for the five years ended March 31, 2012, 2011, 2010, 2009 and 2008 on the basis of International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company’s historical results do not necessarily indicate results expected for any future periods. The selected consolidated financial data below should be read in conjunction with our consolidated financial statements and notes thereto, “Item 5. Operating and Financial Review and Prospects” below, and the other information contained in this Form 20-F.

The selected consolidated income statements of the Group for the years ended March 31, 2012, 2011 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected consolidated income statements of the Group for the years ended March 31, 2009 and 2008 have been derived from our audited consolidated financial statements included in Exhibit 99.6 to the Company's Form 6-K furnished to the Securities and Exchange Commission, or SEC, on January 18, 2011.

	For the years ended March 31,				
	2012	2011	2010	2009	2008
	(HK$ in thousands)				
Income Statements Data:					
Continuing Operations:					
Revenue	913,768	581,573	337,659	1,044	—
Cost of sales	(476,553)	(352,265)	(209,415)	(664)	—
Gross profit	437,215	229,308	128,244	380	—
Other income, net	61,363	68,234	36,154	1,276	758
Other gains/(losses), net	187	8,928	(146)	132,537	—
Selling expenses	(26,275)	(22,436)	(8,276)	(10,890)	(6,472)
Administrative expenses	(121,524)	(64,748)	(59,676)	(31,496)	(20,487)
Decrease in fair value of derivative financial liabilities	4,047	—	—	—	—
Increase in fair values of investment properties and investment properties under construction	2,594	111,528	155,631	6,556	23,392
Operating profit/(loss)	357,607	330,814	251,931	98,363	(2,809)
Finance income/(costs)—net	627	(3,124)	365	1,879	1,729
Share of losses of an associate	(2,456)	(386)	—	—	—
Profit/(loss) before income tax	355,778	327,304	252,296	100,242	(1,080)
Income tax expenses	(124,719)	(124,630)	(86,558)	(26,724)	(4,548)
Profit/(loss) for the year from continuing operation	231,059	202,674	165,738	73,518	(5,628)
Discontinued operations:					
Profit/(loss) for the year from discontinued operations, net of tax	—	29,878	(24,189)	(140,336)	407,559
Profit/(loss) for the year	231,059	232,552	141,549	(66,818)	401,931
Attributable to:					
Equity holders of the Company	208,986	227,346	171,408	42,540	93,850
Non-controlling interests	22,073	5,206	(29,859)	(109,358)	308,081
	231,059	232,552	141,549	(66,818)	401,931
Dividend—Non-cash	—	466,474	—	—	—

	For the years ended March 31,				
	2012	2011	2010	2009	2008
	(HK$ in thousands)				
Earnings/(loss) per share from continuing and discontinued operations attributable to equity holders of the Company during the year:					
Basic earnings/(loss) per share					
From continuing operation	HK$ 2.96	HK$ 3.17	HK$ 2.60	HK$ 1.16	HK$ (0.08)
From discontinued operations	—	HK$ 0.37	HK$ 0.08	HK$ (0.49)	HK$ 1.55
	HK$ 2.96	HK$ 3.54	HK$ 2.68	HK$ 0.67	HK$ 1.47
Diluted earnings/(loss) per share					
From continuing operation	HK$ 2.96	HK$ 3.17	HK$ 2.60	HK$ 1.16	HK$ (0.08)
From discontinued operations	—	HK$ 0.37	HK$ 0.08	HK$ (0.49)	HK$ 1.50
	HK$ 2.96	HK$ 3.54	HK$ 2.68	HK$ 0.67	HK$ 1.42
Shares used in computation of:					
Basic earnings/(loss) per share					
From continuing operation	70,536,000	64,126,000	63,834,000	63,826,000	63,826,000
From discontinued operations	70,536,000	64,126,000	63,834,000	63,826,000	63,826,000
Diluted earnings/(loss) per share					
From continuing operation	70,536,000	64,126,000	63,834,000	63,826,000	63,826,000
From discontinued operations	70,536,000	64,126,000	63,834,000	63,826,000	63,826,000

The following table sets forth selected statements of financial position data of the Group as of the dates indicated. The selected consolidated statements of financial position data of the Group as of March 31, 2012 and 2011 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected consolidated statements of financial position data of the Group as of March 31, 2010 and 2009 have been derived from our audited consolidated financial statements included in Exhibit 99.6 to the Company's Form 6-K furnished to SEC on January 18, 2011. The selected consolidated statements of financial position data of the Group as of March 31, 2008, has been derived from our unaudited consolidated financial statements.

	As of March 31,				
	2012	2011	2010	2009	2008
	(HK$ in thousands)				
Statements of Financial Position Data:					
Total non-current assets	903,966	855,083	1,481,913	1,213,858	1,401,260
Total current assets	2,271,913	1,010,026	1,996,151	1,609,514	1,731,969
Total assets	3,175,879	1,865,109	3,478,064	2,823,372	3,133,229
Total current liabilities	1,506,647	664,505	1,159,000	1,008,163	1,128,802
Total non-current liabilities	393,622	362,937	461,503	415,986	529,081
Total liabilities	1,900,269	1,027,442	1,620,503	1,424,149	1,657,883
Total equity	1,275,610	837,667	1,857,561	1,399,223	1,475,346

The following table sets forth selected income statements data of the Discontinued Operations for the five years ended March 31, 2012, 2011, 2010, 2009 and 2008 on the basis of International Financial Reporting Standards as issued by the International Accounting Standards Board. The selected income statements data of the Discontinued Operations for the years ended March 31, 2012, 2011 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected income statements data of the Discontinued Operations for the years ended March 31, 2009 and 2008 have been derived from our audited consolidated financial statements included in Exhibit 99.6 to the Company's Form 6-K furnished to the SEC on January 18, 2011.

	For the years ended March 31,				
	2012	2011	2010	2009	2008
	(HK$ in thousands)				
Income Statements Data:					
Discontinued Operations:					
Revenue	—	157,452	339,379	359,734	640,493
Cost of sales	—	(117,241)	(276,602)	(226,422)	(363,483)
Gross profit	—	40,211	62,777	133,312	277,010
Other income and gains/(losses), net	—	7,722	16,776	(9,783)	(41,890)
Recycling of exchange difference to profit or loss upon the Distribution	—	20,284	—	—	—
Expenses	—	(33,983)	(114,073)	(141,100)	(114,120)
Increase/(decrease) in fair values of investment properties and investment properties under construction	—	1,592	(3,991)	(184,572)	456,515
Operating profit/(loss)	—	35,826	(38,511)	(202,143)	577,515
Finance income—net	—	87	238	9,729	17,296
Share of results of an associate	—	17	48	(53)	(7)
Profit/(loss) before income tax	—	35,930	(38,225)	(192,467)	594,804
Income tax (expenses)/credits	—	(6,052)	14,036	52,131	(187,245)
Profit/(loss) for the year	—	29,878	(24,189)	(140,336)	407,559
Attributable to:					
Equity holders of the Company	—	23,950	5,504	(30,978)	99,478
Non-controlling interests	—	5,928	(29,693)	(109,358)	308,081
	—	29,878	(24,189)	(140,336)	407,559
Earnings/(loss) per share for profit from the Discontinued Operations attributable to equity holders of the Company during the year					
Basic	—	HK$ 0.37	HK$ 0.08	HK$ (0.49)	HK$ 1.55
Diluted	—	HK$ 0.37	HK$ 0.08	HK$ (0.49)	HK$ 1.50

The following table sets forth selected statements of financial position data of the Discontinued Operations as of the dates indicated. The selected statements of financial position data of the Discontinued Operations as of July 28, 2010 (the date of the Distribution) has been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected statements of financial position data of the Discontinued Operations as of March 31, 2010, 2009 and 2008 have been derived from our audited consolidated financial statements included in Exhibit 99.6 to the Company's Form 6-K furnished to the SEC on January 18, 2011.

	As of July 28,	As of March 31,		
	2010	2010	2009	2008
		(HK$ in thousands)		
Statements of Financial Position Data of the Discontinued Operations:				
Total non-current assets	1,046,725	1,015,399	1,132,000	1,253,535
Total current assets	1,069,473	1,059,250	946,309	1,082,849
Total assets	2,116,198	2,074,649	2,078,309	2,336,384
Total current liabilities	690,328	722,506	598,364	566,799
Total non-current liabilities	153,541	107,907	206,634	321,502
Total liabilities	843,869	830,413	804,998	888,301
Total equity	1,272,329	1,244,236	1,273,311	1,448,083

Exchange Rate Information

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

- there are no foreign exchange controls or other laws, decrees or regulations that affect the remittance of dividend payments to U.S. residents; and
- there are no limitations on the rights of non-residents or foreign owners to hold the Company's ordinary or preferred shares.

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

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

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

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

	Exchange Rate (HK$ per US$)			
	Period End	High	Average (1)	Low
Last Five Fiscal Years				
Fiscal Year Ended March 31, 2008	7.7819	7.8289	7.7946	7.7497
Fiscal Year Ended March 31, 2009	7.7500	7.8159	7.7731	7.7497
Fiscal Year Ended March 31, 2010	7.7647	7.7752	7.7541	7.7495
Fiscal Year Ended March 31, 2011	7.7750	7.8040	7.7745	7.7501
Fiscal Year Ended March 31, 2012	7.7656	7.8087	7.7772	7.7532
Last Six Months				
January 2012	7.7555	7.7674	7.7622	7.7538
February 2012	7.7551	7.7559	7.7544	7.7532
March 2012	7.7656	7.7678	7.7620	7.7551
April 2012	7.7587	7.7660	7.7621	7.7580
May 2012	7.7616	7.7699	7.7640	7.7583
June 2012	7.7572	7.7610	7.7590	7.7572

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

On, July 6, 2012, the exchange rate was HK$7.7542 per US $1.00.

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

	Exchange Rate (RMB per US$)			
	Period End	High	Average (1)	Low
Last Five Fiscal Years				
Fiscal Year Ended March 31, 2008	7.0120	7.7345	7.4197	7.0105
Fiscal Year Ended March 31, 2009	6.8329	7.0185	6.8532	6.7800
Fiscal Year Ended March 31, 2010	6.8258	6.8371	6.8268	6.8176
Fiscal Year Ended March 31, 2011	6.5483	6.8323	6.6972	6.5483
Fiscal Year Ended March 31, 2012	6.2975	6.5477	6.3790	6.2935
Last Six Months				
January 2012	6.3080	6.3330	6.3119	6.2940
February 2012	6.2935	6.3120	6.2997	6.2935
March 2012	6.2790	6.3315	6.3125	6.2975
April 2012	6.2979	6.3150	6.3043	6.2790
May 2012	6.3684	6.3684	6.3242	6.3052
June 2012	6.3530	6.3703	6.3633	6.3530

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

On, July 6, 2012, the exchange rate was RMB6.3640 per US$1.00.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Business

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

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

We have recently established a rural-urban migration and city re-development business in Qiqihar, Heilongjiang Province called "China Focus City—Qiqihar", which is available to Qiqihar as well as regional traders and residents which will be comprised of commercial, business, residential and governmental districts. China Focus City—Qiqihar is designed to accommodate the local government's plan to relocate the administration center of Qiqihar. The rural-urban migration and city re-development business has risk exposure including change of local and national economic climates and government policies.

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

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

There are few quantitative estimates of projected environmental degradation associated with intensive agricultural production. Yet environmental cleanup will pose a competing challenge for investment in agriculture. Abundant use of coal to meet the increasing demands for energy and rapid growth of cities with associated growth of automobiles and municipal waste have been large sources of incredibly high levels of air pollution in China. Mortality rates of chronic pulmonary disease, a leading cause of death in China, is five times as high as in New York, not only leading to considerable loss of life, but high cost of hospitalization and lost work days estimated to be 7.4 million person-years per year.

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

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

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

The results of operations of our agricultural logistics business substantially depend on the successful execution of our business strategy to attract and retain high quality tenants, achieve market rental rates and improve the surrounding infrastructure. Our success will also depend upon continuing growth in the agricultural, manufacturing and export industries in the Manchuria region, as well as regions surrounding properties planned for future development, and our ability to compete with other similar businesses. We may face challenges in implementing our strategy, and our ability to achieve our goals may be adversely affected by various factors, some of which are beyond our control. If we are not able to execute our business strategy or successfully compete with other similar businesses, our business, results of operations and financial condition will be materially and adversely affected.

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

Our revenues have grown rapidly over the past three years. Our revenues from the sales of trade center units in fiscal year 2010 and fiscal year 2011 were HK$336.7 million and HK$575.6 million, respectively. Our revenue from the leases of properties increased from HK$0.6 million in the fiscal year ended March 31, 2010 to HK$4.5 million in the fiscal year ended March 31, 2011 and our revenue from property management services increased from HK$0.4 million in the fiscal year ended March 31, 2010 to HK$1.5 million in the fiscal year ended March 31, 2011. Our revenue in the fiscal year ended March 31, 2012 was HK$913.8 million, which includes revenue from servicing and assignments of development rights, revenue from leases of properties and property management services of HK$147.9 million, HK$3.9 million and HK$3.6 million, respectively.

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

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

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

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

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

Although our agricultural logistics business has properties under development and planned for future development, we currently rely on China Northeast Logistics City—Dezhou and China Northeast Logistics City—Tieling for our agricultural logistics business revenues and China Focus City—Qiqihar for all of our revenue from servicing and assignments of development rights. These revenue sources may entail a higher level of risk as compared to other operators of trade centers that have revenue-generating properties spread over several different locations or have a more diverse range of property investments. In the event of a circumstance which adversely affects the operations or business of China Northeast Logistics City—Dezhou, China Northeast Logistics City—Tieling and China Focus City—Qiqihar, or their attractiveness to tenants and developers, we will not have income from other properties in our agricultural logistics business and rural-urban migration and city re-development business to mitigate any ensuing loss. A concentration of investments in only few locations will cause China Northeast Logistics City—Dezhou, China Northeast Logistics City—Tieling and China Focus City—Qiqihar to be highly susceptible to a downturn in Northeast China's agricultural, property or logistics industry. In addition, any property damage at any one of China Northeast Logistics City—Dezhou, China Northeast Logistics City—Tieling and China Focus City—Qiqihar, resulting from fire or other causes, or a downturn in the industrial materials, agricultural or manufacturing industries in Northeast China, may have a material adverse effect on our business, financial condition and results of operations. Further, we cannot assure that China Northeast Logistics City—Dezhou, China Northeast Logistics City—Tieling and China Focus City—Qiqihar will continue to attract tenants or developers to generate revenue, or that we will be successful in the future. Although we have projects planned for future development in 2012, 2013 and 2014, we cannot assure that we will be able to successfully obtain state-owned land use rights for all or any portion of land necessary for the development of these projects, complete the development of these projects or generate revenue and net income from these projects at all or in amounts that we expect.

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

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

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

Another of our Hong Kong subsidiaries, China Focus City (H.K.) Holdings Limited, signed a framework agreement with Qiqihar Municipal Government in 2011. Pursuant to this framework agreement, the Qiqihar Municipal Government has identified land which is suitable for our development strategy to develop new city center called "China Focus City—Qiqihar", which is and will be comprised of development and sales of commercial and residential properties, and servicing and assignments of development rights .

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

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

In addition to their investments in the Company, Mr. Cheng Chung Hing, Ricky, and his brother, Mr. Cheng Tai Po, own all of the outstanding shares of Accurate Gain Developments Limited and 92% of the outstanding shares of Proficient Success Limited. As of March 31, 2012, Accurate Gain Developments Limited, Proficient Success Limited, Mr. Cheng Chung Hing, Ricky, and Mr. Cheng Tai Po owned an aggregate of 2,471,444,558 of the 5,987,564,000 outstanding shares of China South City Holdings Limited, or China South City, and Mr. Cheng Chung Hing, Ricky, held options to purchase 66,000,000 shares of China South City. China South City is one of the leading developers and operators of large-scale integrated logistics and trade centers in China, providing a comprehensive trading platform for domestic and international wholesale suppliers, buyers, manufacturers and distributors of raw materials and finished products. It sells and leases trade center units for businesses to display and sell their products. China South City also provides their clients with one-stop convenient supply chain solutions that include a full range of facilities and services such as offices, residential, conference and exhibition facilities, hotels and restaurants, warehousing and on-site logistics services, banking, on-site government services in a bid to offer. Mr. Cheng Chung Hing, Ricky, is also the Co-Founder, Co-Chairman and Executive Director of China South City. In addition, Mr. Leung Moon Lam, a director of China Metro, is a Co-Founder, Executive Director and the Chief Executive Officer of China South City.

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

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

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

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

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

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

China Tieling Northeast and China Dezhou Northeast were approved by their respective local authorities and filed with the PRC Ministry of Commerce as wholly foreign owned enterprises and, accordingly, are subject to regulations and restrictions applicable to foreign investment real estate enterprises, including, but not limited to, restrictions on their ability to obtain loans within and outside of the PRC, as well as restrictions on the conversion and sale of foreign exchange into their capital accounts. In addition, China Tieling Northeast and China Dezhou Northeast, as foreign investment real estate enterprises, are required to maintain registered capital levels at 50% or more of their total investment. As of March 31, 2012, the registered total investment in China Tieling Northeast and China Dezhou Northeast were US$49.8 million and US$49.9 million respectively, including registered capital of US$35 million and US$49.9 million, representing approximately 70% and 100% of their respectively registered total investment. Currently, China Tieling Northeast and China Dezhou Northeast, our project companies for our property planned for future development in Liaoning and Shandong, are our only subsidiaries categorized as foreign investment real estate enterprises.

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

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

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

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

Our results of operations may also fluctuate due to changes in the fair value of our trade center units and other facilities retained for rental income and capital appreciation of investment properties. We reassess the fair value of our investment properties each year. Property valuation typically requires the use of certain bases and assumptions with respect to a variety of factors, including supply and demand of comparable properties, the rate of economic growth in the location of the property, interest rates, inflation and political and economic developments in the PRC.

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

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

We cannot assure that we will be able to fulfill the pre-conditions necessary to obtain required governmental approvals, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the real estate, agricultural or logistics industries in general or the particular processes with respect to the grant of approvals in China. There may also be delays on the part of relevant administrative bodies in reviewing our applications and granting approvals. We may also be subject to periodic delays in our trade center development projects due to building moratoria in the areas in which it operates or plans to operate. If we are unable to obtain, or experience material delays in obtaining, the requisite governmental approvals, or if a building moratorium is implemented at one or more of our project sites, the development and sale of our projects could be substantially disrupted, which would result in a material adverse effect on our business, financial condition and results of operations. Further, we cannot assure that the implementation of laws and regulations by relevant authorities, or the interpretation or enforcement of such laws and regulations, will not cause us to incur additional costs, which could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

Two of our subsidiaries located in Dezhou, China Dezhou Northeast and Dezhou Northeast City Property Co., Ltd. (a wholly-owned subsidiary of China Dezhou Northeast), are also required to hold qualification certificates as a real estate developer in mainland China. The Dezhou Housing and Urban Rural Construction Bureau has granted interim qualification certificates to China Dezhou Northeast and Dezhou Northeast City Property Co., Ltd. confirming that China Dezhou Northeast and Dezhou Northeast City Property Co., Ltd. are allowed to undertake the development of properties in the PRC. The interim qualification certificate of China Dezhou Northeast will expire on September 30, 2012 and the interim qualification certificate of Dezhou Northeast City Property Co., Ltd. has expired on June 30, 2012 and has renewed with an effective term until June 30, 2013. Upon expiration of these interim qualification certificates, China Dezhou Northeast and Dezhou Northeast City Property Co., Ltd will be required to renew their qualification certificates.

Our subsidiary located in Qiqihar, Qiqihar China Focus City China South Real Estates Development Co., Ltd. is also required to hold a qualification certificate as a real estate developer in mainland China. The Heilongjiang Housing and Urban Rural Construction Bureau has granted an interim qualification certificate to Qiqihar China Focus City China South Real Estates Development Co., Ltd. confirming that Qiqihar China Focus City China South Real Estates Development Co., Ltd. is allowed to undertake the development of properties in the PRC. The interim qualification certificate of Qiqihar China Focus City China South Real Estates Development Co., Ltd. will expire on January 10, 2013. Upon expiration of this interim qualification certificate, Qiqihar China Focus City China South Real Estates Development Co., Ltd. will be required to renew its qualification certificate.

We cannot assure that these entities will be able to renew the current qualification certificates or obtain a new qualification certificates in a timely manner, or at all. If these entities or other project companies for our future projects are unable to renew the current qualification certificates or obtain new qualification certificates, they may not be permitted by the PRC Government to continue to engage in property development activities associated with the development of their integrated logistics trade center business, which would materially and adversely affect our business, results of operations and financial condition.

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

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

Potential liability for environmental problems could result in substantial costs.

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

As required by PRC law, independent environmental consultants have conducted environmental impact assessments at all of our construction projects. Although the environmental investigations conducted to date have not revealed any environmental liability that would be expected to have a material adverse effect on our business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware. Upon completion of each project, the relevant environmental authorities will inspect the site to ensure compliance with all applicable environmental standards and prepare a report to confirm such compliance. We cannot assure that such internal control procedures will be effective in preventing non-compliance. If any portion of the project is found to be non-compliant with relevant environmental standards or if we are unable to obtain necessary licenses for releasing contaminants, it may be subject to suspension of a portion of our operations as well as fines and penalties.

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

Our sales of trade center units and residential properties are subject to land appreciation tax in the PRC. In addition, sales of properties in our properties planned for future development may be subject to land appreciation tax. Land appreciation tax is payable on the gain, representing the balance of the proceeds received on such sale, after deducting various prescribed items, including sums paid for acquisition of land use rights, the direct costs and expenses of the development of the land and construction of buildings and supplementary facilities or the appraised price of any previous buildings and structures existing on the land and taxes related to the assignment of the real property. Under applicable PRC laws and regulations, land appreciation tax is chargeable on the gain at progressive rates ranging from 30% to 60%. Certain exemptions may be available for the sale of ordinary residential properties if the appreciation of land value does not exceed 20% of the total deductible items as provided in the relevant tax laws.

On December 28, 2006, the State Administration of Taxation issued the Notice on Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises, or the LAT Notice, which became effective on February 1, 2007. The LAT Notice provides that land appreciation tax should be settled in stages during a real estate development project and sets forth, among other things, methods of calculating land appreciation tax and a time frame for settlement of land appreciation tax. We have accrued all land appreciation tax payable on our property sales and transfers in accordance with the progressive rates specified in relevant tax laws mentioned above. However, the relevant tax authorities have yet to commence the assessment of our land appreciation taxes in order to collect the additional tax payments from it, and, therefore, we have not made the additional payments of land appreciation tax during the fiscal years ended March 31, 2009, 2010 and 2011 and the current period. We have paid such land appreciation tax expenses based on the total sales amount of the contracts it entered into with purchasers of trade center units for each fiscal year at the rate of 2% set by the local municipal tax authorities. In fiscal years ended March 31, 2009, 2010 and 2011, we paid land appreciation tax to the local municipal tax authorities in the amounts of HK$nil, HK$4.8 million and HK$11.9 million, respectively. In fiscal years ended March 31, 2009, 2010 and 2011, we made provisions for land appreciation in the amounts of HK$0.06 million, HK$22.2 million, and HK$45.9 million**,** respectively. In the fiscal year ended March 31, 2012, we paid land appreciation tax to the local municipal tax authorities in the amount of HK$18.8 million, and we made provisions in the amount of HK$27.8 million. Our cash flows and financial condition will be affected if the PRC tax authorities do proceed to collect the land appreciation tax for which we have made provisions. In addition, provisioning for land appreciation tax requires our management to use a significant amount of judgment with respect to the appreciation of land value and the allowability of deductible items for income tax purposes. If the land appreciation tax provisions we have made are substantially lower than the actual land appreciation tax amounts assessed by the tax authorities, our results of operations and cash flows will be materially and adversely affected.

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

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

In addition, although the local government is responsible in the master agreement for relocating existing residents on the land and associated relocation expenses, the local government may experience delays in its negotiation process with the original occupants of the land which may result in delays in the development of any future properties by us. With respect to any future properties of ours, we will be responsible for land payments only following the successful relocation of existing residents by and at the cost of the local government.

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

Our real estate projects involve acquiring land use rights for large plots of land, many of which have existing structures and residents, from municipal and provincial governments of the PRC. Other properties we may develop in the future may also involve similar circumstances. Acquiring these development rights, converting them into land use rights and committing the financial and managerial resources to develop the land involve significant risks. Before a real estate development project generates any revenue, we must make a variety of material expenditures, including to acquire the development rights and to construct the required infrastructure.

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

- we may lease or sell developed properties at below expected rental rates or sales prices, and we may experience delays in the sale or leasing of developed properties;
- we may be unable to complete construction of our real estate projects on schedule, or on budget, due to a variety of factors including shortages of materials, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors and sub-contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in the relocation process, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other problems and circumstances, resulting in increased debt service expense and construction costs;
- occupancy rates, rents and sales prices at our real estate properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in our investments being less profitable than we expected or not profitable at all;
- the services rendered by our contractors may not always meet our quality requirements, and negligence or poor work quality by any contractors may result in defects in our buildings or trade center units, which could in turn cause us to suffer financial losses, harm our reputation or expose us to third-party claims;
- since it normally takes several years for us to complete a real estate project, we expect that we will be affected by increases in the costs of construction materials and the costs of other goods and services, most significantly labor costs;
- we may delay, or change the structure of, real estate projects and as a result we may lose deposits paid to participate in the land tender process or fail to recover expenses already incurred; and
- we may be unable to obtain, or face delays in obtaining, required zoning, land use, building, occupancy, and other governmental permits, rights and authorizations, which could result in increased costs with respect to a project.

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

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

To date, for investment activities, we have relied primarily on bank borrowings and other loans for our funding and liquidity requirements; and to a lesser extent on cash inflows from operations. For further information on our available funding and liquidity resources, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” As of March 31, 2012, we had net current assets of HK$765.3 million and the outstanding balance of our total indebtedness (including trade payables, other payables and accruals, excluding shareholder’s loans and loans from a non-controlling interest) amounted approximately HK$1,332.5 million, which included primarily bank and other borrowings and trade payables, other payables and accruals in the amounts of HK$732.6 million and HK$599.9 million, respectively. Approximately HK$478.8 million of our total borrowings were due within one year or on demand and approximately HK$253.8 million were due within a period of more than one year but not exceeding five years. The projected total investment for China Northeast Logistics City—Tieling and China Northeast Logistics City—Dezhou and China Focus City—Qiqihar could be up to an amount of approximately US$2 billion, US$5 billion and US$3 billion, respectively.

We also have available cash flow from our operations, but such amounts are not likely to be sufficient to fund our future development requirements. Due to the nature of our trade center development business, it may from time to time experience periods of net cash outflows, when imbalances may arise between the timing of cash inflows from rentals and sales of trade center units and our cash outflows relating to the construction of properties and purchases of state-owned land use rights. We may require additional bank borrowings and, if necessary, offerings of debt and equity securities for a significant portion of our liquidity requirements to finance the construction costs of these projects, which are expected to be completed in stages. We cannot assure that we will be able to obtain additional financing at competitive costs, or at all. In addition, although we have not experienced any difficulties in the past, we may not be able to renew our existing loan facilities granted by banks in the PRC on satisfactory terms, or at all. If we are unable to obtain necessary additional financing or renew existing loan facilities, we will not be able to complete future projects, and our business development could be severely disrupted.

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

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

We may incur substantial additional indebtedness in the future.

As of March 31, 2012, our debt-to-equity ratio (total bank and other borrowings/total equity) was approximately 57.4%. We may incur additional indebtedness to complete additional projects and grow our supporting infrastructure, and the amount of such additional indebtedness may be substantial. We will face more risks if it or our subsidiaries incurs additional debt. For example, the additional debt could:

- limit our ability to satisfy our obligations under our borrowings;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund project developments, working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- restrict us from making strategic acquisitions or exploring business opportunities;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds or make guarantees; and
- increase the cost of additional financing.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by then prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not be able to generate sufficient cash flow for these purposes. If we are unable to service our total indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking additional equity capital. These strategies may not be implemented on satisfactory terms, if at all.

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

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

If China Tieling Northeast is unable to comply with the restrictions and covenants in its current or future loan and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to China Tieling Northeast, accelerate the outstanding debt and/or terminate the agreements, as the case may be. If the underlying obligation relates to China Tieling Northeast's secured borrowings, the lender can enforce the mortgages over the property securing the defaulted loan. If any of these events occur, China Tieling Northeast cannot assure that its assets and cash flow would be sufficient to repay all of its indebtedness, or that it would be able to obtain alternative financing on terms that are favorable or acceptable to China Tieling Northeast.

China Tieling Northeast is not currently in breach of any of these covenants.

We depend on China Metro-Rural Limited's founding shareholders, one of whom is also one of our directors, and our business and growth prospects may be severely disrupted if we lose the support and service of all or any one of them.

Our success and growth depends on the efforts of the founding shareholders of the China Metro-Rural Limited (Mr. Cheng Chung Hing, Ricky and Mr. Leung Moon Lam), one of whom (Mr. Cheng Chung Hing, Ricky) is also one of our directors. These founding shareholders are critical to our success because of their vision for us and their industry knowledge and relationships. If we were to lose their support, our relationships with bankers, government officials, potential tenants and industry personnel could be adversely affected. We may not be able to replace these founding shareholders easily or at all. As a result, the loss of any of these founding shareholders, whether because any one or more of them become unwilling to continue in their present capacities with us, develop disagreements between each other, leave to join a competitor or form a competing business, or other reasons, would severely disrupt our business and growth prospects.

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

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

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

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

Our business may be adversely affected due to the occurrence of typhoons, severe storms, floods, wildfires, earthquakes or other natural disasters, or accidents (including fire or explosion) or similar events in the areas where we operate our trade centers. We do not carry any property insurance. Should a loss occur, we could lose all or a portion of the capital invested in a property, as well as the anticipated future revenues from the property. Nevertheless, we would remain obligated for any bank borrowings or other financial obligations related to the property. It is also possible that if we were to obtain insurance, third-party insurance carriers would not be able to maintain reinsurance sufficient to cover any losses that may be incurred. Any material uninsured loss could materially and adversely affect our business, financial condition and results of operations.

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

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

In addition, the ability of our subsidiaries in the PRC to pay dividends to their shareholders is subject to the requirements of PRC law. PRC regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Dividends may not be paid until cumulative prior years' losses are made up. As a result, if our subsidiaries in the PRC incur losses, such losses may impair their ability to pay dividends or other distributions to us, which would restrict our ability to pay dividends and to service our indebtedness. Our PRC subsidiaries are required to make monthly contributions to the social security plan and the housing reserve fund maintained for their employees, consisting of pension benefits, personal injury insurance, maternity insurance and medical and unemployment benefits. In addition, some of our PRC subsidiaries may be required to set aside at least 10% of its after-tax profits based on PRC accounting standards in accordance with their articles of association and PRC law each year to its PRC statutory reserve until the cumulative amount of such reserve reaches 50% of its registered capital. As of March 31, 2012, we have PRC statutory reserve of approximately HK$45,514,000 for our PRC subsidiaries.

Any occurrence of avian influenza, influenza A H1N1 or other widespread public health problems could adversely affect our business, financial condition and results of operations.

In December 2003 and January 2004, there were media reports regarding the spread of the H5N1 virus, or avian influenza, among birds and in particular poultry, as well as some isolated cases in countries outside Hong Kong and PRC of transmission of the virus to humans. Further, the World Health Organization in June 2009 raised its pandemic alert level to six, its highest level, in response to an outbreak of influenza A caused by the H1N1 virus that resulted in a number of confirmed cases worldwide. We cannot assure that there will not be a serious outbreak of a contagious disease in the PRC in the future. A renewed outbreak of SARS, pandemic avian influenza, influenza A H1N1 or other widespread public health problems in the PRC could have a material adverse effect on the PRC economy and our property market generally, and on our business, financial condition and results of operations.

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

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

We have exposure to general real estate investment risks.

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

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

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

The results of our real estate operations are affected by the cyclical nature of the real estate industry in the PRC. Property values and rents are affected by, among other factors, supply and demand of comparable properties, interest rates, unemployment rates, inflation, the rate of economic growth, tax laws and political and economic developments in the PRC. We cannot assure you that property values and rents will not decline in the future. A significant downturn in demand for our units would result in a material adverse effect on our business, financial condition and results of operations.

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

In order to develop and operate our projects, we must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of development, including land use rights documents, planning permits, construction permits, and certificates or confirmations of completion and acceptance. Each approval is dependent on the satisfaction of certain pre-conditions. We cannot assure you that we will be able to fulfill the pre-conditions necessary to obtain required governmental approvals, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the real estate market in general or the particular processes with respect to the grant of approvals in China. There may also be delays on the part of relevant administrative bodies in reviewing our applications and granting approvals. If we fail to obtain, or experience material delays in obtaining, the requisite governmental approvals, the development, sale and lease of our projects could be substantially disrupted, which would result in a material adverse effect on our business, financial condition and results of operations.

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

As of July 1, 2012, our principal shareholder, Mr. Cheng Chung Hing, Ricky, our Chairman, together with his affiliates, controls 37,338,104 of our outstanding ordinary shares and 100,000 of our outstanding preferred shares, which together represented 40,529,329, or 52.82%, of our outstanding voting shares.

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

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

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

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

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

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

There may be chances that large amount of radioactive substances being released from the Fukushima Daichi Nuclear Plant in Japan to China, where our three projects in Shandong, Heilongjiang and Liaoning may be subject to radiation exposure. If there is a massive release of radiation resulting from complete meltdown of the Fuksushima Daichi Nuclear Plant, the radiation would have contaminated the areas up to several hundred kilometers from the nuclear reactor. The distance between Fukushima and Shandong Province is approximately 1,896 kilometres (1,178 miles), where China Northeast Logistics City—Dezhou is located, the distance between Fukushima and Liaoning Province is approximately 1,000 kilometers (621 miles), where China Northeast Logistics City—Tieling is located and the distance between Fukushima and Heilongjiang Province is approximately 1,718 kilometers (1,068 miles), where China Focus City—Qiqihar is located.

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

Risks Related to Our Ordinary Shares

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

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

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

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

Our securities offering in May 2011 could prevent the acquisition or sale of our business.

The exercise price of the warrants sold in our offering in May 2011 may be decreased if we issue securities below the warrant exercise price or if we fail to meet certain financial targets set forth in the warrants. The exercise of the warrants could further dilute the holdings of existing shareholders.

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

Risks Relating to Doing Business in the PRC

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

All of our agricultural logistics business is conducted in, and all of our agricultural logistics revenues are derived from, China. The economy of China differs from the economies of most developed countries in many respects, including, but not limited to: structure; governmental involvement; level of development; growth rate of gross domestic product, or GDP; capital re-investment; allocation of resources; control of foreign currency; and rate of inflation. The economy of China has been transitioning from a planned economy to a market-oriented economy. Although in recent years the PRC Government has implemented measures emphasizing the utilization of market forces for economic reform, a substantial portion of productive assets in China is still owned by the PRC Government. In addition, the PRC Government continues to play a significant role in regulating industries by imposing industrial policies. It also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Policies and other measures taken by the PRC Government to regulate the economy could have a significant negative impact on economic conditions in China, with a resulting negative impact on our business. For example, our business, results of operations and financial condition may be materially and adversely affected by:

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

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

In previous years, the PRC Government had periodically taken measures to slow economic growth to a more manageable level, in response to concerns about China's historical high growth rate in industrial production, bank credit, fixed investment and money supply. These measures have included macroeconomic measures to control perceived over investment in the real property market. More recently, along with a decline in economic growth worldwide, the rate of growth of the PRC economy has slowed down. In 2011, China's real GDP grew by a rate of an estimated 9.2% as compared to a rate of 10.3% and 9.1% in 2010 and 2009, respectively. In response to the recent global economic downturn, and a resulting slowdown in the PRC economy, the PRC Government has adopted increasingly flexible macroeconomic policies, including an announced fiscal stimulus package, aimed at offsetting the slowdown brought by the financial crisis. These policies include measures specifically designed to encourage development of the domestic property market, which represents a reversal on policies implemented since 2003 designed to tighten control on the real property market. However, we cannot assure you that the PRC Government's fiscal stimulus package will be successful in offsetting the slowdown resulting from the current economic downturn and deterioration in the global credit markets, or that restrictive measures already in place will not adversely affect our business.

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

Our business is operated through, and our revenues are generated by, our operating subsidiaries in the PRC. Substantially all of our assets are located in the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC Government has issued laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and their nonbinding nature, interpretation and enforcement of these laws and regulations involve uncertainties. In addition, as the legal system in China develops, changes in such laws and regulations, their interpretation or their enforcement may have a negative effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

Risk Related to U.S. Taxation

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

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

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

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

There is a risk that we will be classified as a PFIC for U.S. federal income tax purposes. Our status as a PFIC could result in a reduction in the after-tax return to U.S. Holders of our ordinary shares and may cause a reduction in the value of such shares. We will be classified as a PFIC for any taxable year in which (i) at least 75% of our gross income is passive income or (ii) at least 50% of the average value of all of our assets produce or are held for the production of passive income. For this purpose, passive income includes dividends, interest, royalties and rents that are not derived in the active conduct of a trade or business. Based on the projected composition of our income and valuation of our assets, we do not believe we were a PFIC for the year ended March 31, 2012. The U.S. Internal Revenue Service or a U.S. court could determine that we are a PFIC in any year. If we are classified as a PFIC, U.S. holders of our ordinary shares could be subject to greater U.S. income tax liability than might otherwise apply, imposition of U.S. income tax in advance of when tax would otherwise apply, and detailed tax filing requirements that would not otherwise apply. The PFIC rules are complex and U.S. holders of our ordinary shares are urged to consult their own tax advisors regarding the possible application of the PFIC rules to them in their particular circumstances. See "Material United States Federal Income Tax Consequences."

Item 4. Information on the Company

A. History and Development of the Company

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

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

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

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

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

B. Business Overview

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

Agricultural logistics business

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

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

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

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

China Northeast Logistics City—Tieling

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

As of March 31, 2012, a total GFA of approximately 514,680 square meters (excluding self-used properties) were completed and more than 3,000 independent individuals had entered into sales and purchase agreements to purchase more than approximately 301,000 square meters of GFA, or approximately 58%, of our completed GFA. As of March 31, 2012, we completed sales of GFA of approximately 301,000 square meters (including approximately 39,000 square meters of residential properties). For such sales, we had outstanding accounts receivable of approximately HK$44,692,000, or 35% of such sales, as of March 31, 2012. An additional approximately 146,000 square meters of GFA are under construction. In addition, we have GFA of approximately 261,000 square meters and approximately 94,000 square meters, which included GFA under construction, available for sale and pre-sale, and for lease, respectively, of which approximately 128,000 square meters for sale and approximately 81,000 square meters for lease have been completed.

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

China Northeast Logistics City—Dezhou

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

As of March 31, 2012, a total GFA of approximately 191,000 square meters were completed and more than 1,000 independent individuals had entered into sales and purchase agreements to purchase more than approximately 115,000 square meters of GFA, or approximately 60%, of our completed GFA. As of March 31, 2012, we completed sales of GFA of approximately 115,000 square meters. For such sales, we had outstanding accounts receivable of approximately HK$127,520,000, or 20% of such sales, as of March 31, 2012. An additional approximately 40,000 square meters of GFA are under construction.

As of March 31, 2012, our total investments for China Northeast Logistics City—Tieling and China Northeast Logistics City—Dezhou are approximately RMB1,932 million (US$304 million) and RMB1,213 million (US$191 million), respectively.

Rural-urban migration and city re-development business

China Focus City—Qiqihar

Our rural-urban migration and city re-development business is comprised of (1) servicing and assignments of development rights and (2) development and sales of residential, commercial and other auxiliary properties in new city center district of Qiqihar City. China Focus City—Qiqihar is a name of a project located in Qiqihar, Heilongjiang Province, where we are to develop various residential and commercial properties at an area designated by Qiqihar Municipal Government as the future administrative center of Qiqihar. It is China Metro's strategy to assign the development rights to independent third party developers on portion of land plots that have been allocated by the local government under the framework agreement for their development in return for a premium while retaining the remaining portion for China Metro's own development.

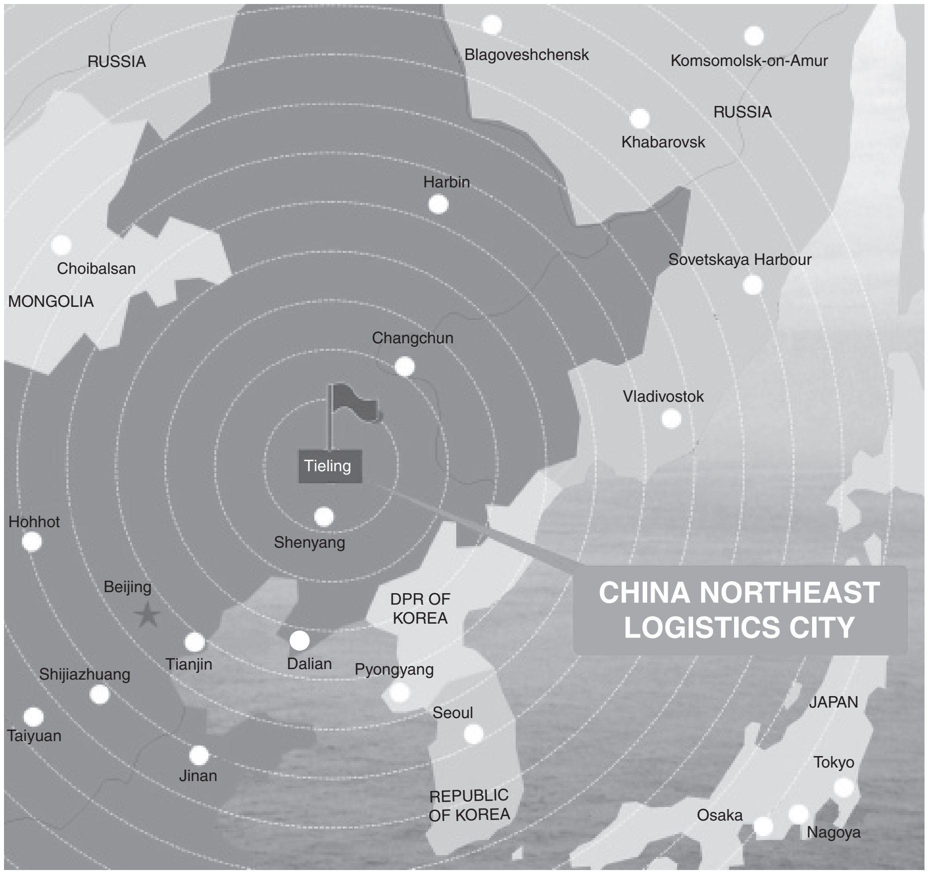
China Focus City—Qiqihar is expected to have a total site area of at least 5 million square meters, which is expected to provide GFA of approximately 10 million square meters upon completion of all area in 2018. As part of our business activities, we retain portion of the area to develop on our own and the remaining portion is to be assigned to other developers for development in return for a premium. As at March 31, 2012, we have paid for and signed a land grant contract with the government for approximately 454,500 square meters and planning for development for GFA of approximately 70,000 square meters of residential properties, which is expect to be completed in 2013 and 2014 in number of phases. As at March 31, 2012, we have concluded two contracts for servicing and assignments of development rights to two independent developers with total residential and commercial land areas of approximately 414,500 square meters and 155,100 square meters, respectively, where the assignments of residential land areas were completed during the current fiscal year and the commercial land areas are expected to complete during fiscal year ending March 31, 2013.

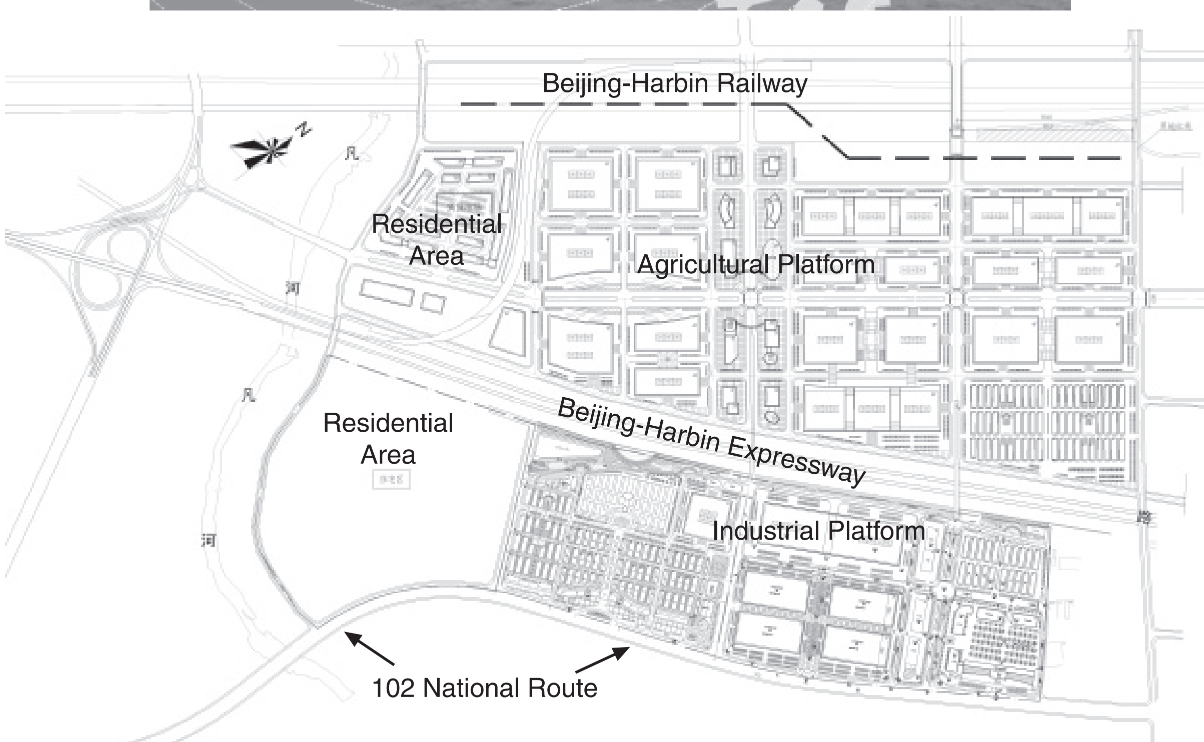
As of March 31, 2012, our total investment for China Focus City—Qiqihar is approximately RMB251 million (US$40 million).

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

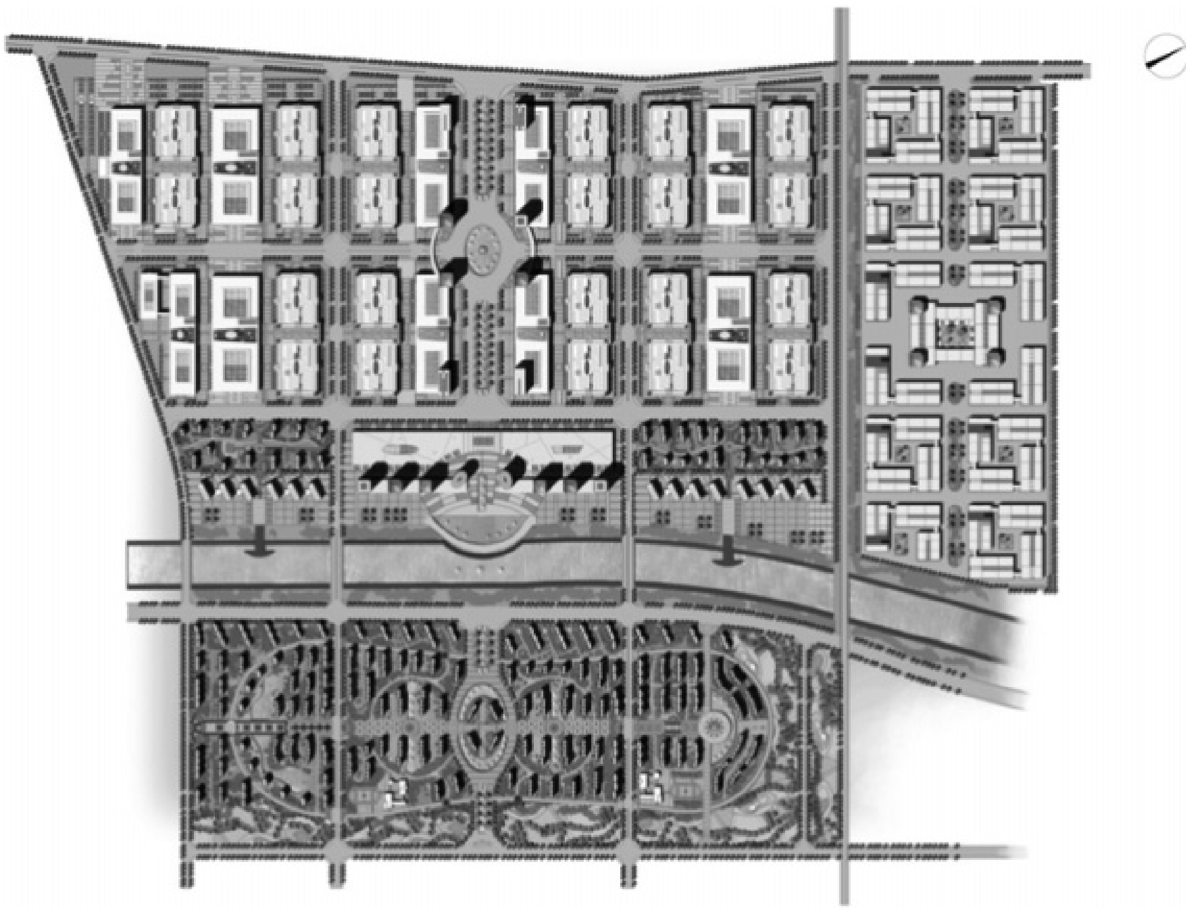
Changes in fair values of our investment properties (which include investment properties under construction) were approximately HK$155.6 million, HK$111.5 million and HK$2.6 million, in the fiscal years ended March 31, 2010, 2011 and 2012, respectively. In the fiscal years ended March 31, 2010, 2011, and 2012, changes in fair values of investment properties represented 70.4%, 41.3% and 0.8%, respectively, of our net profit from our continuing operation after taking into account relevant deferred income tax.

The following map illustrates the geographic location of China Northeast Logistics City—Tieling:





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



Completed Property Development

China Northeast Logistics City—Tieling

Phase I of China Northeast Logistics City—Tieling will cover a planned GFA of approximately 2.0 million square meters. Construction of 514,680 square meters of trade centers and residential properties was completed as of March 31, 2012.

China Northeast Logistics City—Dezhou

Phase I of China Northeast Logistics City—Dezhou will cover a planned GFA of approximately 2.9 million square meters. Construction of 191,000 square meters of trade centers was completed as of March 31, 2012.

Properties under Development

China Northeast Logistics City—Tieling

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

China Northeast Logistics City—Dezhou

We are currently constructing additional trade centers and supporting facilities for Phase I of China Northeast Logistics City—Dezhou with a planned GFA of approximately 40,000 square meters.

China Focus City—Qiqihar

We are currently constructing residential properties for our China Focus City—Qiqihar with planned GFA of approximately 70,000 square meters.

Properties Planned for Future Development

China Northeast Logistics City—Tieling

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

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

China Northeast Logistics City—Dezhou

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

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

China Focus City—Qiqihar

The total planned site area of China Focus City—Qiqihar is approximately 5 million square meters comprised of land for both residential and commercial properties with maximum buildable GFA of approximately 10 million square meters. We plan to retain certain portion of the site for our own development and to assign the remaining portion to independent third party developers.

The total site area for which we have obtained land use rights and planned for future development on our own is approximately 359,300 square meters. In addition to GFA of approximately 70,000 square meters of residential properties under construction, we plan to develop another approximately 7,800 square meters of GFA of club house and sales center in 2012 and approximately 70,000 square meters of residential properties in 2013. In addition, we plan to develop certain wholesale market with GFA of approximately 150,000 square meters for which the land use rights is yet to be obtained. We are in the process of acquiring more land use rights from local Land Bureau.

Competitive Strengths

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

Our innovative business model provides an integrated platform for our trade center tenants and their customers to receive a comprehensive range of trade, agricultural logistics and supporting services.

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

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

China Northeast Logistics City—Tieling:

Manchuria is comprised of Liaoning, Jilin and Heilongjiang provinces.

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

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

China Northeast Logistics City—Dezhou:

China Northeast Logistics City—Dezhou is strategically located in the northern of Shandong Province which has a comprehensive transportation network forming a gateway between south and north. It is only a three hour drive from Beijing and eight hour drive from Shanghai. The population of Dezhou City and Shandong Province are over 5 million and 94 million, respectively. The gross domestic product, or GDP, of Shandong Province was US$711 billion in 2011, which ranked third among Chinese provinces.

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

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

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

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

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

The two founding shareholders of China Metro-Rural Limited, each of whom are either chairmen or executive directors of leading manufacturing and industrial companies based in Hong Kong with operations in the PRC, have extensive experience and a well-developed network of contacts in their respective industries and have provided a firm foundation for our operations and future development. Mr. Cheng Chung Hing, Ricky, one of the founding shareholders of China Metro-Rural Limited, is also the Chairman of Shenzhen Logistics and Supply Chain Managers Management Association. He is also a member of the Shenzhen committee of the Chinese People's Political Consultative Conference. Mr. Leung Moon Lam is a member of the Liaoning committee of the Chinese People's Political Consultative Conference. He is also the Chairman of the Shenzhen Textile Industry Association and the executive Chairman of the Shenzhen Leather Industry Association.

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

We consider the strength of our senior management team to be fundamental to the success of our integrated agricultural logistics and trade center development projects. We rely on our senior management's experience and insight on important factors that contribute to the success of our projects, such as careful site selection, detailed project management, stringent cost control and effective quality control. Our senior management team also has extensive experience in real estate operations and financial management, which we believe provides us with a key competitive advantage. Our financial team includes professionals with experience in financial management, mergers and acquisitions, capital markets financing and corporate restructuring. Furthermore, we have developed a strong sales team with specialized experience in each of the different trade and agricultural logistics services industries. We believe our management team's comprehensive industry background has helped us to achieve our past success and will enable us to successfully implement our growth strategies in the future.

Strategy

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

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

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

- *Provide preferential rental terms to maximize occupancy rates and increase rental rates and sales prices as occupancy rates increase*. Our operating strategy of the integrated agricultural logistics and trade centers aims to first achieve high occupancy rates and attract a high-quality tenant base, and then increase rental rates and sales prices steadily as occupancy rates increase. We intend to attract quality tenants to our trade centers by offering preferential rental rates and other more attractive leasing terms than those offered by our competitors, such as rent free periods based on advance rental payments made by tenants. We intend to increase rental rates after the initial lease period, by which time we believe our tenants who have established their business in our trade centers and are benefiting from the full range of integrated agricultural logistics, trade and supporting facilities will have strong incentives to renew their leases. We anticipate favorable upward trends in rental rates and sales prices for our trade center units, driven by (1) continuing growth in the manufacturing and export industries in China, which we expect to generate additional demand for space in integrated agricultural logistics and trade centers, and (2) higher quality features to be developed in the trade centers, which we expect will be offered at higher rental rates and sales prices. In the fiscal year ended March 31, 2012, our overall average selling price was HK$5,194 per square meter, represented an increase of approximately 49% as compared with the average selling price of HK$3,482 per square meter in the fiscal year ended March 31, 2011.
- *Continue to offer integrated agricultural logistics services to increase customers' access to the global supply chain.* We intend to optimize our offerings of integrated agricultural logistics services, including warehouse, liaison and on-site agricultural logistics services and transportation services, in order to facilitate individual needs and order requirements of trade center tenants and their customers. By integrating agricultural logistics and trade functions and providing ready access to necessary services for trade center tenants and their customers, we believe we will be able to outperform our competitors in advancing and expediting the business interests of trade center tenants.

- *Leverage and improve supporting infrastructure and services*. We will seek to enhance the market demand for our trade center units by leveraging and improving the auxiliary services available to our trade center tenants and their customers. In developing supporting infrastructure and services at China Northeast Logistics City—Tieling, we have entered into strategic alliances and arrangements with a variety of third party service providers, including one of China's leading banks, Agricultural Credit Union, and a telecommunications company. We have also signed non-binding memorandum of understanding with two state-owned enterprises (China Grain and Logistics Corp) to be anchor tenants and entered into a strategic alliance with Liaoning Chemical Fertilizers Co. Ltd. to build the largest fertilizer trade market in Liaoning. In addition, we will offer conference and exhibition facilities to the agricultural and related industries participants.
- *Building a strong brand by expanding into other cities and regions.* We intend to expand the brand name "China Northeast Logistics City" into other cities and regions in the PRC by establishing a network of China Northeast Logistics Cities. By creating a network, we hope to *create* synergy between China Northeast Logistics Cities in different regions where customers from each China Northeast Logistics City will be attracted to one another, thus creating more transactions.

Build our market position and enhance our brand recognition.

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

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

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

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

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

Trade Center Projects

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

Our trade center projects are classified into:

- Properties under development, representing properties for which we have obtained land use rights certificates and have planned or commenced construction. One of the properties under development is the "Construction Materials Depot" trade center, which is a construction materials and accessories trade center.
- Investment properties under construction, representing properties held for long-term investment and for leasing purposes upon completion.
- Properties held for sale, representing properties for which we have completed construction and are ready to be sold and occupied by potential buyers and tenants.
- Properties under planning, representing development activities consisting of site selection, land acquisition and project design.

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

Land-Use Rights and Building Ownership Rights

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

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

China Northeast Logistics City—Tieling

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

We have paid for and signed a land grant contract with the local government for approximately 1,788,308 square meters of land planned for use in Phase I and 558,586 square meters of land planned for use on Phase II, which together representing approximately 60%, of the total site area for China Northeast Logistics City—Tieling. As of March 31, 2012, we received all land use rights for Phase I of our development. All the land has gone through auctions.

China Northeast Logistics City—Dezhou

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

China Focus City—Qiqihar

We have paid for and signed a land grant contract with the local government with respect to approximately 454,500 square meters, and serviced and assigned development rights with respect to approximately 414,500 square meters, of a total site area of approximately 5 million square meters planned for development and assignment for China Focus City—Qiqihar. All the land has gone through auctions.

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

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

Sales and Marketing

As of March 31, 2012, we had a team of approximately 66, 36 and 52 sales and marketing and customer services personnel located in Tieling City, Dezhou City and Qiqihar City, respectively, who are responsible for the sales, leasing and marketing of the store units in the trade centers, residential and other properties. Once a project is completed, our sales and marketing staff will also develop advertising and rental plans for the properties held for rental, and sales plans for the store units to be sold to purchasers of the properties. We will also engage other independent professionals in the PRC to prepare marketing studies to assist us in developing our advertising and sales and rental plans. This process also includes a determination of target customers, as well as strategies to maximize usage and revenues from the property.

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

Lease Agreements

China Northeast Logistics City—Tieling

Overview

As of March 31, 2012, we had approximately 2,600 completed trade center units for lease at China Northeast Logistics City—Tieling. Leasing of trade center units and commercial facilities is conducted by our sales and marketing department. Prospective tenants complete an application containing information as to desired location of the rental units and facilities, and pay a nominal deposit. We review the application and, if appropriate, provide a detailed proposal of the rental unit, as well as deposits, rental rates, management fees and any rent abatement or rent-free periods. Once an agreement is reached with a tenant, a lease agreement is executed.

Preferential Payment Terms

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

We currently offer preferential rental rates to all of our Phase I trade center tenants. The discounts offered to tenants depend on a variety of factors, including the duration of the lease, the type and location of the trade center for the unit to be leased, and the credit of the tenant. We also offer additional discounts to those tenants who make rental payments in advance. Tenants who make rental payments in advance typically receive a discount based on the length of the prepayment term. In addition, we offer incentive discounts to existing tenants who choose to enter into new lease agreements following the expiration of their initial lease terms and pay a portion of their rent in advance. As of March 31, 2012, taking into account the above preferential terms, the average effective monthly rental rate for our Phase I trade center units is approximately RMB 54 per square meter annually (excluding management fees).

Self-Used Properties

In order for us to operate our agricultural logistics business more efficiently and effectively, we have constructed and occupied the following properties at China Northeast Logistics City—Tieling as at March 31, 2012:

- Administrative Tower, a 5-story building with a total gross floor area of approximately 10,757 square meters. The Tower is used as our headquarters of China Northeast Logistics City—Tieling and is used by us for daily administrative duties.
- Sales Center, a 2-story building with office area with a total gross floor area of approximately 2,265 square meters. The Sales Center is used as showroom at China Northeast Logistics City—Tieling and is used by our sales team for daily sales and administrative duties.

Recent Developments

China Northeast Logistics City—Tieling

We have recently acquired four additional parcels of land with a total site area of approximately 558,586 square meters for the next phase, or Phase II, of China Northeast Logistics City—Tieling.

For the portion of Phase I of China Northeast Logistics City—Tieling that has been pre-sold/sold, average selling price increased by approximately 19% from HK$3,482 per square meter in the fiscal year ended March 31, 2011 to HK$4,132 per square meter in the fiscal year ended March 31, 2012. As of March 31, 2012, we have pre-sold/sold total GFA of approximately 306,000 square meters.

Sales of GFA decreased by 81.2% from approximately 165,000 square meters in the fiscal year ended March 31, 2011 to 31,000 square meters in the fiscal year ended March 31, 2012.

China Northeast Logistics City—Dezhou

We have acquired land use rights for the first parcels of land from local Land Bureau with site area of approximately 602,386 and commenced construction in June 2011. GFA of approximately 191,000 square meters was completed during the current year and GFA of approximately 40,000 square meters is still under construction.

For the GFA we have pre-sold/sold, average selling price was HK$5,480 per square meter in the fiscal year ended March 31, 2012. As of March 31, 2012, we have pre-sold/sold total GFA of approximately 168,000 square meters.

China Focus City—Qiqihar

We have paid for and signed a land grant contract with the local government for approximately 454,500 and commenced construction in April 2012 with GFA of approximately 70,000 square meters of residential properties.

Our Corporate Information

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

Intellectual Property Rights

Agricultural logistics

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

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

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

Facilities

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

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

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

Our China administrative office for Shenzhen head office is located on 27/F, Global Logistics Center, Pinghu, Longgang District, Shenzhen, PRC, which is comprised of approximately 1,439 square meters and is staffed by management and office personnel.

Our China administrative office for China Focus City—Qiqihar is located on 2/F-3/F, Environmental Protection Building, Hecheng Road, Nanyuan Development Zone, Longsha District, Qiqihar City, Heilongjiang Province, PRC, which is comprised of approximately 1,540 square meters and is staffed by management and office personnel.

Our China sales office for China Focus City—Qiqihar is located on No. 2, Zhonghuan South Road, Longsha District, Qiqihar City, Heilongjiang Province, PRC, which is comprised of approximately 3,030 square meters.

Legal Proceedings

As of March 31, 2012, we did not have any litigation, arbitration or claim of material importance, and the Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against us or any of our subsidiaries.

Insurance

We had purchased construction all-risk insurance during the construction of certain trade centers (which are now completed and the insurance has expired). With respect to our ongoing construction projects, we require our contractors to insure the construction through all-risk insurance. There are, however, certain types of risks that are not covered by our (or our contractors') insurance policies, including losses resulting from war, nuclear contamination, tsunami, pollution, earthquake and acts of terrorism. As of March 31, 2012, we have not experienced any significant loss or damage to our properties.

In addition, we maintain employer's liability insurance covering bodily injury, medical treatment and litigation expenses for our employees. We also insure our automobiles through automobile insurance covering collision damage and various types of liability.

REGULATION

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

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

Overview

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

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

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

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

The Land System of the PRC

Overview

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

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

Land Grants

National and Local Legislation

In April 1988, the National People's Congress passed an amendment to the constitution of the PRC. The amendment, which allowed for the transfer of state-owned land use rights for value, paved the way for reforms of the legal regime governing the use of state-owned land and transfer of state-owned land use rights. The *Decision of the Standing Committee of the National People's Congress on Amending the Law of the People's Republic of China on the Administration of Land* (全國人民代表大會常務委員會關 於修改中華人民共和國土地管理法的決定), adopted by the National People's Congress on December 29, 1988, amends the *Land Administration Law of the People's Republic of China* (中華人民共和國土地管理法) to permit the transfer of state-owned land use rights for value.

On May 19, 1990, the State Council issued the *Regulations of People's Republic of China Concerning the Interim Grant and Assignment of Right to Use State Land in Urban Areas* (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例), or the Urban Land Regulations. These regulations formalized the process of the grant and transfer of land use rights for consideration. Under this system, the State retains the ultimate ownership of the land. However, the right to use the land, referred to as land use rights, can be granted by the State and local governments at or above the county level for a maximum period of 70 years for specific purposes, including for residential and commercial development, pursuant to a land grant contract and upon payment to the State of a land grant fee for the grant of land use rights.

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

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

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

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

The Law of the People's Republic of China on Property Rights (中華人民共和國物權法), or the Property Law, adopted by the National People's Congress on March 16, 2007 and effective as of October 1, 2007, further clarified land use rights in the PRC with the following rules:

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

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

Methods of Land Grant

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

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

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

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

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

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

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

Model Land Grant Contract

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

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

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

Termination

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

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

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

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

Documents of Title and Registration of Property Interests

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

Mortgage and Guarantee

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

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

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

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

Property Development

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

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

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

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

Regulations on Foreign Investment Real Estate Enterprises

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

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

PRC law requires that a foreign investment project be approved by government authorities at the appropriate level depending on the amount of the investment by the foreign enterprise and the industries to which the project belongs under the foreign investment catalog. China Tieling Northeast has obtained approval from the Tieling Bureau of Foreign Trade and Economics Cooperation as a foreign investment enterprise and have subsequently received approval on two occasions to increase the investment capital to US$35 million. China Dezhou Northeast has obtained approval from the Dezhou Bureau of Foreign Trade and Economics Cooperation as a foreign investment enterprise with investment capital of US$49.9 million.

Circular No. 171

Issued in response to increasing foreign investment in the real estate industry in recent years, the *Opinions on Regulating the Entry of Foreign Capital Into the Real Estate Market and the Administration Thereof* (關於規範房地產市場外資進入和管理的意 見), or Circular No. 171, issued by the Ministry of Construction, the Ministry of Commerce, the National Development and Reform Commission, the People's Bank of China, the State Administration for Industry and Commerce and the State Administration of Foreign Exchange, on July 11, 2006, may impact foreign investment in the PRC real estate industry in the following areas:

- Circular No. 171 requires a foreign invested real estate enterprise, or FIREE, with total investments equating to or exceeding US$10 million to have a registered capital consisting of no less than 50% of its total amount of investment. FIREEs with total investments below US$10 million must have a registered capital in amounts pursuant to and consistent with existing regulations.
- Upon payment of the state-owned land use rights grant fees, the FIREE can apply to the land administration authority for a state-owned land use rights certificate. Upon obtaining the state-owned land use rights certificate, an FIREE may then obtain a recertification of its existing foreign investment enterprise approval certificate, or FIEAC, and the business license, with the same validity period as that of such FIEAC; following which, the FIREE may apply to the tax administration for tax registration purposes.
- When a foreign investor merges with a domestic real estate enterprise, or acquires an FIREE's equity or project, the investor is required to submit a guarantee which ensures the compliance with the provisions of the state-owned land use rights grant contract, construction site planning permit and construction work planning permit, and the state-owned land use rights certificate, and the modification certification issued by the construction authorities, and the tax payments certification issued by the relevant tax authorities.
- Foreign investors which merge with domestic real estate development enterprises by share transfer or other methods, or which acquire the equity of a PRC party in joint venture enterprises, must allocate their employees appropriately, deal with bank debts and settle the lump sum payment of the transfer price through self-owned funds. However, a foreign investor with an unfavorable record should not be allowed to conduct any of these activities.
- FIREEs which have not paid up their registered capital fully, or failed to obtain a state-owned land use rights certificate, or with under 35% of the total capital required for the project, may not be allowed to obtain a loan in or outside China, and foreign exchange administration departments shall not approve any settlement of foreign loans by such enterprises. Although the Ministry of Commerce has not issued any further opinions on the regulation of entry of foreign capital into the real estate market, however, based on the Capital Ratios Notice, issued by the State Council on May 25, 2009, this capital requirement may be reduced to 30% in the future.
- Any Sino or foreign investors in an FIREE shall not guarantee fixed profit returns or provide other arrangements to the same effect for any party in any form.

Circular No. 50

The *Notice of the Ministry of Commerce and the State Administration of Foreign Exchange on Further Strengthening and Regulating the Examination, Approval and Oversight of Foreign Direct Investment in the Real Estate Sector* (商務部、國家外匯管理 局關於進一步加強，規範外商直接投資房地產業審批和監管的通知), or Circular No. 50, issued by the Ministry of Commerce and the State Administration of Foreign Exchange on May 23, 2007 may impact foreign investment in the PRC real estate industry in the following areas:

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

- prior to establishing a foreign invested real estate enterprise, foreign investors are required to obtain state-owned land use rights or the ownership of a real estate building, or the investor should have entered into an indicative land grant contract or indicative project purchase agreement with the land administrative department, developer of the land or owner of the property;
- the practice of allowing foreign investors taking over local project companies by way of roundtrip investment is strictly controlled; and
- a foreign investment enterprise that intends to engage in real estate development, or an existing FIREE which intends to undertake a new real estate development project, shall first apply to the relevant authorities for such business scope and scale expansion in accordance with laws and regulations on foreign investments.

Circular No. 130

The *Notice of the General Affairs Department of the State Administration of Foreign Exchange on Issuance of the List of the First Batch of Foreign-Invested Real Estate Projects Recorded With the Ministry of Commerce* (國家外匯管理局綜合司關於下發第 一批通過商務部備案的外商投資房地產項目名單的通知), or Circular No. 130, issued by the State Administration of Foreign Exchange on July 10, 2007, is a strict embodiment and application of Circular No. 50, under which some notices will have a significant impact on offshore financings of FIREEs. Some of the key developments in this area are as follows:

- an FIREE which has obtained an FIEAC (including new establishment and registered capital increase) and filed with the Ministry of Commerce after June 1, 2007 may not incur foreign debt or convert loans in foreign currency into RMB;
- an FIREE which obtains an FIEAC after June 1, 2007 but fails to file with the Ministry of Commerce after June 1, 2007, may not conduct a foreign exchange registration nor a foreign exchange conversion of its registered capital.; and

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

Qualifications of a Property Developer

Under the *Regulations for the Administration of the Qualifications of Real Estate Development Enterprises* (房地產開發企 業資質管理規定), or Qualification Certificate Regulations, issued by the Ministry of Construction on March 29, 2000, a real estate developer shall apply for registration of its qualifications according to the Qualification Certificate Regulations.

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

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

The Dezhou Housing and Urban Rural Construction Bureau has granted interim qualification certificates to China Dezhou Northeast and Dezhou Northeast City Property Co., Ltd. to allow China Dezhou Northeast and Dezhou Northeast City Property Co., Ltd to undertake the development of properties in the PRC. The interim qualification certificates of China Dezhou Northeast will expire on September 30, 2012 and the interim qualification certificate of Dezhou Northeast City Property Co., Ltd. has expired on June 30, 2012 and has renewed with an effective term until June 30, 2013.

The Heilongjiang Housing and Urban Rural Construction Bureau has granted an interim qualification certificate to Qiqihar China Focus City China South Real Estates Development Co., Ltd. confirming that Qiqihar China Focus City China South Real Estates Development Co., Ltd. is allowed to undertake the development of properties in the PRC. The interim qualification certificate of Qiqihar China Focus City China South Real Estates Development Co., Ltd. will expire on January 10, 2013.

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

Property Leasing

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

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

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

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

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

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

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

Property Sales

Presale of Real Estate

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

- Certificate of Real Estate Exploitation and Business License of the Developer;
- State-owned Land Use Rights Certificate;
- Construction Work Planning Permit;
- Construction Site Planning Permit;
- Work Commencement Permit; and
- Commodity Premises Pre-sale Permit.

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

Pre-completion Sales

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

Commodity properties may only be sold before completion provided that:

- the grant premium has been paid in full for the grant of the state-owned land use rights involved and a state-owned land use rights certificate has been obtained;
- a Construction Work Planning Permit and a Work Commencement Permit have been obtained;
- the funds invested in the development of the commodity properties put up for pre-completion sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and
- the pre-completion sale has been registered and a Commodity Premises Pre-sale Permit has been obtained.

Post-completion Sales

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

- the real estate developer offering to sell the post-completion properties has a valid business license and a qualification classification certificate;
- the real estate developer has obtained a state-owned land use rights certificate or other approval documents of land use;
- the real estate developer has the relevant Construction Work Planning Permit and the Work Commencement Permit;

- the commodity property has been completed, inspected and accepted as qualified;
- the original residents have been resettled;
- the supplementary and essential facilities for supplying water, electricity, heating, gas, communication and other essentials have been made ready for use, and other supplementary facilities and public facilities have been made ready for use, or the schedule of construction and delivery date of have been specified; and
- the property management plan has been completed.

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

Restrictions on the Sale of Commodity Properties

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

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

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

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

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

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

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

In accordance with the *Notice on Enhancing the Supervision of Real Estate Market and Improving the Pre-Completion Sales System of Commodity Property* (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知) issued by the Ministry of Housing and Urban-Rural Development of the PRC ("MOHURD") on April 13, 2010, a developer is required to abide by the following regulations:

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

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

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

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

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

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

Regulations on Real Estate Financing

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

On April 17, 2010, the State Council of PRC issued the *Notice on Controlling the Skyrocketing Price of Properties in Some Cities* (關於堅決遏制部份城市房價過快上漲的通知) which sets forth some new regulations on real estate financing as follows:

For any family (including the borrower and the borrower's spouse and minor children) purchasing its first residential premises of 90 square meters or above, the down payment ratio shall be not less than 30%. For any family purchasing its second residential premises, the downpayment ratio shall be not less than 50% and the interest rate shall be not less than 110% of the standard interest rate. For any family purchasing its third or above residential premises, the downpayment ratio and interest rate will be substantially raised up. On June 4, 2010, MOHURD, the People's Bank of China and China Banking Regulatory Commission ("CBRC") promulgated the *Notice on Regulating the Criterion of the Second Residential Premises for Commercial Home Loans* (關於規範商業性個人住房貸款第二套住房認定標準的通知). The number of premises for commercial home loans shall be judged by the actual number of premises under the names of the borrower's family members (including the borrower, the borrower's spouse and minor children). The minimum downpayment ratio was up to 60% regulated by the *Notice on the Issues Related to Further Enhancing the Regulation and Control of Real Estate Market* (關於進一步做好房地產市場調控工作有關問題的通知) issued by the State Council of PRC on January 26, 2011.

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

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

Regulations on Development of a Real Estate Project

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

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

Planning of a Real Estate Project

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

Relocation

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

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

Construction of a Real Estate Project

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

Completion of a Real Estate Project

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

Regulations on Environmental Protection in Construction Projects

Under the Regulations for *Administration of Environmental Protection in Construction Projects* (建設項目環境保護管理條 例), or Environmental Regulations, issued by the State Council on November 29, 1998 and effective as of the same date, each construction project is subject to an environmental impact assessment by the relevant authorities.

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

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

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

Property Management

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

Insurance

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

Regulation of Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange

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

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

Dividend Distribution and Remittance

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

Shareholder Loan

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

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

Taxation

Enterprise Income Tax

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

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

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

Business Tax

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

Land Appreciation Tax

Under PRC laws and regulations, our PRC subsidiaries that engage in integrated logistics and trade center development activities are subject to land appreciation tax for properties sold. Land appreciation tax is levied on China Northeast by local tax authorities in accordance with the *Interim Regulations on Land Appreciation Tax* (土地增值稅暫行條例), issued by the State Council on December 13, 1993, which provides that all enterprises and individuals, domestic and foreign, who receive income as a result of a grant of state-owned land use rights are subject to payment of land appreciation tax. Land appreciation tax is levied upon the “appreciation value” of property upon sale or transfer, as defined in the relevant tax laws. All taxable gains from the sale or transfer of land use rights, buildings and related facilities in China are subject to land appreciation tax at progressive rates that range from 30% to 60%. On December 28, 2006, the State Administration of Taxation issued the LAT Notice, which came into effect on February 1, 2007. The LAT Notice sets forth, among other things, methods of calculating land appreciation tax and the time frame for settlement of land appreciation tax.

On May 19, 2010, the State Administration of Taxation issued a supplementary *LAT Notice* (關於土地增值稅清算有關問題 的通知) which clarifies the details of income confirmation and deduction items.

Value-Added Tax

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

Dividends from Our China Operations

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

Dividends paid by the Company to our Overseas Investors

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

Transfer or Disposition of Our Shares

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

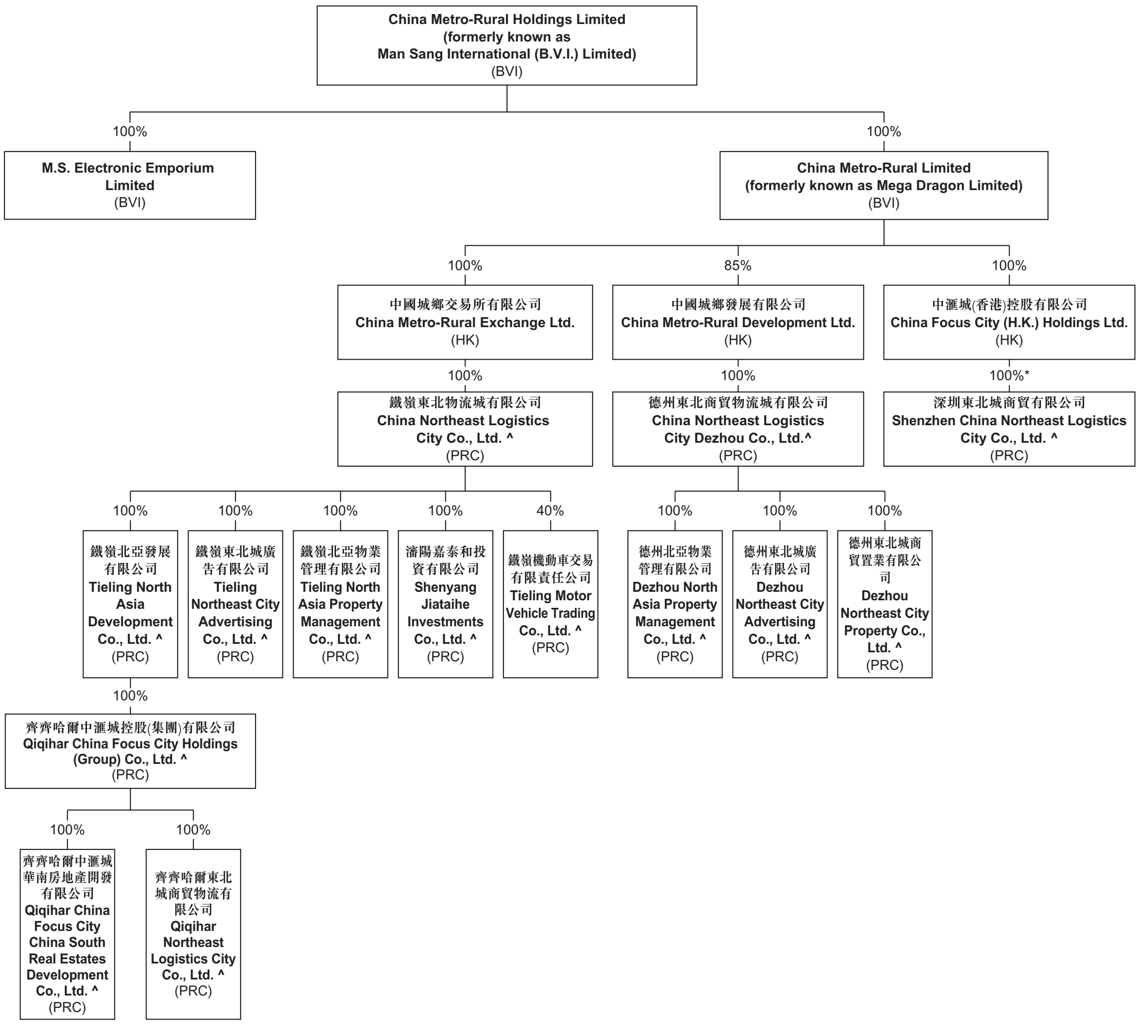
Environmental Matters

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

Due to the relatively low impact of our operations on the environment, our environmental compliance costs have not been substantial. Our environmental compliance costs were nil and approximately HK$34,000 for fiscal years 2012 and 2011, respectively, which was solely attributable to the Discontinued Operations.

C. Organizational Structure

The following chart shows our corporate structure as of March 31, 2012, including all our significant subsidiaries, with the shareholding percentage and jurisdiction of incorporation of each company:



Note:
^ For identification purpose only
* 5% held by Dezhou Northeast City Property Co., Ltd. on behalf of China Focus City (H.K.) Holdings Ltd.

D. Property, Plants and Equipment

Property

Hong Kong

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

People's Republic of China

Office and sales facilities. We own an administrative tower, a 5-story building with total gross floor area of approximately 10,757, and a sales center, a 2-story building with total gross floor area of approximately 2,265 square meters at China Northeast Logistics City—Tieling, Zuanshi Road, Xincheng District, Tieling City, Liaoning Province, PRC, which are staffed by management and office personnel. We have land use rights and building ownership rights for the buildings in which our China Northeast Logistics City—Tieling office and sales center are located. Our China administrative office for China Northeast Logistics City—Dezhou is located at Tianqu Industrial Zone, Decheng District, Dezhiu, Shandong Province, PRC, which comprises approximately 1,200 square meters, and is provided by Tianqu Industrial Zone Committee on a rent-free basis. Our China administrative office for Shenzhen head office is located on 27/F, Global Logistics Center, Pinghu, Longgang District, Shenzhen, PRC, which is comprised of approximately 1,439 square meters and is staffed by management and office personnel. Our China administrative office for China Focus City—Qiqihar is located on 2/F-3/F, Environmental Protection Building, Hecheng Road, Nanyuan Development Zone, Longsha District, Qiqihar City, Heilongjiang Province, PRC, which is comprised of approximately 1,540 square meters and is staffed by management and office personnel. Our China sales office for China Focus City—Qiqihar is located on No. 2, Zhonghuan South Road, Longsha District, Qiqihar City, Heilongjiang Province, PRC, which is comprised of approximately 3,030 square meters.

Properties for sale and lease. Phase I of China Northeast Logistics City—Tieling will cover a planned GFA of approximately 2.0 million square meters. As of March 31, 2012, construction of approximately 514,680 square meters of trade centers and residential properties were completed, out of which, approximately 301,000 square meters were sold; whereas among approximately 2,600 completed trade center units for lease, approximately 790 units were leased out. China Northeast Logistics City—Dezhou is expected to provide GFA of approximately 15.0 million square meters. As of March 31, 2012, construction of approximately 191,000 square meters of trade centers were completed, out of which, approximately 115,000 square meters were sold.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

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

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

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

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

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

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

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

Unless otherwise specified, references to Notes to the audited consolidated financial statements are to the Notes to our audited consolidated financial statements as of March 31, 2012 and 2011 and for the years ended March 31, 2012, 2011 and 2010.

Overview

At the end of the fiscal year ended March 31, 2012, the Group had two main business segments, our Agricultural Logistics Operation and Rural-Urban Migration and City Re-development Operation, which are presented as the continuing operations on the face of the consolidated income statements of the Group for the fiscal years ended March 31, 2012, 2011 and 2010.

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

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

The Pearl Operation and Real Estate Operation together comprised the Discontinued Operations.

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

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

Following the Distribution 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 the consolidated income statement of the Group. We are now entirely focused on being one of the leading developers and operators of large scale, integrated agricultural logistics and trade centers and rural-urban migration and city re-development business.

Critical Accounting Policies

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

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

Revenue and Other Income

Revenue from sales of properties

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

Revenue from servicing and assignments of development rights

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

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

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

Revenue from sales of properties with operating leaseback

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

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

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

Promotional sale of certain properties

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

Revenue from sales of goods

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

Revenue from leasing of investment properties

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

Revenue from property management service

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

Others

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

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

Land Appreciation Tax

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

Valuation of Properties

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

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

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

During the fiscal year ended March 31, 2012, the amount of salaries capitalized in investment properties, investment properties under construction and properties under development were nil, HK$341,000 and HK$7,401,000, respectively. During the fiscal year ended March 31, 2011, the amount of salaries capitalized in investment properties, investment properties under construction and properties under development were HK$37,000, HK$273,000 and HK$1,984,000, respectively. The amounts of external (construction costs only) and internal costs (salaries and other indirect expenses that are directly attributable to construction of properties) incurred and capitalized during the fiscal year ended March 31, 2012 and 2011 were:

	2012			2011		
	Investment Properties	Investment properties under construction	Properties under development	Investment Properties	Investment properties under construction	Properties under development
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
External costs	—	40,287	925,464	4,303	97,922	451,430
Internal costs	—	429	9,388	37	528	5,020
	—	40,716	934,852	4,340	98,450	456,450

Impairment of trade receivables

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

Recoverability of completed properties held for sale and properties under development

We perform a regular review on the carrying amounts of completed properties held for sale and properties under development as these property projects are in their early stages and we have invested significant amount of capital in them. Furthermore, all our current property projects are located in China as discussed under "Business Overview" where the PRC Government can exercise significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Accordingly, policies and other measures taken by the PRC Government to regulate the economy could have a significant negative impact on economic conditions in China, with a resulting negative impact on our business which is further discussed under "Risk Relating to Doing Business in the PRC".

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

Impairment of long-lived assets

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

A. Operating Results

Consolidated Results of Operations

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

	2012	2011	2010
	HK$'000	HK$'000	HK$'000
Continuing operation:			
Revenue	913,768	581,573	337,659
Cost of sales	(476,553)	(352,265)	(209,415)
Gross profit	437,215	229,308	128,244
Other income, net	61,363	68,234	36,154
Other gains/(losses), net	187	8,928	(146)
Selling expenses	(26,275)	(22,436)	(8,276)
Administrative expenses	(121,524)	(64,748)	(59,676)
Decrease in fair value of derivative financial liabilities	4,047	—	—
Increase in fair value of investment properties and investment properties under construction	2,594	111,528	155,631
Operating profit	357,607	330,814	251,931
Finance income/(costs)—net	627	(3,124)	365
Share of losses of an associate	(2,456)	(386)	—
Profit before income tax	355,778	327,304	252,296
Income tax expenses	(124,719)	(124,630)	(86,558)
Profit for the year from continuing operation	231,059	202,674	165,738
Discontinued operations:			
Profit/(loss) for the year from discontinued operations, net of tax	—	29,878	(24,189)
Profit for the year	231,059	232,552	141,549
Attributable to:			
Equity holders of the Company	208,986	227,346	171,408
Non-controlling interests	22,073	5,206	(29,859)
	231,059	232,552	141,549

Results of operations of the Discontinued Operations

	2012	2011	2010
	HK$'000	HK$'000	HK$'000
Revenue	—	157,452	339,379
Cost of sales	—	(117,241)	(276,602)
Gross profit	—	40,211	62,777
Other income and gains, net	—	7,722	16,776
Recycling of exchange difference to profit or loss upon the Distribution	—	20,284	—
Expenses	—	(33,983)	(114,073)
Increase/(decrease) in fair values of investment properties and investment properties under construction	—	1,592	(3,991)
Operating profit/(loss)	—	35,826	(38,511)
Finance income—net	—	87	238
Share of results of an associate	—	17	48
Profit/(loss) before income tax	—	35,930	(38,225)
Income tax (expenses)/credits	—	(6,052)	14,036
Profit/(loss) for the year from discontinued operations	—	29,878	(24,189)
Attributable to:			
Equity holders of the Company	—	23,950	5,504
Non-controlling interests	—	5,928	(29,693)
	—	29,878	(24,189)

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

Continuing Operation

Revenue

Our revenue increased by HK$332.2 million, or 57.1%, from HK$581.6 million for the fiscal year ended March 31, 2011 to HK$913.8 million for the fiscal year ended March 31, 2012.

	2012	2011	Change
	HK$ million	HK$ million	%
Agricultural Logistics Operation	765.9	581.6	31.7
Rural-Urban Migration and City Re-development Operation	147.9	—	100.0
	913.8	581.6	57.1

Agricultural Logistics Operation

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

Rural-Urban Migration and City Re-development Operation

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

Cost of Sales

Our cost of sales increased by HK$124.3 million, or 35.3%, from HK$352.3 million for the fiscal year ended March 31, 2011 to HK$476.6 million for the fiscal year ended March 31, 2012.

	2012	2011	Change
	HK$ million	HK$ million	%
Agricultural Logistics Operation	467.2	352.3	32.6
Rural-Urban Migration and City Re-development Operation	9.4	—	100.0
	476.6	352.3	35.3

Agricultural Logistics Operation

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

Rural-Urban Migration and City Re-development Operation

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

Gross Profit

Our gross profit increased by HK$207.9 million, or 90.7%, from HK$229.3 million for the fiscal year ended March 31, 2011 to HK$437.2 million for the fiscal year ended March 31, 2012. The gross profit margin, or gross profit as a percentage of total revenue, increased from 39.4% for the fiscal year ended March 31, 2011 to 47.8% for the fiscal year ended March 31, 2012. The increase was primarily due to the commencement of Rural-Urban Migration and City Re-development Operation during the current year, which the operation has a higher gross profit margin than Agricultural Logistics Operation.

Agricultural Logistics Operation

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

Rural-Urban Migration and City Re-development Operation

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

Other Income and Other Gains, Net

In the fiscal year ended March 31, 2011, our other income and gains were approximately HK$77.2 million, resulting primarily from government grants of approximately HK$56.0 million, net income recognized for a construction contract of approximately HK$11.0 million and gain on disposal of a land use right as a result of an injection into an associate of approximately HK$8.5 million.

In the fiscal year ended March 31, 2012, our other income and gains were approximately HK$61.6 million, primarily from government grants of approximately HK$56.0 million and net income of certain non-recurring land leveling works of approximately HK$4.9 million.

Changes in Fair Values of Investment Properties and Investment Properties Under Construction

In the fiscal year ended March 31, 2011, our fair value of investment properties and investment properties under construction were HK$134.0 million and HK$346.7 million, respectively, and a fair value gain of HK$111.5 million was recognized in the consolidated income statement. The increase in fair value gain was mainly attributable to the increase in land value. In the fiscal year ended March 31, 2012, our fair value of investment properties and investment properties under construction were HK$542.6 million and HK$14.9 million, respectively, and a fair value gain of HK$2.6 million was recognized in the consolidated income statement.

Selling Expenses

Our selling expenses increased by HK$3.9 million, or 17.4%, from HK$22.4 million for the fiscal year ended March 31, 2011 to HK$26.3 million for the fiscal year ended March 31, 2012.

	2012	2011	Change
	HK$ million	HK$ million	%
Agricultural Logistics Operation	24.2	22.4	8.0
Rural-Urban Migration and City Re-development Operation	2.1	—	100.0
	26.3	22.4	17.4

Agricultural Logistics Operation

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

Rural-Urban Migration and City Re-development Operation

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

Administrative Expenses

Our administrative expenses of HK$121.5 million for the year ended March 31, 2012 was comprised of HK$107.9 million (2011: HK$57.1 million) from Agricultural Logistics Operation, HK$3.6 million (2011: Nil) from Rural-Urban Migration and City Re-development Operation and HK$10.0 (2011: HK$7.6 million) from corporate expenses. Administrative expenses increased by approximately HK$56.8 million, or 87.8%, from approximately HK$64.7 million in the fiscal year ended March 31, 2011 to approximately HK$121.5 million in the fiscal year ended March 31, 2012. The increase in our administrative expenses was a result of an increase of HK$50.8 million in Agricultural Logistics Operation, an increase of HK$3.6 million in Rural-Urban Migration and City Re-development Operation and an increase of HK$2.4 million in corporate expenses. The increase in corporate expenses was primarily due to an increase in insurance expenses of approximately HK$0.4 million, an increase in audit and consultancy fees of approximately HK$0.5 million and an increase in salaries of approximately HK$0.5 million.

	2012	2011	Change
	HK$ million	HK$ million	%
Agricultural Logistics Operation	107.9	57.1	89.0
Rural-Urban Migration and City Re-development Operation	3.6	—	100.0
	111.5	57.1	95.3

Agricultural Logistics Operation

Administrative expenses increased by approximately HK$50.8 million, or 89.0%, from approximately HK$57.1 million in the fiscal year ended March 31, 2011 to approximately HK$107.9 million in the fiscal year ended March 31, 2012. The increase in administrative expenses was primarily due to an increase in impairment of trade receivables of HK$1.4 million, an increase in salaries of approximately HK$17.0 million, an increase in land use tax of approximately HK$5.1 million, an increase in depreciation of approximately HK$2.8 million, an increase in heating costs of approximately HK$9.0 million, an increase in entertainment expenses of approximately HK$3.5 million, an increase in donation of approximately HK$1.9 million, an increase in consultancy fee of approximately HK$2.8 million and a general increase in other expenses in the fiscal year ended March 31, 2012.

Rural-Urban Migration and City Re-development Operation

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

Net Finance Income/(Costs)

Our interest income from bank deposits increased by HK0.4 million, or 50%, from HK$0.8 million for the fiscal year ended March 31, 2011 to HK$1.2 million for the fiscal year March 31, 2012. The increase was primarily due to general increase in average bank balances.

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

Profit Before Income Tax From Continuing Operation

As a result of the foregoing, we had a profit before income tax from continuing operation of approximately HK$327.3 million in the fiscal year ended March 31, 2011. In the fiscal year ended March 31, 2012, we had a profit before income tax from continuing operation of approximately HK$355.8 million.

Taxation

In the fiscal year ended March 31, 2011, our income tax expenses of HK$124.6 million consisted of net current income tax expenses of HK$97.3 million and deferred tax expense, arising from fair value gain on investment properties, of HK$27.9 million which offset in part by over-provision for income tax of HK$0.6 million. In the fiscal year ended March 31, 2012, our income tax expense of HK$124.7 million consisted of net current income tax expenses of HK$138.7 million and deferred tax expense, arising from fair value gain on investment properties, of HK$0.6 million which offset in part by over-provision for PRC land appreciation tax of HK$14.6 million.

The effective tax rate decreased from 38.1% in the fiscal year ended March 31, 2011 to 35.1% in the fiscal year ended March 31, 2012. The decrease in effective tax rate was mainly attributable to the decrease in land appreciation tax as a result of the decrease in profit margin (for land appreciation tax purpose) calculated in accordance with the relevant PRC laws and regulations as a result of increase in construction costs.

Profit for the Year from Continuing Operation

In the fiscal year ended March 31, 2011 we generated a net profit from continuing operation of approximately HK$202.7 million. In the fiscal year ended March 31, 2012, we had a net profit from continuing operation of approximately HK$231.1 million as a result of the cumulative effect of the factors discussed above.

Non-Controlling Interests

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

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

Continuing Operation

Revenue

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

Cost of Sales

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

Gross Profit

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

Other Income and Other Gains, Net

In the fiscal year ended March 31, 2010, our other income and gains were approximately HK$36.0 million, primarily from government subsidy of approximately HK$36.6 million, but offset partly by other net loss from a construction contract of approximately HK$0.8 million.

In the fiscal year ended March 31, 2011, our other income and gains were approximately HK$77.2 million, resulting primarily from government grants of approximately HK$56.0 million, net income recognized for a construction contract of approximately HK$11.0 million and gain on disposal of a land use right as a result of an injection into an associate of approximately HK$8.5 million.

Changes in Fair Values of Investment Properties and Investment Properties Under Construction

In the fiscal year ended March 31, 2010, our fair value of investment properties and investment properties under construction were HK$103.4 million and HK$159.3 million, respectively, and a fair value gain of HK$155.6 million was recognized in the consolidated income statement. In the fiscal year ended March 31, 2011, our fair value of investment properties and investment properties under construction were HK$134.0 million and HK$346.7 million, respectively, and a fair value gain of HK$111.5 million was recognized in the consolidated income statement. The increase in fair value gain was mainly attributable to the increase in land value.

Selling Expenses

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

Administrative Expenses

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

Net Finance (Costs)/Income

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

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

Profit Before Income Tax From Continuing Operation

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

Taxation

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

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

Profit for the Year from Continuing Operation

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

Non-Controlling Interests

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

Discontinued Operations

Revenue

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

Pearl Operation

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

Real Estate Operation

In the fiscal year ended March 31, 2010, revenue attributable to the Real Estate Operation was HK$77.8 million, which represented a full year result. In the fiscal year ended March 31, 2011 prior to the Distribution, revenue attributable to the Real Estate Operation was HK$69.2 million.

Cost of Sales

	2011	2010	Change
	HK$ million	HK$ million	%
Pearl Operation	54.6	150.0	-63.6
Real Estate Operation	62.6	126.6	-50.6
	117.2	276.6	-57.6

Pearl Operation

In the fiscal year ended March 31, 2010, cost of sales attributable to the Pearl Operation was HK$150.0 million. In the fiscal year ended March 31, 2011 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 fiscal year ended March 31, 2010, cost of sales attributable to the Real Estate Operation was HK$126.6 million. In the fiscal year ended March 31, 2011 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 fiscal year ended March 31, 2010, gross profit attributable to the Pearl Operation was HK$111.6 million. In the fiscal year ended March 31, 2011 prior to the Distribution, gross profit was HK$33.7 million. Gross profit margin decreased from 42.7% for the fiscal year ended March 31, 2010 to 38.2% for the fiscal year ended March 31, 2011 prior to the Distribution.

Real Estate Operation

In the fiscal year ended March 31, 2010, gross loss attributable to the Real Estate Operation was HK$48.8 million. In the fiscal year ended March 31, 2011 prior to the Distribution, gross profit was HK$6.6 million. Gross profit margin increased from a gross loss margin of 62.7% for the fiscal year ended March 31, 2010 to a gross profit margin of 9.5% for the fiscal year ended March 31, 2011 prior to the Distribution.

Other Income and Gains, Net

In the fiscal year 2010, our other income and gains were approximately HK$16.8 million, primarily from a realized gain of approximately HK$8.9 million on financial assets at fair value through profit or loss, a gain of approximately HK$10.8 million on disposal of investment properties, but was set off partly by an unrealized loss of approximately HK$2.7 million on financial assets at fair value through profit or loss.

In the fiscal year ended March 31, 2011 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

	2011	2010	Change
	HK$ million	HK$ million	%
Selling and distribution costs	5.5	15.9	-65.4
Administrative expenses	28.5	98.2	-71.0
	34.0	114.1	-70.2

Pearl Operation

In the fiscal year ended March 31, 2010, expenses attributable to the Pearl Operation was HK$84.1 million, consisting of selling and distribution cost of HK$7.7 million and administration expenses of HK76.4 million.

In the fiscal year ended March 31, 2011 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 fiscal year ended March 31, 2010, expenses attributable to the Real Estate Operation was HK$27.1 million, consisting of selling and distribution cost of HK$8.2 million and general administration expenses of HK$18.9 million but offset in part by recovery of provision for doubtful debt of HK$15.1 million.

In the fiscal year ended March 31, 2011 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 fiscal year ended March 31, 2011 prior to the Distribution, the fair value gain of investment properties was HK$1.6 million. In the fiscal year ended March 31, 2010, the fair value loss of investment properties was HK$5.3 million, which was partially set off by a fair value gain of investment properties under construction of HK$1.3 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 fiscal year ended March 31, 2010, our interest income from bank deposits was HK$1.8 million. In the fiscal year ended March 31, 2011 prior to the Distribution, our interest income from bank deposits was HK$1.1 million.

In the fiscal year ended March 31, 2010, we incurred interest expense of approximately HK$11.0 million, of which HK$9.4 million was capitalized in properties under development and investment properties under construction and the rest of HK$1.6 million was recognized as finance cost in the consolidated financial statements. In the fiscal year ended March 31, 2011 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 consolidated financial statements.

Profit/(Loss) Before Income Tax from Discontinued Operations

As a result of the foregoing, we had a loss before income tax from discontinued operations of approximately HK$38.2 million in the fiscal year ended March 31, 2010. In the fiscal year ended March 31, 2011 prior to the Distribution, we had a profit before income tax of approximately HK$35.9 million.

Taxation

In the fiscal year ended March 31, 2010, our income tax credit was HK$14.0 million primarily consisted of deferred tax expenses, arising from fair value loss on investment properties, of HK$26.0 million and over-provision for income tax of HK$0.9 million but offset in part by current income tax of HK$12.9 million.

In the fiscal year ended March 31, 2011 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 decreased from 36.7% in the fiscal year ended March 31, 2010 to 16.8% in the fiscal year ended March 31, 2011 prior to the Distribution.

Profit/(Loss) for the Year from Discontinued Operations

In the fiscal year ended March 31, 2010, we incurred a net loss of approximately HK$24.2 million. In the fiscal year ended March 31, 2011 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 fiscal year ended March 31, 2010, loss attributable to non-controlling interests was approximately HK$29.7 million. In the fiscal year ended March 31, 2011 prior to the Distribution, profit attributable to non-controlling interests was approximately HK$5.9 million.

Fiscal Year Ended March 31, 2010 Compared with Fiscal Year Ended March 31, 2009

Continuing operations

Revenue

Revenue in the fiscal year ended March 31, 2009 was approximately HK$1.0 million. Revenue in the fiscal year ended March 31, 2010 was approximately HK$337.7 million, which consisted primarily sales of trade center units of approximately HK$336.7 million. The change was attributable to increase in sales of trade center units with the number of units sold and gross floor area of approximately 1,350 units and approximately 104,000 square meters. In the fiscal year ended March 31, 2010, our average selling price was HK$3,228 per square meter. The remainder of revenue represented rental income from leases of trade center units of approximately HK$0.6 million and property management fee income of approximately HK$0.4 million.

Cost of Sales

In the fiscal year ended March 31, 2009, our cost of sales was approximately HK$0.7 million. In the fiscal year ended March 31, 2010, our cost of sales was approximately HK$209.4 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

In the fiscal year ended March 31, 2009, our gross profit was approximately HK$0.4 million. In the fiscal year ended March 31, 2010, our gross profit was approximately HK$128.2 million. Gross profit margin, or gross profit as a percentage of its total revenue, was 38.0% in the fiscal year ended March 31, 2010.

Other Income and Other (Losses)/Gains, Net

In the fiscal year 2009, our other income and other gains were HK$133.8 million, resulting primarily from a gain on disposals of a property development project of approximately HK$132.5 million and net income recognized for a construction contract of approximately HK$1.2 million.

In the fiscal year 2010, our other income and gains were approximately HK$36.0 million, primarily from government subsidy of approximately HK$36.6 million, but offset partly by other net loss from a construction contract of approximately HK$0.8 million.

Changes in Fair Values of Investment Properties and Investment Properties Under Construction

In the fiscal year ended March 31, 2009, our fair value of investment properties under construction was HK$47.3 million and a fair value gain of HK$6.6 million was recognized in the consolidated income statement. In the fiscal year ended March 31, 2010, our fair value of investment properties and investment properties under construction were HK$103.4 million and HK$159.3 million, respectively, and a fair value gain of HK$155.6 million was recognized in the consolidated income statement. The increase in fair value gain was mainly attributable to the increase in land value.

Selling Expenses

Selling expenses decreased by approximately HK$2.6 million, or 23.9%, from approximately HK$10.9 million in the fiscal year ended March 31, 2009 to approximately HK$8.3 million in the fiscal year ended March 31, 2010. The decrease in selling and distribution costs was primarily due to a decrease salaries and commissions paid to sales executives for sales of properties of approximately HK$1.1 million, a decrease in printing expenses incurred for printing of marketing materials of approximately HK$0.8 million and a decrease in advertising expenses of approximately HK$0.3 million.

Administrative Expenses

In the fiscal year ended March 31, 2009, our administrative expenses were approximately HK$31.5 million, where HK$11.7 million was contributed to corporate activities and the remainder contributed to our Agricultural Logistics Operation. In the fiscal year ended March 31, 2010, our administrative expenses was approximately HK$59.7 million, where HK$21.6 million was contributed to corporate activities and the remainder contributed to our Agricultural Logistics Operation.

Our administrative expenses from Agricultural Logistics Operation increased by HK$18.3 million or 92.4%, from approximately HK$19.8 million in the fiscal year ended March 31, 2009 to approximately HK$38.1 million in the fiscal year ended March 31, 2010 was primarily due to an increase in land use tax of HK$11.2 million, an increase heating costs of approximately HK$2.0 million, an increase in audit fee of approximately HK$1.4 million, an increase in donation of HK$0.4 million, an increase in entertainment expenses of approximately HK$0.7 million and a general increase in other expenses for the fiscal year ended March 31, 2010.

Our administrative expenses from corporate activities increased by HK$9.9 million or 84.6%, from approximately HK$11.7 million in the fiscal year ended March 31, 2009 to approximately HK$21.6 million in the fiscal year ended March 31, 2010 was primarily due to an increase in audit fees, consultancy fees, legal fees, announcement fees and listing fees with an aggregate increase of approximately HK$8.9 million in relation to the merger with China Metro and the group reorganization for the purpose of the re-domiciliation of MSHI from the United States to the British Virgin Islands.

Net Finance Income/(Costs)

Our interest income from bank deposits decreased by HK$1.5 million, or 80.6%, from HK$1.9 million for fiscal year 2009 to HK$0.4 million for fiscal year 2010. The decrease was primarily due to a decrease in bank deposit interest rate during the fiscal year 2010 and maintained at a minimal rate throughout the year.

In the fiscal year ended March 31, 2009, we incurred interest expense of approximately HK$1.8 million. In the fiscal year ended March 31, 2010, we incurred interest expense of approximately HK$24.4 million, all of which was capitalized in properties under development. In the fiscal year ended March 31, 2010, our weighted average borrowings and weighted average interest rate were approximately HK$422.4 million and 5.8% per annum (2009: approximately HK$ 57.7 million and 3.1% per annum), respectively.

Profit Before Income Tax from Continuing Operation

As a result of the foregoing, we had a profit before income tax from continuing operation of approximately HK$100.2 million in the fiscal year ended March 31, 2009. In the fiscal year ended March 31, 2010, we had a profit before income tax from continuing operation of approximately HK$252.3 million.

Taxation

In the fiscal year ended March 31, 2009, our income tax expenses were HK$26.7 million primarily consisted of current income tax expenses of HK$25.1 million and deferred tax expenses, arising from fair value gain on investment properties, of HK$1.6 million. In the fiscal year ended March 31, 2010, our income tax expense of HK$86.6 million consisted of current income tax expenses of HK$48.5 million, deferred tax expense, arising from fair value gain on investment properties, of HK$37.5 million and under-provision for income tax of HK$0.6 million.

The effective tax rate increased from 26.7% in 2009 to 34.3% in 2010. 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 Year from Continuing Operation

In the fiscal year ended March 31, 2009, we incurred a net profit from continuing operation of approximately HK$73.5 million. In the fiscal year ended March 31, 2010, we generated a net profit from continuing operation of approximately HK$165.7 million as a result of the cumulative effect of the factors discussed above.

Non-Controlling Interests

In the fiscal year ended March 31, 2009 and 2010, loss attributable to non-controlling interests was nil and approximately HK$0.2 million, respectively.

Discontinued operations

Revenue

	2010	2009	Change
	HK$ million	HK$ million	%
Pearl Operation	261.6	316.7	-17.4%
Real Estate Operation	77.8	43.0	80.9%
	339.4	359.7	-5.7%

Pearl Operation

Revenue attributable to the Pearl Operation decreased by HK$55.1 million, or 17.4%, from HK$316.7 million for fiscal year 2009 to HK$261.6 million for fiscal year 2010. Decreases in revenue attributable to the Pearl Operation were primarily due to a decrease in market demand in North America and Asian countries, including Hong Kong, due to the current global economic contraction and recession. Accordingly, volume sold to these regions decreased by HK$44.6 million.

Real Estate Operation

Revenue attributable to the Real Estate Operation increased by HK$34.8 million, or 80.9%, from HK$43.0 million for fiscal year 2009 to HK$77.8 million for fiscal year 2010. The increase was primarily due to an increase of HK$35.3 million in sales of units in China Pearls and Jewellery City, due to preferential discounts offered to the investors of the real estate in China Pearls and Jewellery City as to buoy up the market sentiments.

Cost of Sales

	2010	2009	Change
	HK$ million	HK$ million	%
Pearl Operation	150.0	213.9	-29.9%
Real Estate Operation	126.6	12.5	912.8%
	276.6	226.4	22.2%

Pearl Operation

Cost of sales attributable to the Pearl Operation decreased by HK$63.9 million, or 29.9%, from HK$213.9 million for fiscal year 2009 to HK$150.0 million for fiscal year 2010. The decrease was primarily due to a decrease in revenue mainly as a result of a decrease in market demand in North America and other regions, such as countries in Europe and Asia, due to the current global economic contraction and recession.

Real Estate Operation

Cost of sales, including direct cost related to rental income, attributable to the Real Estate Operation increased by HK$114.1 million, or 912.8%, from HK$12.5 million for fiscal year 2009 to HK$126.6 million for fiscal year 2010. The increase was primarily due to an increase in sales of units in China Pearls and Jewellery City.

Gross Profit

Pearl Operation

Our gross profit attributable to the Pearl Operation increased by HK$8.8 million, or 8.6%, from HK$102.8 million for fiscal year 2009 to HK$111.6 million for fiscal year 2010. Gross profit margin increased from 32.5% for fiscal year 2009 to 42.7% for fiscal year 2010. The increase in gross profit margin was primarily due to our continued shift in our focus to sale of higher value products and a decrease in material cost for the production, due to a decrease in derived demand for pearls.

Real Estate Operation

Our gross profit attributable to Real Estate Operation decreased by HK$79.3 million from HK$30.5 million for fiscal year 2009 to a gross loss of HK$48.8 million for fiscal year 2010. The decrease in gross profit was primarily due to certain revenue arising from sales of properties in China Pearls and Jewellery City was only recognized up to the amounts received or of which the collectibility of such receivable is reasonably assured. The amounts not received will be recognized until all criteria of revenue recognition are met. With respect to these sales transactions, we incurred a gross loss of HK$79.7 million due to such unrecognized revenue.

Other Income and Other Gains/(Loss), Net

In the fiscal year 2009, our other net losses were approximately HK$9.8 million, resulting primarily from an unrealized loss of approximately HK$5.3 million and a realized loss of approximately HK$3.5 million on financial assets at fair value through profit or loss, a loss of approximately HK$2.3 million on disposal of an investment property, but was set off partly by a government subsidy income of approximately HK$1.6 million.

In the fiscal year 2010, our other income and gains were approximately HK$16.8 million, primarily from a realized gain of approximately HK$8.9 million on financial assets at fair value through profit or loss, a gain of approximately HK$10.8 million on disposal of investment properties, but was set off partly by an unrealized loss of approximately HK$2.7 million on financial assets at fair value through profit or loss.

Changes in Fair Values of Investment Properties and Investment Properties Under Construction

In the fiscal year ended March 31, 2009, our fair value of investment properties was HK$845.4 million and a fair value loss of HK$181.7 million was recognized in the consolidated income statement. In the fiscal year ended March 31, 2010, our fair value of investment properties was HK$762.9 million and a fair value loss of HK$5.3 million was recognized in the consolidated income statement. The fair value loss decreased from HK$181.7 million in 2009 to HK$5.3 million in 2010 was primarily due to a stabilized negative sentiment on the pearl and jewellery market resulting from signs of recovery from the global financial crisis which was highly correlated to the demand on properties in China Pearls and Jewellery City.

In the fiscal year ended March 31, 2009, our fair value of investment properties under construction was HK$200.0 million and a fair value loss of HK$2.9 million was recognized in the consolidated income statement. In the fiscal year ended March 31, 2010, our fair value of investment properties under construction was HK$133.7 million and a fair value gain of HK$1.3 million was recognized in the consolidated income statement. The increase in fair value gain was primarily due to an increase in expected property prices upon the completion of the investment properties.

Expenses

	2010	2009	Change
	HK$ million	HK$ million	%
Selling and distribution costs	15.9	21.0	-24.3%
Administrative expenses	98.2	120.1	-18.2%
	114.1	141.1	-19.1%

Selling and distribution costs

The decrease in our selling expenses was primarily a result of a decrease of HK$5.1 million in selling expenses of Real Estate Operation.

Pearl Operation

Selling expenses attributable to Pearl Operation were HK$7.7 million for fiscal year 2009 and 2010, respectively. As a percentage of revenue, selling expenses increased from 2.4% for fiscal year 2009 to 2.9% for fiscal year 2010. The increase in percentage was due to certain expenses, including exhibition participation fee and fixed costs, did not directly correlate with the fluctuation in revenue.

Real Estate Operation

Selling expenses attributable to Real Estate Operation decreased by HK$5.1 million, or 38.3%, from HK$13.3 million for fiscal year 2009 to HK$8.2 million for fiscal year 2010. The decrease was primarily due to a decrease of HK5.4 million in advertising and promotion expenses for China Pearls and Jewellery City, due to the budget cut on advertising and promotion activities in response to the government measures to curb the overheat of the property market in the PRC.

Administrative expenses

Our administrative expenses of HK$98.2 million for the year ended March 31, 2010 comprised HK$76.4 million (2009: HK$79.7 million) from Pearl Operation, HK$18.9 million (2009: HK$37.6 million) from Real Estate Operation and HK$2.9 million (2009: HK$2.8 million) from corporate expenses. The decrease in our administrative expenses was a result of a decrease of HK$3.3 million in Pearl Operation, a decrease of HK$18.7 million in Real Estate Operation and an increase of HK$0.1 million in corporate expenses. The increase in corporate expenses was primarily due to an increase in compensation expenses arising from share options of a subsidiary granted to directors and employees by a subsidiary.

Pearl Operation

Our administration expenses attributable to Pearl Operation decreased by HK$3.3 million or 4.1%, from HK$79.7 million for fiscal year 2009 to HK$76.4 million for fiscal year 2010. The decrease was primarily due to a decrease of HK$3.7 million in commission expenses, resulting from a decrease in sales for the year.

Real Estate Operation

Our administration expenses attributable to Real Estate Operation decreased by HK$18.7 million or 49.7%, from HK$37.6 million for fiscal year 2009 to HK$18.9 million for fiscal year 2010. The decrease was primarily due to a decrease of HK$15.1 million in provision for doubtful debt resulting from the improvement in customers settling long outstanding balances.

Net Finance Income/(Costs)

Our interest income from bank deposits decreased by HK$7.9 million, or 81.4%, from HK$9.7 million for fiscal year 2009 to HK$1.8 million for fiscal year 2010. The decrease was primarily due to a decrease in bank deposit interest rate during the fiscal year 2010 and maintained at a minimal rate throughout the year.

In the fiscal year ended March 31, 2009, we incurred interest expense of approximately HK$16.7 million which all was capitalized in properties under development and investment properties under construction. In the fiscal year ended March 31, 2010, we incurred interest expense of approximately HK$11.0 million, out of which HK$9.4 million was capitalized in properties under development and investment properties under construction and the rest of HK$1.6 million was recognized as finance cost in the consolidated financial statements.

Loss Before Income Tax from Discontinued Operations

As a result of the foregoing, we had a loss before income tax from discontinued operations of approximately HK$192.5 million in the fiscal year ended March 31, 2009. In the fiscal year ended March 31, 2010, we had a loss before income tax from discontinued operations of approximately HK$38.2 million.

Taxation

In the fiscal year ended March 31, 2009, our income tax credit was HK$52.1 million primarily consisted of deferred tax expenses, arising from fair value loss on investment properties, of HK$51.8 million and current income tax credit of HK$0.3 million. In the fiscal year ended March 31, 2010, our income tax credit of HK$14.0 million primarily consisted of deferred tax expenses, arising from fair value loss on investment properties, of HK$26.0 million and over-provision for income tax of HK$0.9 million but offset in part by current income tax of HK$12.9 million.

The effective tax rate increased from 27.1% in 2009 to 36.7% in 2010. The increase was due to loss making subsidiaries while deferred tax assets have not been provided.

Loss for the Year from Discontinued Operations

In the fiscal year ended March 31, 2009, we incurred a net loss from discontinued operations of approximately HK$140.3 million. In the fiscal year ended March 31, 2010, we incurred a net loss from discontinued operations of approximately HK$24.2 million as a result of the cumulative effect of the factors discussed above.

Non-Controlling Interests

In the fiscal year ended March 31, 2009 and 2010, loss attributable to non-controlling interests was approximately HK$109.4 million and HK$29.7 million, respectively.

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 fiscal year ended March 31, 2011, we financed our operations primarily through internally generated funds, and bank and other borrowings. For the fiscal year ended March 31, 2012, we financed our operations primarily through internally generated funds and bank and other borrowings and financing through capital markets. We expect to have sufficient sources of funds for the remainder of the year ending March 31, 2013 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, properties under development, 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 receipts in advance, interest-bearing bank and other borrowings and taxes payable.

As of March 31, 2011 and 2012, we had net current assets, representing the amount by which our current assets exceeded our current liabilities, of approximately HK$345.5 million and HK$765.3 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 development of our industrial and agricultural trade centers, supporting commercial facilities, warehouse facilities and other facilities in China Northeast Logistics City—Tieling and China Northeast Logistics City—Dezhou were completed and changes in the amount of construction fee payables and bank and other borrowings related to the development of China Northeast Logistics City—Tieling and China Northeast Logistics City—Dezhou.

Cash Flows

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

	Fiscal Year Ended March 31,		
	2012	**2011**	**2010**
		HK$ in Thousands	
Net cash (used in)/generated from operating activities	(280,388)	(53,147)	27,762
Net cash used in investing activities	(52,497)	(707,354)	(96,252)
Net cash generated from financing activities	516,016	163,715	310,775
Net increase/(decrease) in cash and cash equivalents	183,131	(596,786)	242,285
Effect of foreign exchange rate changes on cash and cash equivalents, net	3,519	7,045	472
Cash and cash equivalents at the beginning of the year	156,928	746,669	503,912
Cash and cash equivalents at the end of the year	343,578	156,928	746,669

Cash Flow (Used in)/Generated from Operating Activities

We derive cash from operating activities principally from the sale of trade center units in Agricultural Logistics Operation and Pearl Operation and revenue from servicing and assignments of development rights in our Rural-Urban Migration and City Re-development Operation.

In the fiscal year ended March 31, 2012, net cash used in operating activities was HK$280.4 million, which consisted of operating cash inflow before changes in working capital of HK$363.4 million, cash outflow of net interest and tax of HK$102.8 million and working capital cash outflow of HK$541.0 million. Working capital changes primarily reflected a negative change resulting from additions to properties under development of HK$934.8 million, an increase in trade and other receivables of HK$279.1 million, additions to land use rights of HK$858.6 million and deposits paid for acquisition of land use rights of HK$115.1 million, partially offset by positive changes resulting from a decrease in completed properties held for sale of HK$417.8 million, an increase in trade payables, other payables and accruals of HK$352.0 million, refund of payments from acquisition of land use rights of HK$721.1 million and an increase in receipt in advance of HK$155.7 million. The additions in properties under development and an increase in trade payables, other payables and accruals were attributable to construction activities carried out for our properties development projects. The increase in received in advance was attributable to proceeds received from pre-sale and sale of properties.

In the fiscal year ended March 31, 2011, net cash used in operating activities was HK$53.1 million, which consisted of operating cash inflow before changes in working capital of HK$225.7 million, cash outflow of net interest and tax of HK$53.0 million and working capital cash outflow of HK$225.8 million. Working capital changes primarily reflected a negative change resulting from additions to properties under development of HK$456.4 million, an increase in inventories of HK$0.5 million, an increase in trade and other receivables of HK$81.7 million, additions to land use rights of HK$137.5 million, deposits paid for acquisition of land use rights of HK$41.2 million and a decrease in receipt in advance of HK$85.1 million, partially offset by positive changes resulting from a decrease in completed properties held for sale of HK$376.7 million, an increase in trade payables, other payables and accruals of HK$85.7 million, refund of payments from acquisition of land use rights of HK$62.7 million and a decrease in a construction contract of HK$51.5 million. The additions in properties under development and an increase in trade payables, other 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.

In the fiscal year ended March 31, 2010, net cash generated by operating activities was HK$27.8 million, which consisted of operating cash inflow before changes in working capital of HK$69.4 million, cash outflow of net interest and tax of HK$50.1 million and working capital cash inflow of HK$8.5 million. Working capital changes primarily reflected a negative change resulting from additions to properties under development of HK$358.1 million, an increase in a construction contract of HK$35.7 million, a decrease in receipt in advance of HK$64.2 million and an increase in inventories of HK$7.3 million, partially offset by positive changes resulting from an increase in trade and other receivables of HK$76.4 million, a decrease in completed properties held for sale of HK$208.8 million, an increase in trade payables, other payable and accruals of HK$93.1 million, a decrease in amounts due from related parties of HK$94.0 million and an increase in amount due to an associate of HK$1.5 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 fiscal year ended March 31, 2012, net cash used in investing activities was HK$52.5 million, which primarily consisted of cash outflow of HK$52.5 million resulting from the purchase of property, plant and equipment and additions to investment properties under construction. In the fiscal year ended March 31, 2011, net cash used in investing activities was HK$707.4 million, which primarily consisted of cash outflow of HK$746.9 million resulting from the purchase of property, plant and equipment, additions to investment properties and investment properties under construction, deposit paid for investment properties, purchase of marketable securities, cash disposed as a result of 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 fiscal year ended March 31, 2010, net cash used in investing activities was HK$96.3 million, which primarily consisted of cash outflow of HK$226.6 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$129.7 million resulting from proceeds received from disposals of an investment property and proceeds received from disposals of marketable securities.

Cash Flow Generated from Financing Activities

Our cash from financing activities was derived from placement of shares and warrants, bank and other borrowings and contribution from a non-controlling interests of a subsidiary. In the fiscal year ended March 31, 2012, net cash generated from financing activities was HK$516.0 million, consisted of cash outflow of HK$873.2 million resulting from repayment of bank and other borrowings, partially offset by cash inflow of HK$1,389.2 million resulting from proceeds from new bank and other loans, contribution from a non-controlling interests of a subsidiary, a decrease in restricted and pledged bank deposits and placement of shares and warrants. In the fiscal year ended March 31, 2011, net cash generated from financing activities was HK$163.7 million, consisted of cash outflow of HK$225.4 million resulting from repayment of bank borrowings, partially offset by cash inflow of HK$389.1 million resulting from proceeds from new bank and other loans, contribution from a non-controlling interests of a subsidiary and a decrease in restricted and pledged bank deposits. In the fiscal year ended March 31, 2010, net cash provided by financing activities was HK$310.8 million, consisted of cash inflow of HK$508.0 million resulting from proceeds from new bank loans and contribution from shareholders and minority shareholders of a subsidiary, partially offset by cash outflow of HK$197.3 million resulting from repayment of bank borrowings, increase in restricted and pledged bank deposits and dividend paid to non-controlling interests.

C. Research and Development, Patents and Licenses, etc.

Not applicable.

D. Trend Information

Other than as disclosed elsewhere in this Annual Report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from April 1, 2011 to March 31, 2012 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

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. dissolve and liquidate, whereby Man Sang Holdings, Inc. has 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 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.

Except as described above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any unconsolidated third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity.

F. Contractual Obligations

Contractual Obligations

We are subject to various financial obligations and commitments in the normal course of operations. These contractual obligations represent known future cash payments that we are required to make and relate primarily to long-term debt, capital commitment obligations with respect to property under development, construction costs and operating leases.

As of March 31, 2012, our contractual obligations amounted to approximately HK$1,108.4 million. The following table sets forth our contractual obligations as of March 31, 2012.

	Payments Due by Period			
	Total	Less than 1 year	1-5 years	More than 5 years
		(HK$ in thousands)		
Debt obligations	791,402	478,763	253,839	58,800
Interest on debt obligations	104,338	54,395	49,943	—
Capital commitment obligations (1)	211,199	211,199	—	—
Operating lease obligations	1,500	765	735	—
Total	1,108,439	745,122	304,517	58,800

(1) Capital commitment obligations represented capital expenditures in relation to the construction of properties and acquisition of land contracted for but not provided in the consolidated financial statements.

Item 6. Directors, Senior Management and Employees

Information Regarding Directors

The following table sets forth our directors. The information with respect to each director is set forth in the description of business experience of such persons below.

Name	Position(s)
Mr. Cheng Chung Hing, Ricky	Director
Mr. Sio Kam Seng	Chairman of the Board and Chief Executive Officer
Mr. Cheng Tai Po	Vice Chairman of the Board
Mr. Ho Min Sang	Director
Mr. Su Shaobin	Director
Ms. Leung Wai Yan	Director
Mr. Lai Chau Ming, Matthew	Director
Mr. Wong Gee Hang, Henry	Director
Mr. Tsui King Chung, Francis	Director
Mr. Yuen Ka Lok, Ernest	Director

Information Regarding Executive Officers

The following table sets forth the executive officers of the Company. The information with respect to each executive officer is set forth in the description of business experience of such persons below.

Name	Position(s)
Mr. Sio Kam Seng	Chairman of the Board and Chief Executive Officer
Mr. Cheng Tai Po	Vice Chairman of the Board
Mr. Lee Che Chiu, Arthur	Chief Financial Officer
Mr. Lung Hei Man, Alex	Deputy Chief Financial Officer

Business Experience of Directors and Executive Officers

Mr. CHENG Chung Hing, Ricky, our co-founder, served as Chairman of the board of directors from July 24, 2009 until August 25, 2011. He also served as Chief Executive Officer of the Company from July 24, 2009 until March 22, 2010 and as President of the Company from July 24, 2009 until June 1, 2011. He has also served as Chairman of the board of directors and President of MSHI since January 8, 1996. He was appointed Chief Executive Officer of MSHI on January 2, 1998. He served as Chief Financial Officer of MSHI from February to August 1999 and from August 2000 to August 2003. Mr. Cheng was appointed Chairman and a Director of Man Sang International Limited, a then-subsidiary listed on The Stock Exchange of Hong Kong Limited, in August 1997. Prior to our reorganization in late 1995, which resulted in MSHI's issuance of common stock and Series A preferred shares in exchange for all the outstanding securities of MSBVI in January 1996, he had served as Chairman and president of various companies within the Man Sang group of companies. Since March 20, 2007, Mr. Cheng has also served as a director of China Metro-Rural Exchange Ltd. Since February 21, 2007, Mr. Cheng, China Metro-Rural Limited's co-founder, also served as a director of China Metro-Rural Limited. He also serves as an executive director, co-founder and Co-Chairman of a Hong Kong company listed on The Stock Exchange of Hong Kong Limited with integrated logistics operations in China (China South City Holdings Limited, stock code: 1668).

Mr. SIO Kam Seng has served as Chairman of the Board and Chief Executive Officer of the Company since August 25, 2011. Mr. Sio served as Vice Chairman of the Board and Chief Executive Officer of the Company from March 22, 2010 until August 25, 2011. Mr. Sio has served as Chairman of the board of directors of China Metro-Rural Limited and China Metro-Rural Exchange Limited (a Hong Kong company) since January 1, 2010. He holds a Bachelor of Science degree in Construction Management and a Master of Business Administration degree. He is a member of Chartered Institute of Building, a member of Society of Environmental Engineers and an associate of Chartered Institute of Arbitrators. He is also a Chartered Builder of United Kingdom. He has over 20 years of experience in insurance and senior management. Prior to joining the China Metro Group, he served as area manager of HSBC Insurance Group from 1989 to 1992, assistant general manager of Sime Insurance Group from 1993 to 1995, director and chief executive officer of MSHI from 1995 to 1997. He also served as director and general manager of Accette Insurance Hong Kong from 1998 to June 2010 and has remained as its director since then.

Mr. CHENG Tai Po, our co-founder, has served as our Vice Chairman since July 24, 2009. He has also served as director and Vice Chairman of MSHI since January 1996. He has served as Deputy Chairman and a Director of Man Sang International Limited (MSIL), a Hong Kong Company listed on The Stock Exchange of Hong Kong Limited (stock code: 938) since August 1997. Prior to our group reorganization, he served as Vice Chairman of various companies within our group of companies. He has also served as a non-executive director of China South City Holdings Limited, a Hong Kong Company listed on The Stock Exchange of Hong Kong Limited (stock code: 1668) since April 30, 2010. He has served as a director of some subsidiaries within MSIL's group of companies and China South City's group of companies. Mr. Cheng has over 30 years experience in the pearl business and is responsible for our overall planning, strategic formulation and business development.

Mr. HO Min Sang has served as our Director since August 25, 2011 and he was one of the initial investors in the Company and was involved in the Company's business development until the Company was publicly listed, given his insight into the Company's values, structure and goals. Mr. Ho has over 25 years experience in the fine jewelry business including retail, wholesale and manufacturing. Mr. Ho has served as the Chairman of CARINE FRANCOIS France since 1985. CARINE FRANCOIS is the second largest importer both in quantity and value of fine jewelry in France. As the Chairman of his group of companies, his investments covered France, Hong Kong and Mainland China. He is experienced in the areas of enterprise management and business development.

Mr. SU Shaobin has served as our Director since August 25, 2011. Mr. Su is a Senior Economist in the PRC, and currently the Chairman of Jiangxi Zhenchang Group since 2005. He obtained a Bachelors Degree in Decoration and Design from South China University of Technology in 1993. In 2005, he earned a Master Degree from the Graduate School of The China Academy of Social Science, and received another Master Degree in Business Administration from The Open University of Hong Kong. Mr. Su has extensive management and working experience in the Building Decoration and Designs Industry for over 17 years and was awarded "Excellent Entrepreneur of China Building Decoration Industry" in 2004. Mr. Su is currently a member of the standing committee of the China Building Decoration Association and a member of the standing committee of the Federation of Industry and Commerce in Jiangxi Province. In 2006, Mr. Su was awarded "Excellent Builder of Socialism with Chinese Characteristics" by Nanchang Municipal Government, and was elected as representative of the Twelfth and Thirteenth People's Congress of Nanchang City and the representative of the Eleventh People's Congress of Jiangxi Province.

Ms. LEUNG Wai Yan has served as our Director since March 22, 2010 and is currently a director of Grand City Hotel (Shenzhen) Co., Ltd., a subsidiary of China South City Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited. She obtained a Master degree in Business Administration from The Chinese University of Hong Kong in December 2011. She graduated from Les Roches (Switzerland) International School of Hotel Management in 2007 with a Bachelor of Business Administration degree in International Hotel Management with Finance. She was a director of Tung Wah Group of Hospitals, a charity organization in Hong Kong.

Mr. LAI Chau Ming, Matthew, has served as our Director since July 24, 2009. He has also served as a Director of MSHI since November 1996. Mr. Lai has been Sales Director of DBS Vickers (Hong Kong) Limited since July 1996. Prior to his joining DBS Vickers, Mr. Lai served from 1972 to 1996 as a Senior Manager of Sun Hung Kai Investment Company Limited, an investment company in Hong Kong. Mr. Lai has 30 years experience in investment. He is experienced in the areas of financial management and planning.

Mr. WONG Gee Hang, Henry, has served as our Director since July 24, 2009. He has also served as a Director of MSHI since April 2005. Mr. Wong has over 30 years of experience in accounting, property investment and development and general management. Mr. Wong has also served as the Managing Director of Marspeed Limited, a consultancy firm of property development, investment and management. Mr. Wong had been a member of senior management in a Hong Kong property developer for more than 15 years. He is a full member of The Hong Kong Management Association.

Mr. TSUI King Chung, Francis, has served as our Director since July 24, 2009. He has also served as a Director of MSHI since January 2006. Mr. Tsui has over fifteen years of experience in financial services and business development consultancy both in the United States and in Hong Kong. Since 2000, Mr. Tsui has served as the President of DMC Investment Co. Ltd., a private investment company. He holds a Ph.D. degree in History and a Master of Business Administration degree from the University of Hawaii.

Mr. YUEN Ka Lok, Ernest, has served as our Director since September 1, 2010. Mr. Yuen has been a solicitor and a partner of Messer. Yuen & Partners since 1997. He has nearly 20 years of experience in litigations and commercial works. He received his Bachelor Degree in Commerce from University of Toronto in Canada. Mr. Yuen is a member of the Law Society of Hong Kong.

Mr. LEE Che Chiu, Arthur has served as our Chief Financial Officer since June 1, 2011. Prior to joining us, Mr. Lee was the CFO of Far East Global Group Limited, a company listed on The Stock Exchange of Hong Kong, from 2008 to 2011. Mr. Lee possesses over 17 years of working experience, including 7 years of professional experience mainly gained from KPMG in Hong Kong, 3 years of investing banking experience, including as an analyst of County NatWest Securities in Australia and 7 years of commercial experience including the group assistant financial controller of Elite Industrial Holdings Limited which owned a subsidiary listed in the Singapore Stock Exchange. Mr. Lee is a professional accountant and holds the fellow membership of The Hong Kong Institute of Certified Public Accountants and the membership of the CPA Australia. He is a Chartered Financial Analyst of the CFA Institute and a member of the Hong Kong Institute of Directors. Mr. Lee holds a Master of Business Administration degree from The University of Sydney and a Bachelor of Economics degree from Monash University in Australia.

Mr. LUNG Hei Man, Alex has served as our Deputy Chief Financial Officer since March 22, 2010. He has served as financial controller of China Metro-Rural Limited and China Metro-Rural Exchange Limited (a Hong Kong company) since January 1, 2010 (but has been finance manager of China Metro-Rural Exchange Limited since June 15, 2009). He graduated from the London School of Economics and Political Science in 1999 with a Bachelor's degree in Accounting and Finance. He has eight years of experience in auditing in Hong Kong and China with international accounting firms. Prior to joining the China Metro Group, he spent seven years with Ernst & Young and one year with BDO in auditing.

Family Relationships

Mr. Cheng Chung Hing, Ricky, and Mr. Cheng Tai Po are brothers. Mr. Leung Moon Lam and Ms. Leung Wai Yan are father and daughter. Other than the foregoing, there are no family relationships among our directors and executive officers.

B. Executive Compensation

For fiscal year 2012, the Company or its subsidiaries paid an aggregate of US$1.3 million in total compensation to its executive officers and to its directors. In addition the Company or its subsidiaries set aside or accrued US$5,000 to provide pension, retirement or similar benefits for its executive officers.

C. Board Practices

Board Composition

Our board of directors consists of ten members.

We are a "controlled company" as defined in Section 801 of the NYSE MKT Company Guide. As a result, we are exempt from certain corporate governance requirements, including the requirement that a majority of the board of directors be independent.

We have determined that four of the members of the board of directors, Mr. Lai Chau Ming, Matthew, Mr. Wong Gee Hang, Henry, Mr. Tsui King Chung, Francis, and Mr. Yuen Ka Lok, Ernest, are "independent" within the meaning of Section 803A of the NYSE MKT Company and Rule 10A-3 under the Exchange Act. We are not required to have a board of directors comprising a majority of independent directors under the NYSE MKT rules applicable to us.

Committees and Attendance of the Board of Directors

Audit Committee

The audit committee is a separately-designated standing audit committee as defined in Section 3(a)(58)(A) of the Exchange Act. The audit committee oversees matters relating to financial reporting, internal controls, risk management and compliance and related party transactions. These responsibilities include appointing and overseeing the independent auditors, as well as reviewing their independence and evaluating their fees, reviewing financial information that is provided to our shareholders and others, reviewing with management our system of internal controls and financial reporting process and monitoring our compliance program and system. The audit committee also makes recommendations on improvements and conducts other duties as the board of directors may delegate.

The audit committee consists of Mr. Yuen Ka Lok, Ernest, as Chairman, Mr. Wong Gee Hang, Henry, Mr. Lai Chau Ming, Matthew and Mr. Tsui King Chung, Francis. The audit committee operates under a written charter, which sets forth the functions and responsibilities of the committee. A copy of our audit committee charter is posted on our website at www.chinametrorural.com.

The audit committee held four meetings during the fiscal year ended March 31, 2011 and four meetings during the fiscal year ended March 31, 2012.

The board of directors has, in its reasonable judgment, (1) determined that all members of the audit committee are financially literate, (2) determined that Mr. Wong Gee Hang, Henry is qualified as an "audit committee financial expert", within the meaning of SEC regulations, that he has accounting and related financial management expertise within the meaning of the listing standards of the NYSE MKT and Rule 10A-3 under the Exchange Act, and (3) determined that all audit committee members satisfy the definition of "independent" as established in the NYSE MKT corporate governance listing standards.

With respect to the fiscal year ended March 31, 2012, the audit committee has:

- reviewed and discussed with our independent registered public accounting firm and with management the audited consolidated financial statements for the year ended March 31, 2012;
- discussed with our independent registered public accounting firm the matters relevant with us in the Statement on Auditing Standards;
- received the written disclosures and the letter from our independent registered public accounting firm; and
- discussed with our independent registered public accounting firm the independence of our independent registered public accounting firm.

Based on the audit committee's review and discussions noted above, the audit committee recommended to the board of directors that audited consolidated financial statements for the year ended March 31, 2012 be included in our Annual Report on Form 20-F for the year ended March 31, 2012.

Compensation Committee

The compensation committee consists of Mr. Lai Chau Ming, Matthew, as Chairman, Mr. Wong Gee Hang, Henry, Mr. Tsui King Chung, Francis and Mr. Yuen Ka Lok, Ernest.

The compensation committee deliberates and stipulates the compensation policy for our company. Each year the compensation committee directs our company, through an internal committee consisting of the Chief Financial Officer, the executive directors and Manager of Human Resources and Administration, to prepare a compensation philosophy and strategy statement for the compensation of the executives and a proposed executive compensation framework for the year. When establishing the proposed compensation framework, in keeping with our goal of attracting, motivating, and retaining executives who will contribute to our long-term success and an increase in the value of our shares, the internal committee undertakes the review of comparative compensation offered by peer companies that may compete with our company for executive talent. The peer group we used for compensation comparison and analysis purposes includes companies with workforce sizes, revenues, assets, and market values within a certain range above and below our levels. The internal committee periodically reviews the comparative compensation offered by the peer group and makes changes as appropriate to reflect changes in the market and our industry. The peer group is not necessarily limited to a particular industry as we believe we compete for executive talent across a wider group of entities.

During the year ended March 31, 2012, the compensation committee met one time and discussed and reviewed the personnel system and compensation package of our directors and officers. The compensation committee adopted four unanimous written consents of action.

The board of directors has determined that each member of the compensation committee satisfies the definition of "independent" as established in the NYSE MKT corporate governance listing standards.

The compensation committee has a compensation committee charter which is posted on our website at www.chinametrorural.com.

Nominating Committee

On August 25, 2011 the Company established a nominating committee was set up by the approval of the Board of Directors. Mr. Tsui King Chung, Francis is the Chairman of the nominating committee. Mr. Lai Chau Ming, Matthew, Mr. Wong Gee Hang, Henry and Mr. Yuen Ka Lok, Ernest, are the members of the Committee.

The board of directors has determined that each member of the nominating committee satisfies the definition of "independent" as established in the NYSE MKT corporate governance listing standards.

A current copy of our nomination charter is posted on our website at www.chinametrorural.com. The nominating committee will consider recommendations from shareholders holding more than 5% of our outstanding shares for candidates to the board of directors. The name of any recommended candidate for being director, together with a brief biographical sketch, a document indicating the candidate's willingness to serve, if elected, and evidence of the nominating shareholder's ownership of our shares should be sent to the attention of the Secretary of the Company not less than 120 days nor more than 180 days before July 27, 2013, the first anniversary of the mailing date of our proxy statement for our 2012 annual meeting.

Attendance of the Board of Directors

During the year ended March 31, 2012, our board of directors held four meetings and adopted seven unanimous written consents of action.

Nine of our directors attended our 2011 annual meeting of shareholders held at Suite 2204, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

Duties of Directors

Under British Virgin Islands law, our directors have a duty of loyalty and must act honestly and in good faith and in our best interests. Our directors also have a duty to exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duties to our company, our directors must ensure compliance with our Memorandum and Articles of Association and the class rights vested thereunder in the holders of the shares. A shareholder may in certain circumstances have rights to damages if a duty owed by the directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the terms of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registering of such shares in our share register.

Employment Agreements

We do not have employment agreements with any of our directors.

China Metro-Rural Limited does not have employment agreements with any of its director. However, China Metro-Rural Exchange Limited, the wholly-owned subsidiary of China Metro-Rural Limited organized under the laws of Hong Kong, entered into employment agreements with Mr. Ho Min Sang, Mr. Su Shaobin and Mr. Sio Kam Seng.

The major terms of these agreements are as follows:

- The employment agreement of Mr. Ho Min Sang commenced on September 1, 2011 and may be terminated by either party upon 1 month written notice or payment in lieu of notice. The annual base salary payable to Mr. Ho Min Sang is US$461,538 (HK$3,600,000). He received a landing bonus of US$76,923 (HK$600,000) to be payable upon the starting of the Commencement Date (ie September 1, 2011) of the Agreement. He is also entitled to an annual discretionary bonus and/or share option, subject to annual review by the board of directors of China Metro-Rural Exchange Limited.
- The employment agreement of Mr. Su Shaobin commenced on September 1, 2011 and may be terminated by either party upon 1 month written notice or payment in lieu of notice. The annual base salary payable to Mr. Su Shaobin is US$461,538 (HK$3,600,000). He received a landing bonus of US$76,923 (HK$600,000) to be payable upon the starting of the Commencement Date (ie September 1, 2011) of the Agreement. He is also entitled to an annual discretionary bonus and/or share option, subject to annual review by the board of directors of China Metro-Rural Exchange Limited.
- The employment agreement of Mr. Sio Kam Seng was terminated in May 2011 and was an open-term employment agreement commencing on January 1, 2010. The annual base salary payable to Mr. Sio Kam Seng was US$130,192 (HK$1,015,500) during the first six months of the agreement, and US$260,385 (HK$2,031,000) after the first six months of the agreement. He was also entitled to an annual year-end bonus in the amount equal to one month of salary, and an annual discretionary bonus and/or share option, subject to annual review by the board of directors of China Metro-Rural Exchange Limited.

Other than disclosed above, the employment agreements described do not have any severance arrangements or payments upon termination.

D. Employees

As of March 31, 2012, the Company and all of its direct and indirect subsidiaries had a total of approximately 527 employees. The following table sets forth a breakdown of our management and employees by function as of March 31, 2012.

	Hong Kong	PRC	Total
Senior management	5	18	23
Marketing and sales	—	157	157
Purchasing	—	4	4
Finance and accounting	1	40	41
Legal and Compliance	1	11	12
Construction	—	76	76
Human resources and administration	—	97	97
Property management	—	115	115
Information technology	—	2	2
Total	7	520	527

We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations. Our employees currently are not party to any collective bargaining agreement, and no labor union has been organized to represent our employees.

We are required under PRC law to make defined contributions to the employee benefit plans including housing funds, pension, work-related injury benefits, maternity insurance, medical and unemployment benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the respective local government authorities where we operate our businesses from time to time. Members of the retirement plan are entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date.

As of March 31, 2012, 7 of our employees were located in Hong Kong. We operate a defined contribution Mandatory Provident Fund retirement benefits scheme, or the MPF Scheme, as required under the Mandatory Provident Fund Schemes Ordinance, for our eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries. The assets of the MPF Scheme are held separately from our assets in an independently administered fund, and our employer contributions vest fully with the employees when contributed into the MPF Scheme.

The total amount of contributions we made to employee benefit plans in fiscal years 2010, 2011 and 2012 was approximately US$371,000 (or HK$2,892,000), US$120,000 (or HK$937,000) and US$304,000 (or HK$2,373,000), respectively.

E. Share Ownership

Please see Item 7.A.

Item 7. A. Major Shareholders and Related Party Transactions

SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Ordinary Shares

The following table sets forth information with respect to the beneficial ownership of our ordinary shares, by (1) each of the Company's shareholders who is a beneficial owner of more than 5% of the Company's ordinary shares, (2) each of the Company's directors and executive officers, individually, and (3) all of the Company's executive officers and directors, as a group, as of July 1, 2012.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership (2)	Percent of Class
Kind United Holdings Limited (3)	37,338,104	50.77%
Ampleton Developments Limited	5,744,323	7.81%
Luck Merit Holdings Limited	5,744,323	7.81%
Kudos Limited	5,744,323	7.81%
Zhong Ying Limited (5)	5,900,000	8.02%
Mr. Cheng Chung Hing, Ricky (3)	37,338,104	50.77%
Mr. Cheng Tai Po	—	—
Mr. Leung Moon Lam (4)	37,338,104	50.77%
Mr. Sio Kam Seng	—	—
Mr. Ho Min Sang	5,222,661	7.10%
Mr. Su Shaobin (5)	5,900,000	8.02%
Ms. Leung Wai Yan	—	—
Mr. Lai Chau Ming, Matthew	—	—
Mr. Wong Gee Hang, Henry	—	—
Mr. Tsui King Chung, Francis	—	—
Mr. Yuen Ka Lok, Ernest	—	—
Mr. Lee Che Chiu, Arthur	—	—
Mr. Lung Hei Man, Alex	—	—
All executive officers and directors as a group (12 persons)	48,460,765	65.89%

(1) Address for each person is c/o China Metro-Rural Holdings Limited, Suite 2204, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

(2) Represents our ordinary shares held. As of July 1, 2012, we had 73,543,782 ordinary shares outstanding and none of these individuals or entities had the right to acquire beneficial ownership of additional securities, as defined in Rule 13d-3(a) of the Exchange Act, within sixty days. This amount does not include securities that may be acquired under options or other rights more than 60 days after July 1, 2012. This disclosure is made pursuant to certain rules and regulations promulgated by the SEC and the number of shares shown as beneficially owned by any person may not be deemed to be beneficially owned for other purposes. Unless otherwise indicated in these footnotes, each named individual has sole voting and investment power with respect to such ordinary shares, subject to community property laws, where applicable.

(3) Mr. Cheng Chung Hing, Ricky, owns approximately 50.1% of an entity that holds approximately 72% of the outstanding shares of Kind United Holdings Ltd. As a result, Mr. Cheng Chung Hing, Ricky, may be deemed to be the beneficial owner of the 37,338,104 ordinary shares of the Company issued to Kind United Holdings Ltd. upon completion of the Merger on March 22, 2010.

(4) Mr. Leung Moon Lam owns approximately 61% of an entity that holds approximately 28% of the outstanding shares of Kind United Holdings Ltd. As a result, Mr. Leung Moon Lam may be deemed to be the beneficial owner of the ordinary shares of the Company issued to Kind United Holdings Ltd. upon completion of the Merger on March 22, 2010.

(5) Zhong Ying Limited holds directly 5,900,000 ordinary shares of the Company and warrants to purchase 5,900,000 ordinary shares at a purchase price of $2.875 per ordinary share. Mr. Su Shaobin, owns 100% of the outstanding shares of Zhong Ying Limited. As a result, Mr. Su Shaobin may be deemed to be the beneficial owners and to share the voting and dispositive power of the 5,900,000 ordinary shares of the Company held by Zhong Ying Limited.

Preferred Shares

The following table sets forth information with respect to beneficial ownership of our preferred shares as of July 1, 2012, by (1) each of our shareholders who is known to be a beneficial owner of more than 5% of our preferred shares, (2) each of our directors and executive officers, individually, and (3) all of our executive officers and directors as a group.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership (2)	Percent of Class
Cafoong Limited (3)	100,000	100%
Mr. Cheng Chung Hing, Ricky (3)	100,000	100%
Mr. Cheng Tai Po (3)	100,000	100%
Mr. Sio Kam Seng	—	—
Mr. Ho Min Sang	—	—
Mr. Su Shaobin	—	—
Ms. Leung Wai Yan	—	—
Mr. Lai Chau Ming, Matthew	—	—
Mr. Wong Gee Hang, Henry	—	—
Mr. Tsui King Chung, Francis	—	—
Mr. Yuen Ka Lok, Ernest	—	—
Mr. Lee Che Chiu, Arthur	—	—
Mr. Lung Hei Man, Alex	—	—
All executive officers and directors as a group (12 persons)	100,000	100%

(1) Address for each person is c/o China Metro-Rural Holdings Limited, Suite 2204, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

(2) Represents our preferred shares held. As of July 1, 2012, we had 100,000 preferred shares outstanding and none of these individuals or entities had the right to acquire beneficial ownership of additional securities, as defined in Rule 13d-3(a) of the Exchange Act, within sixty days. This amount does not include securities that may be acquired under options or other rights more than 60 days after July 1, 2012. This disclosure is made pursuant to certain rules and regulations promulgated by the SEC and the number of shares shown as beneficially owned by any person may not be deemed to be beneficially owned for other purposes. Unless otherwise indicated in these footnotes, each named individual has sole voting and investment power with respect to such preferred shares, subject to community property laws, where applicable.

(3) Mr. Cheng Chung Hing, Ricky, and Mr. Cheng Tai Po own 60% and 40%, respectively, of all issued and outstanding shares of, and are directors of, Cafoong Limited and, accordingly, are deemed to be the beneficial owners of our preferred shares owned by Cafoong Limited. The preferred shares were issued to Cafoong Limited on August 25, 2009.

Holders of our ordinary shares are entitled to one vote for each share held. The holders of the 100,000 of our preferred shares outstanding are, as a class, entitled to the number of votes as shall constitute 3,191,225 of our ordinary shares. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of the Company.

Certain agreements with Cafoong Limited provide Cafoong Limited with certain preemptive rights to purchase, upon the issuance of our ordinary shares in certain circumstances to third parties, our ordinary shares in order to allow Cafoong Limited to maintain its percentage ownership interest of our outstanding ordinary shares.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our board of directors is responsible for reviewing relationships and transactions in which we and our directors and executive officers or their immediate family members are participants to determine whether such related persons have a direct or indirect material interest. We review questionnaires provided by the directors and executive officers at the end of each fiscal year confirming the nature of their related transactions with us, if any, during the year. Our board of directors is primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers with respect to related person transactions and for then determining, based on the facts and circumstances, whether a related person has a direct or indirect material interest in the transaction. Our board of directors reviews and approves or ratifies any related person transaction that is required to be disclosed. In the course of its review and approval or ratification of a disclosable related person transaction, the board of directors considers:

- the nature of the related person's interest in the transaction;
- the material terms of the transaction, including, without limitation, the amount and type of transaction;
- the importance of the transaction to the related person;
- the importance of the transaction to us;
- whether the transaction would impair the judgment of a director or executive officer to act in our best interest; and
- any other matters the board of directors deems appropriate.

Any member of the board of directors who is a related person with respect to a transaction under review may not participate in the deliberations or vote for approval or ratification of the transaction, provided, however, that this director may be counted in determining the presence of a quorum at a meeting of the board of directors that considers the transaction.

No material related person transactions have occurred since the beginning of fiscal year 2007 up to and including the date of this Annual Report or are currently proposed, other than as set forth in the discussion of the Merger and as set forth below:

On July 1, 2008, Man Sang Jewellery Company Limited, an former indirect subsidiary of ours, entered into an agreement to share office premises with China South City Holdings Limited, an enterprise controlled by our controlling shareholders, Mr. Cheng Chung Hing, Ricky, and Mr. Cheng Tai Po, pursuant to which Man Sang Jewellery Company Limited agreed to share a portion of its office premises with China South City Holdings Limited for a term expiring on March 16, 2011. During the fiscal year ended March 31, 2011, China South City Holdings Limited paid Man Sang Jewellery Company Limited approximately HK$0.64 million (inclusive of rental rates, management fees and government rates) pursuant to the terms of this agreement. This arrangement is from the Discontinued Operations, which ceased to be part of the Group subsequent to the Distribution.

In addition to their investments in the Company, Mr. Cheng Chung Hing, Ricky, and his brother, Mr. Cheng Tai Po, own all of the outstanding shares of Accurate Gain Developments Limited and 92% of the outstanding shares of Proficient Success Limited. As of March 31, 2012, Accurate Gain Developments Limited, Proficient Success Limited, Mr. Cheng Chung Hing, Ricky, and Mr. Cheng Tai Po owned an aggregate of 2,471,444,558 of the 5,987,564,000 outstanding shares of China South City Holdings Limited, or China South City, and Mr. Cheng Chung Hing, Ricky, held options to purchase 66,000,000 shares of China South City. China South City is one of the leading developers and operators of large-scale integrated logistics and trade centers in China, providing a comprehensive trading platform for domestic and international wholesale suppliers, buyers, manufacturers and distributors of raw materials and finished products. It sells and leases trade center units for businesses to display and sell their products. China South City also provides their clients with one-stop convenient supply chain solutions that include a full range of facilities and services such as offices, residential, conference and exhibition facilities, hotels and restaurants, warehousing and on-site logistics services, banking, on-site government services in a bid to offer. Mr. Cheng Chung Hing, Ricky, is also the Co-Founder, Co-Chairman and Executive Director of China South City. In addition, Mr. Leung Moon Lam, a director of China Metro-Rural Limited and some of its subsidiaries, is a Co-Founder, Executive Director and the Chief Executive Officer of China South City.

Differences between China Northeast Logistics Cities and China South City

We believe China Northeast Logistics Cities and China South City can be differentiated for a number of reasons. First, China South City is located in Shenzhen and Heyuan in Guangdong Province, Nanchang, Jiangxi Province, Nanning, Guangxi Zhuang Autonomous Region, Harbin, Heilongjiang Province and Zhengzhou, Henan Province and attracts clientele from these regions. In addition, China South City and China Northeast Logistics Cities were established at different times with a focus on different industry sectors. The products offered by, and the occupants of, China Northeast Logistics Cities are distinctively different from those of China South City. Also, the PRC subsidiaries of China South City has entered into master agreements and/or project agreements with local government agencies in Shenzhen and Heyuan in Guangdong Province, Nanchang, Jiangxi Province, Nanning, Guangxi Zhuang Autonomous Region, Harbin, Heilongjiang Province and Zhengzhou, Henan Province that set out each party's commitments and expectations and a proposed framework for these integrated logistics and trade center developments. On the other hand, our PRC subsidiaries have not entered into a master plan or agreement with government agencies, which gives China Northeast Logistics Cities more flexibility.

Contracts with China South City

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

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

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

Item 8. Financial Information

A. Consolidated Statements and Other Information

Please see Item 17 "Financial Statements" for our audited consolidated financial statements filed as a part of this Annual Report.

Legal Proceedings

As of March 31, 2012 we did not have any litigation, arbitration or claim of material importance, and the Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against us, China Metro or any of our subsidiaries.

Dividend Policy

On June 28, 2007, MSHI declared a return of capital in the amount of US$1,595,642 (US$0.25 per share of common stock) to its shareholders of record on July 24, 2007. MSHI did not pay cash dividends in fiscal years 2007 and 2008. Any future determination to pay cash dividends will be at the discretion of our board of directors and will depend upon our financial condition, operating results, capital requirements, any applicable contractual restrictions and such other factors as our board of directors deems relevant. Cash dividends, if any, on the ordinary shares of the Company will be paid in U.S. dollars.

We are a holding company incorporated in the British Virgin Islands, and will rely principally on dividends, loans or advances paid to us by our subsidiaries incorporated in China for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, service any debt we may incur and pay our operating expenses. PRC law restricts the ability of our subsidiaries incorporated in the PRC to transfer funds to us in the form of cash dividends, loans or advances. PRC regulations currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations.

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.

Any dividends paid by a PRC subsidiary to an immediate holding company that is incorporated in Hong Kong will be subject to a withholding tax at the rate of 5%, provided the Hong Kong incorporated subsidiary is not considered to be a PRC tax resident enterprise.

If we are considered a PRC tax resident enterprise for tax purposes, any dividends we pay to our overseas shareholders may be regarded as China-sourced income and as a result may be subject to PRC withholding tax at a rate of up to 10%.

B. Significant Changes

Except as disclosed elsewhere in this Annual Report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this Annual Report.

Item 9. The Offer and Listing.

Market Price

Our ordinary shares have been listed on the NYSE MKT under the symbol "CNR" since April 20, 2010. From August 26, 2009 through April 19, 2010 our ordinary shares was listed on the NYSE MKT under the symbol "MHJ". From August 8, 2005 through August 24, 2009, the common stock of our predecessor-in-interest, MSHI, was listed on the NYSE MKT under the symbol "MHJ". From 1987 to 2005, MSHI's common stock was reported on the Over-The-Counter (OTC) Electronic Bulletin Board under the symbol "MSHI.OB". Our preferred shares are not listed.

The following table sets forth, for the periods indicated, the high and low sales prices (in U.S.$) for the our ordinary shares from August 25, 2009 to March 31, 2012, and the common stock of MSHI from April 1, 2007 through August 24, 2009 on the NYSE MKT.

	High	Low
Yearly Highs and Lows for the Year Ending March 31,		
2012	5.65	0.72
2011	5.84	1.72
2010	4.46	1.70
2009	8.35	0.96
2008	16.46	5.30
Quartely Highs and Lows		
2012		
First Quarter (April-June 2011)	5.65	1.15
Second Quarter (July-September 2011)	1.71	1.06
Third Quarter (October-December 2011)	1.59	0.72
Fourth Quarter (January-March 2012)	1.57	0.90
2011		
First Quarter (April-June 2010)	2.52	1.72
Second Quarter (July-September 2010)	2.75	1.85
Third Quarter (October-December 2010)	3.50	2.53
Fourth Quarter (January-March 2011)	5.84	3.00
Monthly Highs and Lows		
January 2012	1.07	0.90
February 2012	1.38	1.00
March 2012	1.57	1.00
April 2012	1.12	0.98
May 2012	1.28	0.98
June 2012	1.12	0.50

Item 10. Additional Information.

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a British Virgin Islands company and our affairs are governed by our Memorandum and Articles of Association, as amended and restated from time to time, and The BVI Business Companies Act, 2004.

The following statements are summaries of our share capital structure and of the more important rights and privileges of shareholders conferred by our Memorandum and Articles of Association and The BVI Business Companies Act, 2004 insofar as they relate to the material terms of our ordinary shares. Our Memorandum and Articles of Association are available for examination at our registered office and are on file with the SEC.

We have two classes of shares: ordinary shares, which will have identical rights in all respects and rank equally with one another, and preferred shares. Our authorized share capital consists of 1,000,000,000 ordinary shares, par value US$0.001 per share, and 200,000 preferred shares, par value US$0.001 per share.

Our Objects and Purposes

Under our Memorandum and Articles of Association, we have, irrespective of corporate benefit, full capacity to carry on or undertake any business or activity, do any act or enter into any transaction.

Preferred Shares

Dividends

The holders of preferred shares are entitled to receive, when and as declared by the board of directors out of any funds legally available therefor, a dividend per share equal to any dividends per share declared on shares of our ordinary shares. Dividends on the preferred shares shall be paid or declared and set apart for payment before any dividends shall be paid or declared and set apart for payment on the ordinary shares with respect to the same dividend period. The right to such dividends on preferred shares are not cumulative, and no rights accrue to the holders of such shares by reason of the board’s failure to pay or declare and set apart dividends thereon.

Liquidation Preference

In the event of any liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, the holders of preferred shares are entitled to a liquidation preference to be paid first out of our assets available for distribution to holders of our shares of all classes an amount equal to US$25 per preferred share before any distribution of assets. If our assets shall be insufficient to permit the payment in full to the holders of the preferred shares, then our entire assets available for such distribution shall be distributed ratably among the holders of the preferred shares in proportion to the full preferential amount each such holder is otherwise entitled to receive.

Voting Rights

Holders of our preferred shares, as a class, will be entitled to vote 3,191,225 shares, subject to adjustment for stock splits, stock dividends and combinations, in all matters voted on by our shareholders.

Ordinary Shares

General

All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are nonresidents of the British Virgin Islands may freely hold and vote their shares.

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors, subject to The BVI Business Companies Act, 2004.

Liquidation

On a return of capital on winding-up or otherwise (other than on conversion, redemption or purchase of shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis, but subject to the liquidation preference of the holders of the preferred shares. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately, but, as above, subject to the liquidation preference of the holders of the preferred shares.

Voting Rights

Each ordinary share is entitled to one vote on all matters upon which our shares are entitled to vote and voting at any meeting of shareholders is by show of hands.

Warrants to Purchase Ordinary Shares

General

We issued warrants on May 11, 2011, pursuant to a warrant agency agreement. The warrants are exercisable at any time upon issuance until the date that is three years after their issuance, or May 11, 2014. The warrants are exercisable, at the option of each holder, in whole or in part by delivering to the warrant agent a duly executed exercise notice accompanied by payment in full for the number of our ordinary purchased upon such exercise. No fractional ordinary shares will be issued in connection with the exercise of a warrant. In lieu of fractional shares, we will pay the holder an amount in cash equal to the fractional amount multiplied by the market value of an ordinary share.

Failure to Timely Deliver Ordinary Shares

If we fail to deliver to the investor a certificate representing ordinary shares issuable upon exercise of a warrant by the third trading day after the delivery date as required by the warrant, and if the investor purchases the ordinary shares after that third trading day to deliver in satisfaction of a sale by the investor of the underlying warrant shares that the investor anticipated receiving from us, then, within three trading days of receipt of the investor’s request, we, at the investor’s discretion, either (i) pay cash to the investor in an amount equal to the investor’s total purchase price (including brokerage commissions, if any) for the ordinary shares purchased less the exercise price (as described below), or the Buy-In Price, at which point our obligation to deliver the warrant (and to issue the underlying ordinary shares) shall terminate, or (ii) promptly honor our obligation to deliver to the investor a certificate or certificates representing the underlying ordinary shares and pay cash to the investor in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) the number of ordinary shares, times (B) the closing price on the date of the event giving rise to our obligation to deliver the certificate.

Exercise Price

Each warrant issued in May 2011 represents the right to purchase ordinary shares at an exercise price equal to $3.456 per share, subject to adjustment as described below. The exercise price is subject to appropriate adjustment in the event of certain dividends and share distributions, share splits, share combinations, reclassifications or similar events affecting our ordinary shares and also upon any distributions of assets, including cash, shares or other property to our shareholders. The exercise price is also subject to broad-based weighted average anti-dilution adjustments in the event that we issue shares in the future at a per share price below the exercise price of the warrants, subject to customary exclusions from anti-dilution adjustments. On August 16, 2011, we informed the warrant holders that the exercise price of the warrants was adjusted from US$3.456 per ordinary shares to US$3.318 pursuant to Section 2(c) of the Warrant to Purchase Ordinary Shares, as a result of two private placements by the Company, which were closed on August 2, 2011 and August 16, 2011 with an aggregate of 7,900,000 ordinary shares issued at US$2.50 per ordinary share and 5,900,000 warrants issued where each warrant entitles the holder to purchase 1 ordinary share of the Company at an exercise price of US$2.875 per ordinary share upon exercise.

Make Good Adjustment

Each warrant issued in May 2011 contains "make good" adjustments features that may impact the warrant's exercise price. The extent of any "make good" adjustment depends on our "Adjusted EBITDA" as described below.

- If for the fiscal year ended March 31, 2011 our Adjusted EBITDA does not exceed US$20 million, then the exercise price of the warrants shall be adjusted to US$0.001.
- If for the fiscal year ended March 31, 2012 our Adjusted EBITDA:
    - is less than US$35.0 million, then the exercise price of the warrants shall be adjusted to US$0.001;
    - is equal to or greater than US$35.0 million, but less than US$42.5 million, then the exercise price of the warrants shall be adjusted to 70% of the purchase price for a unit; or
    - is equal to or greater than US$42.5 million, but less than US$50.0 million, then the exercise price of the warrants shall be adjusted to 100% of the purchase price for a unit.

Our Adjusted EDITDA for the fiscal year ended March 31, 2012 was US$46,089,000. Therefore, the exercise price of each warrant issued in May 2011 is now US$2.765.

Adjusted EBITDA

For purposes of the "make good" adjustments in the warrants, the term "Adjusted EBITDA" shall equal the Company's operating profit/(loss) as reported in our year-end audited consolidated financial statements (i) plus any depreciation and amortization expenses and (ii) excluding the effects of changes in fair value of investment properties and gain/loss of derivative financial liability at fair value through profit or loss. Each Adjusted EBITDA calculation shall be determined by rounding to the nearest $0.01 million.

Transferability

Subject to applicable laws, the warrants may be offered for sale, sold, transferred or assigned without our consent.

Exchange Listing

We do not plan to list the warrants on the NYSE MKT, any other national securities exchange or other nationally recognized trading system or market.

Fundamental Transactions

If we consummate any merger, consolidation, sale or other reorganization event in which our ordinary shares are converted into or exchanged for securities, cash or other property (as defined in the warrants, a fundamental transaction), then following such event, the holders of the warrants will be entitled to receive upon exercise of the warrants the kind and amount of securities, cash or other property that the holders would have received had they exercised the warrants immediately prior to such reorganization event in which our ordinary shares are converted into or exchanged for securities, cash or other property. If the holders of the warrants exercise their warrants within 90 days of the fundamental transaction and prior to the expiration of the warrant, we will take the necessary actions to ensure that holders of the warrants will have the right to receive the kind and amount of securities, cash or other property that the holders would have been entitled to receive if the warrant had been exercised immediately prior to the fundamental transaction.

Rights as a Shareholder

Except as otherwise provided in the warrants or by virtue of such holder's ownership of our ordinary shares, the holder of a warrant does not have the rights or privileges of a holder of our ordinary shares, including any voting rights, until the holder exercises the warrant.

General Provisions of Our Shares

Voting and Quorum. If the Chairman shall have any doubt as to the outcome of any resolution put to the vote, he shall cause a poll to be taken of all votes cast upon such resolution, but if the Chairman shall fail to take a poll then any shareholder present in person or by proxy who disputes the announcement by the Chairman of the result of any vote may immediately following such announcement demand that a poll be taken and the Chairman shall thereupon cause a poll to be taken. If a poll is taken at any meeting, the result thereof shall be duly recorded in the minutes of that meeting by the Chairman.

A quorum required for a meeting of shareholders consists of at least two shareholders present in person or by proxy or, if a corporation, by its duly authorized representative holding not less than one-third of the outstanding voting shares in our company. Shareholders' meetings may be convened by our board of directors on its own initiative or upon a request to the directors by shareholders holding in the aggregate 30% or more of our voting share capital. Advance notice of at least 10 (but not more than 60) days is required for the convening of our annual general shareholders' meeting and any other general shareholders' meeting. Our shareholders' meeting may be held in such place within or outside the British Virgin Islands as our board of directors considers appropriate.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares (including preferred shares which represent ordinary shares) cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the ordinary shares (including preferred shares which represent ordinary shares). An ordinary resolution is required for matters such as an amendment of the Memorandum and Articles of Association to increase or reduce the number of shares that we are authorized to issue and a repurchase of our outstanding shares. An ordinary resolution is required for the removal of directors with cause.

Transfer of Shares. Any transfer of our shares shall be evidenced by a written instrument of transfer executed by or on behalf of the transferor and containing the name and address of the transferee. A transfer of shares is effective when the name of the transferee is entered in our share register in respect of such shares and we shall not be required to treat a transferee of a share as a shareholder until the transferee's name has been entered in the register.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption of Shares. The directors may, on our behalf, subject to an ordinary resolution of members (including the written consent of all the members whose shares are to be purchased, redeemed or otherwise acquired), purchase, redeem or otherwise acquire any of our own shares for such consideration as they consider appropriate, and either cancel or hold such shares as treasury shares. The directors may dispose of any shares held as treasury shares on such terms and conditions as they may from time to time determine. Shares may be purchased or otherwise acquired in exchange for newly issued shares.

Variation of Rights of Shares. If at any time our shares are divided into different classes, the rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series), whether or not we are being wound-up, may be varied with the consent in writing of the holders of a simple majority of the issued shares of that class or series or with the sanction of a resolution passed by a simple majority of the votes cast at a separate meeting of the holders of the shares of the class or series.

Inspection of Register of Members. Pursuant to our Memorandum and Articles of Association, our register of members and branch register of members shall be open for inspection by shareholders for such times and on such days as its board of directors shall determine, without charge, at the registered office or such other place at which the register is kept in accordance with The BVI Business Companies Act, 2004, unless the register is closed in accordance with our Memorandum and Articles of Association.

Designations and Classes of Shares. All of our issued and outstanding are ordinary shares and preferred shares. Our Memorandum and Articles of Association provide that our authorized unissued shares shall be at the disposal of our board of directors, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as our board may in its absolute discretion determine. In particular, our board of directors is empowered to authorize from time to time the issuance of one or more additional classes or series of preferred shares and to fix the designations, powers, preferences and relative, participating, optional and other rights, if any, and the qualifications, limitations and restrictions thereof, if any, including, without limitation, the number of shares constituting each such class or series, dividend rights, conversion rights, redemption privileges, voting power, full or limited or no voting power, and liquidation preferences, and to increase or decrease the size of any such class or series.

Shareholders

Only persons who are registered in the register of members are recognized as our shareholders.

No Limitations on Ownership of Securities. There are no limitations on the right of non-residents or foreign persons to own our securities imposed by BVI laws or by our Memorandum and Articles of Association.

Ownership Threshold. There are no provisions governing the ownership threshold above which shareholder ownership must be disclosed imposed by BVI laws or by our Memorandum and Articles of Association.

Changes in Capital

We may, by an ordinary resolution of members, amend our Memorandum and Articles of Association to increase or reduce the maximum number of shares that we are authorized to issue.

Subject to our Memorandum and Articles of Association, we may, by an ordinary resolution of members:

- divide our shares, including issued shares, into a larger number of shares; or
- combine our shares, including issued shares, into a smaller number of shares;

provided that, where shares are divided or combined, the aggregate par value of the new shares must be equal to the aggregate par value of the original shares.

Directors' Power to Issue Shares

Our Memorandum and Articles of Association authorizes our board of directors to issue additional ordinary and preferred shares from time to time as our board of directors shall determine, up to the amount of the available authorized but unissued shares.

Our board of directors may issue preferred shares without action by its shareholders up to the amount of the authorized but unissued preferred shares. The issuance of preferred shares may be used as an anti-takeover device without further action on the part of the shareholders. The issuance of these shares could adversely affect the voting power and other rights of holders of our ordinary shares. Subject to the directors' duty of acting in our interest, preferred shares can be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. Additionally, the issuance of preferred shares may have the effect of decreasing the market price of the ordinary shares, and may adversely affect the voting and other rights of the holders of the ordinary shares.

Conflicts of Interest

A director shall, forthwith after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the Company, disclose the interest to the board of directors, unless the transaction or proposed transaction (a) is between the director and the Company and (b) is to be entered into in the ordinary course of the Company's business and on usual terms and conditions.

A transaction entered into by the Company in respect of which a director is interested in voidable by the Company unless the director complies with the above provision or (a) the material facts of the interest of the director in the transaction are known by the shareholders entitled to vote at a meeting of shareholders and the transaction is approved or ratified by an ordinary resolution of shareholders or (b) the Company received a fair value for the transaction.

A director who is interested in a transaction entered into or to be entered into by the Company may vote on a matter relating to the transaction, attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum and sign a document on behalf of the Company, or do any other thing in his capacity as director that related to the transaction.

Remuneration of Directors

Directors shall not receive any stated salary for their services, but by a resolution of directors a fixed sum may be allowed for attendance at each meeting of the board.

Directors' Power to Manage Business

The board of directors may, from time to time and at its discretion, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, and may exercise power in such manner and upon such terms and conditions in all respects as it thinks fit.

Indemnification

British Virgin Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the British Virgin Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Our Memorandum and Articles of Association provide that, subject to The BVI Business Companies Act, 2004, we will indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who:

- is or was a party or is threatened to be made a party to any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director, an officer or a liquidator of our company; or
- is or was, at the request of our company, serving as a director, officer or liquidator of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise.

To be entitled to indemnification, these persons must have acted honestly and in good faith and in the best interest of our company, and they must have had no reasonable cause to believe their conduct was unlawful.

If any such person mentioned above has been successful in defense of any proceedings referred to above, that person is entitled to be indemnified against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred by that person in connection with the proceedings.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Limitations on Rights to Hold or Vote Shares

Except as described herein, there are no limitations imposed by British Virgin Islands law or by our Memorandum and Articles of Association on the rights of non-resident shareholders to hold or vote our ordinary shares.

Exchange Controls

There are no material British Virgin Islands laws, decrees, regulations or other legislation that impose foreign exchange controls on us or that affect our payment of dividends, interest or other payments to non-resident holders of our shares.

Anti-Takeover Effects of Our Memorandum and Articles of Association

Some provisions of British Virgin Islands law and our Memorandum and Articles of Association could make the acquisition of us by means of a tender offer or merger, or by means of a proxy contest or otherwise, more difficult.

These provisions, which include a "business combination" provision, are expected to discourage coercive takeover practices and inadequate takeover bids. Although as a British Virgin Islands company, we are not subject to Section 203 of the Delaware General Corporation Law, the business combination provision in our articles largely mirror the intention of Section 203 and generally prohibit "business combinations" between us and an "interested shareholder." These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe the benefits of the potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging those proposals because negotiation of them could result in an improvement of their terms.

Transfer Agent and Registrar

The transfer agent and registrar for our ordinary and preferred shares is American Stock Transfer & Trust Company.

Disclosure of Share Ownership

Our Memorandum or Articles of Association do not provide for any ownership threshold above which shareholder ownership must be disclosed.

Amendment of Memorandum and Articles of Association

The Company may at any time and from time to time by ordinary resolution alter or amend its Memorandum of Association and Articles of Association in whole or in part subject, in the case of any alteration or amendment which modifies the rights of a class of shares, to consent from holders of that class of shares as more fully set out above.

C. Material Contracts

Other than those listed in the paragraphs below, we have not entered into any material contracts other than in the ordinary course of business or other than those described in Item 4 "Information on the Company" and elsewhere in this Annual Report.

On July 13, 2011, China Tieling Northeast entered into an RMB loan contract with SPD Bank, under which SPD Bank extended an RMB50,000,000 loan to China Tieling Northeast. The term of the loan is from date of drawn down (July 15, 2011) to July 8, 2012. This RMB loan is secured by charges over certain land use rights of China Tieling Northeast with an aggregate area of approximately 131,328 square meters.

On August 19, 2011, China Tieling Northeast entered into an RMB loan contract with SPD Bank, under which SPD Bank extended an RMB20,000,000 loan to China Tieling Northeast. The term of the loan is from date of drawn down (August 19, 2011) to August 3, 2012. This RMB loan is secured by charges over certain office premises of China Tieling Northeast with an aggregate gross floor area of approximately 20,638 square meters.

On August 30, 2011, China Tieling Northeast entered into an RMB loan contract with SPD Bank, under which SPD Bank extended an RMB20,000,000 loan to China Tieling Northeast. The term of the loan is from date of drawn down (August 30, 2011) to August 3, 2012. This RMB loan is secured by charges over certain office premises of China Tieling Northeast with an aggregate gross floor area of approximately 20,638 square meters.

On August 30, 2011, China Tieling Northeast entered into an RMB loan contract with Xi'an International Trust Co., Ltd. ("Xi'an International"), under which Xi'an International extended an RMB100,000,000 loan to China Tieling Northeast. The term of the loan is from date of drawn down (August 30, 2011) to August 30, 2012.

On August 30, 2011, China North Asia Development Co., Ltd. entered into an RMB loan contract with Xi'an International, under which Xi'an International extended an RMB100,000,000 loan to China North Asia Development Co., Ltd. The term of the loan is from date of drawn down (August 30, 2011) to August 30, 2012.

On September 27, 2011, China Tieling Northeast entered into an RMB loan contract with SPD Bank, under which SPD Bank extended an RMB10,000,000 loan to China Tieling Northeast. The term of the loan is from date of drawn down (September 27, 2011) to August 3, 2012. This RMB loan is secured by charges over certain office premises of China Tieling Northeast with an aggregate gross floor area of approximately 20,638 square meters.

On November 4, 2011, one of our subsidiaries, China Metro-Rural Limited, entered into seven HKD loan agreements, where the terms and conditions of the loan agreements are identical except for the amount, with certain independent third parties, under which these third parties extended an aggregate amount of HK$131,500,000 loan to China Metro-Rural Limited. The term of these loans is from November 8, 2011 to November 7, 2014. The loans are unsecured, interest bearing at 18% per annum and subject to additional cumulative interest of 7% per annum if it is repaid early.

D. Exchange Controls

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, as amended in August 2008. Under the Regulations, the Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the prior approval of the State Administration of Foreign Exchange, or SAFE, is obtained and prior registration with the State Administration of Foreign Exchange is made. August 29, 2008, the State Administration of Foreign Exchange promulgated a notice, Circular No. 142, regulating the conversion by a foreign-invested company of foreign currency into Renminbi by restricting how the converted Renminbi may be used. The notice requires that the registered capital of a foreign-invested company settled in Renminbi converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. In addition, the State Administration of Foreign Exchange strengthened its oversight of the flow and use of the registered capital of a foreign-invested company settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without the State Administration of Foreign Exchange's approval, and may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. Violations of Circular No. 142 will result in severe penalties, such as heavy fines.

The dividends paid by the subsidiary to its overseas shareholder are deemed income of the shareholder and are taxable in China. Pursuant to the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), foreign-invested enterprises in China may purchase or remit foreign currency, subject to a cap approved by the State Administration of Foreign Exchange, for settlement of current account transactions without the approval of the State Administration of Foreign Exchange. Foreign currency transactions under the capital account are still subject to limitations and require approvals from or registration with, the State Administration of Foreign Exchange and other relevant PRC Governmental authorities.

All of our agricultural logistics business revenues are denominated in Renminbi, while a portion of our expenditures are denominated in foreign currencies, primarily the U.S. dollar. Fluctuations in exchange rates, particularly those involving the U.S. dollar may affect our costs and operating margins. In addition, these fluctuations could result in exchange losses and increased costs in Renminbi terms. Where our operations conducted in Renminbi are reported in dollars, such fluctuations could result in changes in reported results which do not reflect changes in the underlying operations. Since January 1, 1994, the PRC Government has used a unitary managed floating rate system. Under that system, the People's Bank of China, or PBOC, publishes a daily base exchange rate with reference primarily to the supply and demand of the Renminbi against the U.S. dollar and other foreign currencies in the market during the previous day. Authorized banks and financial institutions are allowed to quote buy and sell rates for Renminbi within a specified bank around the central bank's daily exchange rate. On July 21, 2005, PBOC announced an adjustment of the exchange rate of the U.S. dollar to Renminbi from 1:8.27 to 1:8.11 and modified the system by which the exchange rates are determined. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC Government to adopt an even more flexible currency policy, which could result in a further revaluation and a significant fluctuation of the exchange rate of the Renminbi against the U.S. dollar, including possible devaluations. As substantially all of our agricultural logistics business revenues are denominated in Renminbi, such a potential future devaluation of the Renminbi against the U.S. dollar could negatively impact our results of operations.

In October 2005, SAFE promulgated regulations that require registration with local SAFE in connection with direct or indirect offshore investment by PRC residents, including PRC individual residents and PRC corporate entities. These regulations apply to our shareholders who are PRC residents and also apply to our prior and future offshore acquisitions.

The SAFE regulations retroactively require registration by March 31, 2006 of direct or indirect investments previously made by PRC residents in offshore companies. If a PRC resident with a direct or indirect stake in an offshore parent company fails to make the required SAFE registration, the PRC subsidiaries of such offshore parent company may be prohibited from making distributions of profit to the offshore parent and from paying the offshore parent proceeds from any reduction in capital, share transfer or liquidation in respect of the PRC subsidiaries. Further, failure to comply with various SAFE registration requirements described above could result in liability under PRC law for foreign exchange evasion.

For more information about foreign exchange control and other foreign exchange regulations in China, see “Risk Factors” in Item 3 “Key Information.”

E. Taxation

The following summary of the material British Virgin Islands tax consequences and material United States federal income tax consequences of an investment in our ordinary and preferred shares and warrants is based upon laws and relevant interpretations thereof in effect as of the date of this Annual Report, all of which are subject to change. We have also provided a summary of the material PRC and Hong Kong taxes in respect of our business operations. This summary does not deal with all possible tax consequences relating to an investment in our ordinary and preferred shares and warrants.

British Virgin Islands Tax Consequences

Capital gains realized with respect to any of our shares, warrants, debt obligations or other securities by persons who are not persons resident in the British Virgin Islands are exempt from all provisions of the Income Tax Act of the British Virgin Islands. No estate, inheritance, succession or gift tax rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any of our shares, warrants, debt obligations or other securities.

No stamp duty is payable in the British Virgin Islands on a transfer of shares or warrants in a British Virgin Islands business company or upon the exercise of warrants of a British Virgin Islands business company.

Material United States Federal Income Tax Consequences

General

The following are the material U.S. federal income tax consequences applicable to U.S. Holders of owning ordinary and preferred shares and warrants of the Company. For this purpose “U.S. Holders” is a beneficial owner of our securities that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation) that is created or organized (or treated as created or organized) in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (i) a U.S. court can exercise primary supervision over the trust’s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a beneficial owner of our securities is not described as a U.S. Holder and is not an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes, such owner will be considered a "Non-U.S. Holder." This discussion does not address the tax treatment Non-U.S. Holders or of partnerships or other pass-through entities that hold our ordinary shares or warrants, or of persons who hold such ordinary shares or warrants, or will hold our ordinary shares or warrants, through such entities. The U.S. federal income tax consequences of a partner in a partnership holding our ordinary shares or warrants generally will depend on the status of the partner and the activities of the partnership. We recommend that partners in such a partnership and beneficial owners of other pass-through entities holding our ordinary shares or warrants consult their own tax advisors.

The U.S. federal income tax consequences applicable to Non-U.S. Holders owning our ordinary shares are described below under the heading "Tax Consequences to Non-U.S. Holders."

This summary is based on the Internal Revenue Code, its legislative history, U.S. Treasury regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These authorities are subject to change or differing interpretations, possibly on a retroactive basis.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular holder of our ordinary shares or warrants based on such holder's individual circumstances. In particular, this discussion considers only holders that own and hold such our ordinary shares and warrants as capital assets within the meaning of Section 1221 of the Code. This discussion does not address the potential application of the alternative minimum tax or the U.S. federal income tax consequences to holders that are subject to special rules, including but not limited to:

- banks and certain financial institutions or "financial services entities";
- broker-dealers;
- taxpayers who have elected mark-to-market accounting;
- tax-exempt organizations, plans or accounts;
- governments or agencies or instrumentalities thereof;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- certain expatriates or former long-term residents of the United States;
- persons that actually or constructively own 10% or more of our voting shares;
- persons that hold our ordinary shares as part of a straddle, constructive sale, hedging, conversion or other integrated transaction; or
- persons whose functional currency is not the U.S. dollar.

This discussion does not address any aspect of U.S. federal non-income tax laws, such as gift or estate tax laws, or state or local tax laws.

We have not sought, and will not seek, a ruling from the Internal Revenue Service, or the IRS, as to any U.S. federal income tax consequence described herein. The IRS may disagree with the conclusions expressed in discussion herein, and its determination may be upheld by a court.

BECAUSE OF THE COMPLEXITY OF THE TAX LAWS AND BECAUSE THE TAX CONSEQUENCES TO ANY PARTICULAR HOLDER OF OUR SECURITIES MAY BE AFFECTED BY MATTERS NOT DISCUSSED HEREIN, EACH HOLDER OF OUR SECURITIES IS URGED TO CONSULT WITH ITS TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF ACQUISITION, OWNERSHIP AND DISPOSITION OF OF OUR SECURITIES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-U.S. TAX LAWS, AS WELL AS OTHER U.S. FEDERAL TAX LAWS.

Tax Consequences to U.S. Holders of Our Ordinary Shares

Section 7874 Inversion Rules

Section 7874(b) generally provides that a corporation organized outside the United States which acquires, directly or indirectly, pursuant to a plan or series of related transactions, substantially all of the assets of a corporation organized in the United States will be treated as a U.S. corporation for U.S. federal income tax purposes if the stockholders of the acquired corporation own at least 92% of either the voting power or the value of the stock of the acquiring corporation after the acquisition by reason of owning shares in the acquired corporation. If Section 7874(b) were to apply to the 2009 liquidation of Man Sang Holdings Inc., we would be subject to U.S. federal income tax on our worldwide taxable income as if we were a U.S. corporation.

Upon completion of the liquidation, the shareholders of Man Sang Holdings Inc. owned more than 80% of our then issued and outstanding stock by reason of owning shares in Man Sang Holdings Inc. However, we did not acquire, directly or indirectly, any of the assets of Man Sang Holdings Inc. (other than rights to a potential tax refund, which was insignificant). Thus, we believe that Section 7874(b) should not apply to us and have consistently taken that position for U.S. federal income tax purposes. We have not sought a ruling from the IRS on this point. Therefore, the IRS may assert that we are subject to U.S. federal income tax on our worldwide income.

The remainder of this discussion assumes that we will be treated as a foreign corporation and not as a U.S. corporation for U.S. federal income tax purposes.

Taxation of Distributions Paid on Ordinary Shares

Subject to the discussion of passive foreign investment companies below, any distributions we make with respect to our ordinary shares to a U.S. Holder should generally constitute dividends, which may be taxable as ordinary income or "qualified dividend income," as described in more detail below, to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our earnings and profits should be treated first as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in its ordinary shares and thereafter as capital gain. Because we are not a U.S. corporation, U.S. Holders that are corporations should not be entitled to claim a dividends received deduction with respect to any distributions they receive from us.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, for taxable years beginning before January 1, 2013, dividends may be taxed at the lower capital gains rate applicable to "qualified dividend income," provided that (1) either (a) the ordinary shares are readily tradable on an established securities market in the United States or (b) we are eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are neither a PFIC nor treated as such with respect to you (as discussed below) for the taxable year in which the dividend is paid and the preceding taxable year, and (3) certain holding period requirements are met. Under IRS authority, ordinary shares will be considered for purposes of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on NYSE MKT Equities, as are our ordinary shares. In addition, if we are treated as a "resident enterprise" for PRC tax purposes under the EIT Law, we may be eligible for the benefits of the income tax treaty between the United States and the PRC. You should consult your tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for dividends paid with respect to or ordinary shares.

If PRC withholding taxes apply to dividends paid to you with respect to our ordinary shares, the amount of the dividend paid to you would be net of any PRC taxes withheld and, subject to certain conditions and limitations, such PRC withholding taxes generally would be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. Dividends would constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced tax rate applicable to qualified dividend income and divided by the highest tax rate normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to the ordinary shares will generally constitute "passive category income," but could, in the case of certain U.S. Holders, constitute "general category income."

The rules relating to the determination of the foreign tax credit are complex and you should consult your tax advisor regarding the availability of a foreign tax credit in your particular circumstances, including the effects of any applicable income tax treaties.

Possible Constructive Distributions

The terms of a warrant provide for an adjustment to the number of shares for which the warrant may be exercised or to the exercise price of the warrant in certain events. If an adjustment is made to the number of shares for which a warrant may be exercised or to the exercise price of a warrant, the adjustment may, under certain circumstances, result in a constructive distribution that could be taxable as a dividend to the U.S. Holder of the warrant. Conversely, the absence of an appropriate anti-dilution adjustment (e.g., not adjusting the exercise price and number of shares issuable on exercise of the warrant for issuances of shares at a price below the warrant exercise price and below market) may result in a constructive distribution that could be taxable as a dividend to the U.S. Holders of ordinary shares.

Taxation on the Sale, Exchange or other Disposition of Ordinary Shares

Upon a sale, exchange or other taxable disposition of our ordinary shares, and subject to the PFIC rules discussed below, a U.S. Holder should generally recognize capital gain or loss in an amount equal to the difference between the amount realized and the U.S. Holder's adjusted tax basis in the ordinary shares, if the ordinary shares transferred constitute capital assets. Capital gains recognized by U.S. Holders generally are subject to U.S. federal income tax at the same rate as ordinary income, except that long-term capital gains recognized by non-corporate U.S. Holders are generally subject to U.S. federal income tax at a maximum rate of 15% for taxable years beginning before January 1, 2013. Capital gain or loss will constitute long-term capital gain or loss if the U.S. Holder's holding period for the ordinary shares exceeds one year. The deductibility of capital losses is subject to various limitations.

Any gain or loss that you recognize on a disposition of ordinary shares will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes. However, if we are treated as a "resident enterprise" for PRC tax purposes, you may be eligible for the benefits of the income tax treaty between the United States and the PRC. In such event, if PRC tax were to be imposed on any gain from the disposition of the ordinary shares, a U.S. Holder that is eligible for the benefits of the income tax treaty between the United States and the PRC may elect to treat the gain as PRC source income for foreign tax credit purposes. You should consult your tax advisors regarding the proper treatment of gain or loss in your particular circumstances, including the effects of any applicable income tax treaties.

Exercise or Lapse of a Warrant

A U.S. Holder generally will not recognize gain or loss upon the exercise of a warrant for cash. Ordinary shares acquired pursuant to the exercise of a warrant for cash generally will have a tax basis equal to the U.S. Holder's tax basis in the warrant, increased by the amount paid to exercise the warrant. The holding period of such ordinary shares generally would begin on the day after the date of exercise of the warrant. If a warrant is allowed to lapse unexercised, a U.S. Holder generally will recognize a capital loss equal to such holder's tax basis in the warrant.

Passive Foreign Investment Company Rules

Special U.S. federal income tax rules apply to a U.S. Holder that directly or indirectly holds stock in a foreign corporation classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes. Under Proposed Regulations, a holder of an option (such as the warrants) to acquire stock of a PFIC is deemed to own the stock that may be acquired upon exercise of the option.

The Company will generally be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which such holder held our ordinary shares, either:

- at least 75% of the Company's gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of the assets held by the corporation during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether the Company is a PFIC, the Company should be treated as earning and owning its proportionate share of the income and assets, respectively, of any of its subsidiary corporations in which it owns at least 25% of the value of the subsidiary's stock.

Based on the market price of our ordinary shares, the value of our assets and the composition of our income and assets, we do not believe we were a PFIC for U.S. federal income tax purposes for our taxable year ended March 31, 2012. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure you that the U.S. Internal Revenue Service will not take a contrary position.

We must make a separate determination after the close of each taxable year as to whether we were a PFIC for that year. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ordinary shares, our PFIC status will depend in large part on the market price of the ordinary shares, which may fluctuate significantly.

If we are a PFIC for any taxable year during which you hold ordinary shares, we generally will continue to be treated as a PFIC with respect to you for all succeeding years during which you hold ordinary shares, unless we cease to be a PFIC and you make a "deemed sale" election with respect to the ordinary shares. If such election is made, you will be deemed to have sold the ordinary shares you hold at their fair market value and any gain from such deemed sale would be subject to the consequences described below. After the deemed sale election, your ordinary shares with respect to which the deemed sale election was made would not be treated as shares in a PFIC unless we subsequently become a PFIC.

For each taxable year that we are treated as a PFIC with respect to you, you will be subject to special tax rules with respect to any "excess distribution" that you receive and any gain you realize from a sale or other disposition (including a pledge) of the ordinary shares, unless you make a "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ordinary shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ordinary shares;
- the amount allocated to the current taxable year, and any taxable years in your holding period prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and
- the amount allocated to each other taxable year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale or other disposition of the ordinary shares cannot be treated as capital, even if you hold the ordinary shares as capital assets.

If we are treated as a PFIC with respect to you for any taxable year, to the extent any of our subsidiaries are also PFICs, you may be deemed to own shares in such lower-tier PFICs that are directly or indirectly owned by us in that proportion which the value of the ordinary shares you own bears to the value of all of our ordinary shares, and you may be subject to the adverse tax consequences described above with respect to the shares of such lower-tier PFICs that you would be deemed to own. You should consult your tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

A U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the tax treatment discussed above. If you make a mark-to-market election for the ordinary shares, you will include in income for each year that we are treated as a PFIC with respect to you an amount equal to the excess, if any, of the fair market value of the ordinary shares as of the close of your taxable year over your adjusted basis in such ordinary shares. You will be allowed a deduction for the excess, if any, of the adjusted basis of the ordinary shares over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ordinary shares, will be treated as ordinary income. Ordinary loss treatment will also apply to the deductible portion of any mark-to-market loss on the ordinary shares, as well as to any loss realized on the actual sale or disposition of the ordinary shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ordinary shares. Your basis in the ordinary shares will be adjusted to reflect any such income or loss amounts. The tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us, except that the lower capital gains rate applicable to qualified dividend income would not apply.

The mark-to-market election is available only for "marketable stock," which is stock that is regularly traded on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. Our ordinary shares are listed on NYSE MKT Equities, which is a qualified exchange or other market for these purposes. Consequently, if the ordinary shares continue to be listed on NYSE MKT Equities and are regularly traded, and you are a holder of ordinary shares, we expect that the mark-to-market election would be available to you if we were to become a PFIC. Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs that we own, a U.S. Holder may continue to be subject to the PFIC rules with respect to its indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. You should consult your tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFICs.

Alternatively, if a non-U.S. corporation is a PFIC, a U.S. Holder of shares in that corporation may avoid taxation under the rules described above by making a "qualified electing fund" election to include in income its share of the corporation's income on a current basis. However, you may make a qualified electing fund election with respect to your ordinary shares only if we agree to furnish you annually with certain tax information, and we currently do not intend to prepare or provide such information.

If we are classified as a PFIC, you must file United States Internal Revenue Service Form 8621 for each tax year in which you make a disposition of your ordinary shares, receive direct or indirect distributions on your ordinary shares or make a mark-to-market or deemed sale election mentioned above with respect to your ordinary shares. Legislation enacted on March 18, 2010 creates an additional annual filing requirement for tax years beginning on or after the date of enactment for U.S. persons who are shareholders of a PFIC. The legislation does not describe what information will be required to be included in the additional annual filing, but rather grants the Secretary of the U.S. Treasury authority to decide what information must be included in such annual filing. If we are a PFIC for a given taxable year, then you should consult your tax advisor concerning the tax consequences to you of such PFIC status, the availability and consequences of making a mark-to-market election mentioned above and your annual filing requirements.

Medicare Tax

For taxable years beginning after December 31, 2012, a United States person that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) the United States person's "net investment income" for the relevant taxable year and (2) the excess of the United States person's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between US$125 thousand and US$250 thousand, depending on the individual's circumstances). A United States person's net investment income will include its gross dividend income and its net gains from the disposition of stock, unless such dividends or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a United States person that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in our ordinary shares and warrants.

Information with Respect to Foreign Financial Assets

Individuals who own "specified foreign financial assets" with an aggregate value in excess of US$50,000 in taxable years beginning after March 18, 2010 will be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. U.S. holders that are individuals are urged to consult their tax advisors regarding the application of this legislation to their ownership of our ordinary shares and warrants.

Tax Consequences to Non-U.S. Holders

Non-U.S. Holders of Our Shares

A Non-U.S. Holder generally will not be subject to U.S. federal income tax on dividends paid in respect of the ordinary shares or on gains recognized in connection with the sale or other disposition of the ordinary shares of the Company, provided that such dividends or gains are not effectively connected with the Non-U.S. Holder's conduct of a United States trade or business.

If the Company is treated as a U.S. corporation pursuant to Section 7874 of the Code, Non-U.S. Holders generally will be subject to withholding tax at a rate of 30% on all dividends paid by the Company, unless a reduced rate of tax is available under a tax treaty.

Backup Withholding and Information Reporting

Dividend payments with respect to our ordinary shares and proceeds from the sale, exchange or redemption of our ordinary shares or warrants may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding at a current rate of 28%. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status must provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information in a timely manner.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8 or by otherwise establishing an exemption.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding generally will be allowed as a credit against a U.S. Holder's or a Non-U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS.

PRC Taxation

PRC Taxation of Our Overseas Shareholders

Under the new Enterprise Income Tax Law and the Implementation Regulations, PRC income tax at the rate of 10% applies to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends are sourced within China and the enterprise that distributes dividends is considered a "resident enterprise" in China. Therefore, if we are considered as a PRC tax resident enterprise for tax purposes, any dividends we pay to our overseas shareholders as well as gains realized by such shareholders from the transfer of our shares may be regarded as China-sourced income and as a result be subject to 10% PRC withholding tax. We intend to take the position that any dividends we pay to our overseas shareholders will not be subject to a withholding tax in the PRC.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Our corporate Internet address is www.chinametrorural.com. We make available free of charge on or through our website our Annual Reports, current reports, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We may from time to time provide important disclosures to investors by posting them in the investor relations section of our website, as allowed by SEC rules. Information contained on our website is not part of this report or any other report filed with the SEC. You may read and copy any public reports we filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site http://www.sec.gov that contains reports, proxy and information statements, and other information that we filed electronically.

I. Subsidiary Information

For a listing of our subsidiaries, see "*Item 4. Information on the Company—C. Organizational Structure*." and Exhibit 8.1.

Item 11. Quantitative and Qualitative Disclosures About Market Risk.

Qualitative and Quantitative Disclosures about Market Risk

We are exposed to various types of market risks in the normal course of business, including foreign exchange risk and interest rate risk. We have not in the past used derivatives to manage our exposure to interest rate risk or foreign exchange risk.

Foreign Exchange Risk

We conduct our business primarily in Renminbi. In addition, our expenses are also primarily denominated in Renminbi, although a small portion of expenses are denominated in foreign currencies, such as salaries in Hong Kong dollars paid to staff in Hong Kong, marketing expenses for promotion in Hong Kong, rental expenses for our office space in Hong Kong and other general office expenses. However, our reporting currency is the Hong Kong dollar because the reporting currency of our major shareholders is the Hong Kong dollar. During fiscal year 2012, all of our revenues were denominated in Renminbi. During the same period, approximately 83.4% of our expenses (excluding tax) were denominated in Renminbi, approximately 9.8% were denominated in Hong Kong dollars and approximately 6.8% were denominated in U.S. dollars. Further, as of March 31, 2012, approximately 85.6% of our indebtedness (including trade payables, other payables and accruals) was denominated in Renminbi and approximately 14.4% was denominated in Hong Kong dollars. We believe the impact of foreign currency risk is not material in our operations and we have not hedged our foreign currency exposures or entered into any other derivative financial instruments.

Interest Rate Risk

We are exposed to interest rate risk due to fluctuations in interest rates on our debt and deposits. Our indebtedness consists of bank borrowings, another loan and a loan from a non-controlling interest. As of March 31, 2012, we had HK$310.6 million in bank borrowings that bore interest at floating rates ranging from 6.6% to 8.7% per annum and other borrowings that bore interest at fixed rates ranging from 13% to 18% per annum.

Additional increases in interest rates could potentially result in an increase in our cost of float rate borrowings, which could negatively affect our business and results of operations. The People's Bank of China, or the PBOC, regulates the interest rates of our Renminbi-denominated borrowings. As of March 31, 2012, the current lending interest rate for one-to-three-year Renminbi loans was ranging from 6.6% to 8.7% per annum. The PBOC-published benchmark one-to-three-year lending rates in China as of March 31, 2012 were 6.6% per annum (2011: 6.1% per annum). Based on our borrowings as of March 31, 2012, we estimate that interest expense relating to our borrowings payable would increase by HK$3.1 million on an annual basis in the event interest rates were to increase by 1.0% per annum assuming our borrowings could be adjusted annually.

We closely monitor interest rate risk and consider using appropriate financial instruments to hedge any exposure. However, we do not currently use any derivative instruments to manage our interest rate risk.

Item 12. Description of Securities Other than Equity Securities.

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

Not applicable.

Item 15. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) designed to provide reasonable assurance as to the reliability of our published financial statements and other disclosures included in our reports under the Securities and Exchange Act of 1934, as amended. In accordance with Rule 13a-15(b) of the Securities and Exchange Act of 1934, as amended, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2012, the end of the period covered by this Annual Report. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2012 to ensure that information we are required to disclose under applicable laws and regulations is (1) recorded, processed, summarized and reported in a timely manner; and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. No change was made in our internal control over financial reporting during the fiscal year ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Our Chief Executive Officer and Chief Financial Officer do not expect that our disclosure controls or internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resources constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdown can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Internal control over financial reporting includes, among other things (i) maintaining records that are in reasonable detail and accurately and fairly reflect our transactions and dispositions of assets; (ii) providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements in accordance with generally accepted accounting principles; (iii) providing reasonable assurance that our receipts and expenditures are made in accordance with management authorization; and (iv) providing reasonable assurance that unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements is prevented or detected on a timely basis.

Under the supervision and with the participation of our management, including Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of the end of the fiscal year 2012 based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission using the criteria in *Internal-Control Integrated Framework*. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of March 31, 2012.

Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting due to final rules of the SEC with Release Nos. 33-9142 and 34-62914 for non-accelerated filers.

No change was made in our internal control over financial reporting during fiscal year 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 15T. Controls and Procedures.

Not applicable.

Item 16. [Reserved]

Item 16A. Audit committee financial expert.

The board of directors has, in its reasonable judgment, (1) determined that Mr. Wong Gee Hang, Henry is qualified as an "audit committee financial expert", within the meaning of SEC regulations, that he has accounting and related financial management expertise within the meaning of the listing standards of the NYSE MKT and Rule 10A-3 under the Exchange Act, and (2) determined that Mr. Wong satisfies the definition of "independent" as established in the NYSE MKT corporate governance listing standards.

Item 16B. Code of Business Conduct and Ethics.

On July 11, 2011, the Board of Directors adopted a revised written Code of Business Conduct and Ethics for directors, officers and employees. The Code of Business Conduct and Ethics is available for review on the Company's web site at www.chinametrorural.com and a free copy will be made available upon request from the stockholders of the Company by sending the request to: China Metro-Rural Holdings Limited, Suite 2204, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

Item 16C. Principal Accountant Fees and Services.

Audit Fees

Audit services of PricewaterhouseCoopers for fiscal year 2012 included the examination of the consolidated financial statements prepared in accordance with IFRS of the Company and its subsidiaries as of March 31, 2012 and March 31, 2011 and for the years ended March 31, 2010, 2011 and 2012, and services related to filings with the United States Securities and Exchange Commission and other regulatory bodies. The aggregate fees for professional services rendered by PricewaterhouseCoopers for fiscal year 2012, including the audit of the Company's annual financial statements and other audited related services are approximately US$463,846 (HK$3,618,000) and nil, respectively.

Audit services of PricewaterhouseCoopers for fiscal year 2011 included the examination of the consolidated financial statements prepared in accordance with IFRS of the Company and its subsidiaries as of March 31, 2010 and March 31, 2011 and for the years ended March 31, 2009, 2010 and 2011, and services related to filings with the United States Securities and Exchange Commission and other regulatory bodies. The aggregate fees for professional services rendered by PricewaterhouseCoopers for fiscal year 2011, including the audit of the Company's annual financial statements and other audited related services are approximately US$576,667 (HK$4,498,000) and US$32,051 (HK$250,000), respectively.

Tax and Other Service Fees

The Company and its subsidiaries have not engaged PricewaterhouseCoopers to perform other non-audit professional services for fiscal year 2011 or 2012. Neither the Company nor any of its subsidiaries have engaged PricewaterhouseCoopers as their principal accountant for tax compliance. Man Sang Holdings, Inc., or MSHI, engaged PricewaterhouseCoopers Ltd for tax compliance services for which PricewaterhouseCoopers Ltd billed US$129,000 for fiscal year 2011, for services performed in fiscal year 2010.

Audit-Related Fees and All Other Fees

The Company did not pay any audit-related or other fees to PricewaterhouseCoopers for fiscal year 2011 or 2012.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

We have not been granted an exemption from the applicable listing standards for the audit committee of our board of directors.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

None.

Item 16F. Change in Registrant's Certifying Accountant.

None.

Item 16G. Corporate Governance.

We are incorporated under the laws of British Virgin Islands. Our ordinary shares are listed on the NYSE MKT. Section 110 of the NYSE MKT Company Guide permits the NYSE MKT to consider the laws, customs and practices of foreign issuers in relaxing certain NYSE MKT listing criteria, and to grant exemptions from NYSE MKT listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which our governance practices differ from those followed by domestic companies pursuant to NYSE MKT standards is as follows:

We are a foreign private issuer as defined in Rule 3b-4 under the Exchange Act. Therefore, we are permitted to follow the corporate governance practices in the British Virgin Islands in lieu of certain corporate governance requirements contained in the NYSE MKT company guide since the laws of the British Virgin Islands do not require compliance.

Shareholder Approval Requirement: Sections 711-713 of the NYSE MKT Company Guide require shareholder approval prior to an issuance of securities in connection with: (i) the acquisition of the stock or assets of another company; (ii) equity-based compensation of officers, directors, employees or consultants; (iii) a change of control; and (iv) private placements. Under the laws of the British Virgin Islands, we are not required to solicit shareholder approval of stock plans, including those in which our officers or directors may participate; stock issuances that will result in a change in control; the issuance of our stock in related party transactions or other transactions in which we may issue 20% or more of our outstanding shares; or, below market issuances of 20% or more of our outstanding shares to any person. However, it should be noted that under our Articles of Association, any Business Combination (as defined in our Articles of Association) with any Interested Shareholder (as defined in our Articles of Association) within a period of three years following the date the shareholder became such Interested Shareholder as described in Article 71 of our Articles of Association which may include any transaction which results in the issuance by the Company of any shares of the Company, the value of which is at least 5% or more of the aggregate market value of all the issued and outstanding voting shares of the Company to an Interested Shareholder or any affiliate or associate of the Interested Shareholder is (unless it comes within the exemptions set out in Article 71) required to be approved by shareholders other than the Interested Shareholder and its affiliate or associate.

Board Independence Requirement: Section 802(a) of the NYSE MKT Company Guide requires a board of directors with a majority of independent directors. Under the laws of the British Virgin Islands, we are not required to maintain a board of directors with a majority of independent directors and do not intend to voluntarily do so at this time.

Shareholder Meeting Quorum Requirement: The NYSE MKT minimum quorum requirement for a shareholder meeting is one-third of the outstanding shares of common stock. In addition, a company listed on NYSE MKT is required to state its quorum requirement in its bylaws. Our quorum requirement is set forth in our Articles. A quorum for a meeting of members of the Company is two persons who are, or who represent by proxy, shareholders holding not less than one-third of the shares entitled to be voted at the meeting.

Proxy Delivery Requirement: NYSE MKT requires the solicitation of proxies and delivery of proxy statements for all shareholder meetings, and requires that these proxies shall be solicited pursuant to a proxy statement that conforms to SEC proxy rules. We are a foreign private issuer, and our equity securities are accordingly exempt from the proxy rules set forth in Sections 14(a), 14(b), 14(c) and 14(f) of the Exchange Act. We solicit proxies in accordance with our Articles and the applicable rules and regulations in the British Virgin Islands.

The foregoing is consistent with the laws, customs and practices in the British Virgin Islands.

In addition, we may from time-to-time seek relief from NYSE MKT corporate governance requirements on specific transactions under Section 110 of the NYSE MKT Company Guide by providing written certification from independent local counsel that the non-complying practice is not prohibited by our home country law, in which case, the we shall make the disclosure of such transactions available on the our website at www.chinametrorural.com. Information contained on our website is not part of this Annual Report.

PART III

Item 17. Financial Statements

Our Audited Financial Statements as of March 31, 2011 and 2012 and for the years ended March 31, 2010, 2011 and 2012, including the notes thereto and together with auditor's report thereon, are included in this Annual Report beginning on page F-1.

Item 18. Financial Statements

Not Applicable.

Item 19. Exhibits.

Exhibit Number	Description
1.1	Amended and Restated Memorandum of Association.[1]
1.2	Amended and Restated Articles of Association.
4.1	Agreement and Plan of Dissolution and Liquidation as of July 24, 2009, between MSHI and Man Sang International (B.V.I.) Limited, an international business company incorporated under the International Business Companies Act of the British Virgin Islands and automatically re-registered under the BVI Business Companies Act, 2004.[2]
4.2	Agreement and Plan of Merger, dated as of February 19, 2010, by and among MSBVI, China Metro, Merger Sub, and Mr. Sio Kam Seng, as the representative of the shareholders of China Metro.[3]
4.5	Employment Agreement, dated January 1, 2010, between China Metro-Rural Exchange Limited and Mr. Sio Kam Seng.[1]
4.8	Credit Facility Letter between China Tieling Northeast and HSBC Bank (China) Company Limited, Shenzhen Branch, dated March 19, 2010.[1]
4.10	Cooperative Framework Agreement between China Metro-Rural Development Limited and Dezhou Municipal Government dated July 17, 2010.[4]
4.11	Loan Contract between China Tieling Northeast and SPD Bank dated July 31, 2010.[4]
4.12	Loan Contract between China Tieling Northeast and Tieling Commercial Bank dated August 2, 2010.[4]
4.13	Loan Contracts between China Metro-Rural Limited and independent third parties dated December 20, 2010.[4]
4.14	Loan Contract between China Tieling Northeast and SPD Bank dated July 13, 2011.
4.15	Loan Contract between China Tieling Northeast and SPD Bank dated August 19, 2011.
4.16	Service Agreement, dated August 25, 2010, between China Metro-Rural Exchange Limited and Mr. Ho Min Sang.
4.17	Service Agreement, dated August 25, 2010, between China Metro-Rural Exchange Limited and Mr. Su Shaobin.
4.18	Loan Contract between China Tieling Northeast and SPD Bank dated August 30, 2011.
4.19	Loan Contract between China Tieling Northeast and Xi'an International Trust Co., Ltd. dated August 30, 2011.
4.20	Loan Contract between Tieling North Asia Development Co., Ltd. and Xi'an International Trust Co., Ltd. date August 30, 2011.
4.21	Loan Contract between China Tieling Northeast and SPD Bank dated September 27, 2011.
4.22	Loan Contracts between China Metro-Rural Limited and independent third parties dated November 4, 2011.
8.1	List of Subsidiaries.
12.1	Certification of Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification of Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification of Chief Executive Officer required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit Number	Description
13.2	Certification of Chief Financial Officer required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1	Consent of Independent Registered Public Accounting Firm.

[1] Incorporated by reference to the registrant's Annual Report on Form 20-F filed on July 9, 2010.

[2] Incorporated by reference to Annex A to our Registration Statement on Form F-4 (Registration No. 333-160777) filed with the SEC on July 24, 2009.

[3] Incorporated by reference to Annex B to Exhibit 99.1 our Form 6-K filed with the SEC on March 1, 2010.

[4] Incorporated by reference to the registrant's Annual Report on Form 20-F filed on July 11, 2011.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

China Metro-Rural Holdings Limited

By: /s/ Sio Kam Seng

Sio Kam Seng
Chief Executive Officer

Date: July 16, 2012

Consolidated Financial Statements

CHINA METRO-RURAL HOLDINGS LIMITED

as at March 31, 2012 and 2011
and
for the years ended March 31, 2012, 2011 and 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the Shareholders of
China Metro-Rural Holdings Limited

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of income, of comprehensive income, of changes in equity and of cash flows present fairly, in all material respects, the financial position of China Metro-Rural Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") at March 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2012 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers
Hong Kong
July 16, 2012.

CHINA METRO-RURAL HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENTS
For the years ended March 31, 2012, 2011 and 2010

	Notes	2012 US$'000 (Note 42)	2012 HK$'000	2011 HK$'000	2010 HK$'000
Continuing operations:					
Revenue	7	117,150	913,768	581,573	337,659
Cost of sales	11	(61,097)	(476,553)	(352,265)	(209,415)
Gross profit		56,053	437,215	229,308	128,244
Other income, net	9	7,867	61,363	68,234	36,154
Other gains/(losses), net	10	24	187	8,928	(146)
Selling expenses	11	(3,368)	(26,275)	(22,436)	(8,276)
Administrative expenses	11	(15,580)	(121,524)	(64,748)	(59,676)
Decrease in fair value of derivative financial liabilities		519	4,047	—	—
Increase in fair values of investment properties and investment properties under construction		333	2,594	111,528	155,631
Operating profit		45,848	357,607	330,814	251,931
Finance income	13	148	1,154	803	365
Finance costs	13	(68)	(527)	(3,927)	—
Finance income/(costs)—net		80	627	(3,124)	365
Share of losses of an associate		(315)	(2,456)	(386)	—
Profit before income tax		45,613	355,778	327,304	252,296
Income tax expenses	14	(15,990)	(124,719)	(124,630)	(86,558)
Profit for the year from continuing operations		29,623	231,059	202,674	165,738
Discontinued operations:	17				
Profit/(loss) for the year from discontinued operations, net of tax		—	—	29,878	(24,189)
Profit for the year		29,623	231,059	232,552	141,549
Attributable to:					
Equity holders of the Company		26,793	208,986	227,346	171,408
Non-controlling interests		2,830	22,073	5,206	(29,859)
		29,623	231,059	232,552	141,549
Dividend—Non-cash	16	—	—	466,474	—
Earnings per share from continuing and discontinued operations attributable to equity holders of the Company during the year	15				
Basic earnings per share					
From continuing operations		US$ 0.38	HK$ 2.96	HK$ 3.17	HK$ 2.60
From discontinued operations		—	—	HK$ 0.37	HK$ 0.08
		US$ 0.38	HK$ 2.96	HK$ 3.54	HK$ 2.68
Diluted earnings per share					
From continuing operations		US$ 0.38	HK$ 2.96	HK$ 3.17	HK$ 2.60
From discontinued operations		—	—	HK$ 0.37	HK$ 0.08
		US$ 0.38	HK$ 2.96	HK$ 3.54	HK$ 2.68

The notes on pages F-13 to F-74 are an integral part of these consolidated financial statements.

CHINA METRO-RURAL HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended March 31, 2012, 2011 and 2010

	2012 US$'000 (Note 42)	2012 HK$'000	2011 HK$'000	2010 HK$'000
Profit for the year	29,623	231,059	232,552	141,549
Other comprehensive income, net of tax:				
Increase in fair value of leasehold land and buildings, net of deferred income tax (Notes 20 and 24)	—	—	4,636	22,889
Exchange difference on translation of foreign operations	4,459	34,778	42,700	1,289
Total comprehensive income for the year	34,082	265,837	279,888	165,727
Total comprehensive income for the year attributable to:				
Equity holders of the Company				
Continuing operations	31,174	243,156	234,028	167,267
Discontinued operations	—	—	29,085	14,717
	31,174	243,156	263,113	181,984
Non-controlling interests				
Continuing operations	2,908	22,681	(657)	(141)
Discontinued operations	—	—	17,432	(16,116)
	2,908	22,681	16,775	(16,257)
	34,082	265,837	279,888	165,727

The notes on pages F-13 to F-74 are an integral part of these consolidated financial statements.

CHINA METRO-RURAL HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at March 31, 2012 and 2011

	Notes	March 31, 2012 US$'000 (Note 42)	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Non-current assets				
Investment properties	18	69,564	542,598	133,950
Investment properties under construction	19	1,904	14,854	346,728
Property, plant and equipment	20	13,939	108,727	92,178
Land use rights	21	9,064	70,695	76,233
Deposit for investment properties		1,877	14,640	14,136
Deposit for acquisition of land use rights	22	15,990	124,724	162,685
Interest in an associate	23	3,555	27,728	29,173
		115,893	903,966	855,083
Current assets				
Completed properties held for sale	25	60,950	475,413	273,828
Properties under development	26	103,974	811,000	275,607
Land use rights	21	245	1,911	2,118
Deposit for acquisition of land use rights	22	20,535	160,169	—
Trade and other receivables	27	59,274	462,334	177,918
Restricted bank deposits	28	2,245	17,508	123,627
Cash and cash equivalents	28	44,048	343,578	156,928
		291,271	2,271,913	1,010,026
Current liabilities				
Trade payables, other payables and accruals	29	76,908	599,883	235,859
Receipt in advance		23,014	179,507	21,271
Current income tax liabilities		31,481	245,553	146,588
Derivative financial liabilities	30	377	2,941	—
Bank and other borrowings	31	61,380	478,763	260,787
		193,160	1,506,647	664,505
Net current assets		98,111	765,266	345,521
Total assets less current liabilities		214,004	1,669,232	1,200,604
Non-current liabilities				
Deferred income tax liabilities	24	10,382	80,983	77,566
Bank and other borrowings	31	32,544	253,839	273,371
Loan from a non-controlling interest of a subsidiary	41	7,538	58,800	12,000
		50,464	393,622	362,937
Net assets		163,540	1,275,610	837,667
Equity				
Equity attributable to equity holders of the Company				
Share capital	32	73	573	500
Reserves		160,648	1,253,050	837,861
		160,721	1,253,623	838,361
Non-controlling interests		2,819	21,987	(694)
Total equity		163,540	1,275,610	837,667

The notes on pages F-13 to F-74 are an integral part of these consolidated financial statements.

CHINA METRO-RURAL HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended March 31, 2012, 2011 and 2010

	Notes	2012 US$'000 (Note 42)	2012 HK$'000	2011 HK$'000	2010 HK$'000
Cash flows from operating activities					
Profit before income tax		45,613	355,778	363,234	214,071
Adjustments for:					
Interest income		(148)	(1,154)	(1,858)	(2,223)
Interest expenses		68	527	4,895	1,620
Depreciation of property, plant and equipment	11, 20	844	6,583	6,697	9,683
Amortization of land use rights	11, 21	249	1,940	2,062	1,303
Share of loss/(gain) of an associate		315	2,456	369	(48)
Share-based payment		—	—	1,148	5,411
Increase in fair values of investment properties		(333)	(2,594)	(113,120)	(151,640)
Decrease in fair values of derivative financial liabilities		(519)	(4,047)	—	—
Gain on disposals of investment properties		—	—	(5,795)	(10,799)
Loss on disposals of property, plant and equipment		—	3	—	2
Net unrealized loss on financial assets at fair value through profit or loss		—	—	51	2,695
Gain on disposals of financial assets at fair value through profit or loss		—	—	(1,128)	(8,861)
Gain on disposals of land use right	10	—	—	(8,502)	—
Gain on disposal of a subsidiary	36	—	—	(90)	—
Investment income		—	—	(1,112)	(653)
Recycling of exchange difference to profit or loss upon the Distribution	17	—	—	(20,284)	—
Provision for impairment of trade and other receivables	11, 27	512	3,990	2,877	10,639
Impairment loss on properties under development		—	—	—	591
Reversal of inventory obsolescence		—	—	(3,700)	(2,370)
Operating cash flows before movements in working capital		46,601	363,482	225,744	69,421
Additions of properties under development	26	(119,854)	(934,852)	(456,450)	(358,096)
Additions of land use rights	21	(110,074)	(858,579)	(137,511)	—
Refunds of payments from acquisition of land use rights	21	92,445	721,071	62,721	—
Deposits paid for acquisition of land use rights		(14,759)	(115,116)	(41,245)	—
Increase in inventories		—	—	(468)	(7,334)
Decrease in completed properties held for sale		53,569	417,837	376,735	208,760
Decrease/(increase) in construction contract		—	—	51,514	(35,686)
Decrease in amounts due from related parties		—	—	—	94,012
(Increase)/decrease in trade and other receivables		(35,785)	(279,125)	(81,698)	76,449
Increase in trade payables, other payables and accruals		45,131	352,022	85,672	93,078
Increase in amount due to an associate		—	—	—	1,530
Increase/(decrease) in receipt in advance		19,964	155,720	(85,120)	(64,247)
Cash (used in)/generated from operations		(22,762)	(177,540)	(106)	77,887
Interest received		148	1,154	1,858	2,223
Interest paid		(9,312)	(72,632)	(33,513)	(35,480)
Income tax paid		(4,022)	(31,370)	(21,386)	(18,665)
Income tax refunded		—	—	—	1,797
Net cash (used in)/generated from operating activities		(35,948)	(280,388)	(53,147)	27,762

The notes on pages F-13 to F-74 are an integral part of these consolidated financial statements.

CHINA METRO-RURAL HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
For the years ended March 31, 2012, 2011 and 2010

	Notes	2012 US$'000 (Note 42)	2012 HK$'000	2011 HK$'000	2010 HK$'000
Cash flows from investing activities					
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	36	—	—	(4,688)	—
Net outflow of cash and cash equivalents in respect of the Distribution	17	—	—	(596,993)	—
Purchases of property, plant and equipment	20	(1,510)	(11,781)	(6,020)	(16,819)
Additions to investment properties	18	—	—	(4,340)	—
Additions to investment properties under construction	19	(5,220)	(40,716)	(98,450)	(79,288)
Deposits paid for investment properties		—	—	(13,801)	—
Proceeds from disposal of an investment property		—	—	17,185	23,606
Purchases of financial assets at fair value through profit or loss		—	—	(22,584)	(130,538)
Proceeds from disposal of property, plant and equipment		—	—	—	5
Proceeds from disposals of financial assets at fair value through profit or loss		—	—	21,225	106,129
Investment income		—	—	1,112	653
Net cash used in investing activities		(6,730)	(52,497)	(707,354)	(96,252)
Cash flows from financing activities					
Proceeds from issuance of new shares and warrants		22,961	179,094	—	—
Proceeds from issuance of new shares by subsidiaries	37	—	—	640	79
Proceeds from issuance of new shares to a consultant		—	—	—	2
Decrease/(increase) in restricted bank deposits		14,011	109,286	62,144	(76,940)
Proceeds from bank and other borrowings		135,135	1,054,054	314,300	398,893
Repayments of bank and other borrowings		(111,951)	(873,218)	(225,369)	(98,405)
Contributions from a non-controlling interest		—	—	—	9,061
Loans from equity holders		—	—	—	100,000
Loan from a non-controlling interest	41	6,000	46,800	12,000	—
Dividends paid to non-controlling interests		—	—	—	(21,915)
Net cash generated from financing activities		66,156	516,016	163,715	310,775
Net increase/(decrease) in cash and cash equivalents		23,478	183,131	(596,786)	242,285
Cash and cash equivalents at beginning of the year		20,119	156,928	746,669	503,912
Effect of foreign exchange rate changes		451	3,519	7,045	472
Cash and cash equivalents at end of the year	28	44,048	343,578	156,928	746,669

The notes on pages F-13 to F-74 are an integral part of these consolidated financial statements.

CHINA METRO-RURAL HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended March 31, 2010, 2011 and 2012

	Attributable to equity holders of the Company									
	Issued capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Accumulated translation reserve HK$'000	Capital reserve HK$'000	PRC statutory reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
	Note (a)				Note (b)	Note (c)				
Balance at April 1, 2009	77	—	38,781	35,498	104,228	4,771	394,533	577,888	821,335	1,399,223
Profit/(loss) for the year	—	—	—	—	—	—	171,408	171,408	(29,859)	141,549
Other comprehensive income/(loss):										
Increase in fair value of leasehold land and building, net of deferred income tax	—	—	9,240	—	—	—	—	9,240	13,649	22,889
Exchange difference on translation of foreign operations	—	—	—	1,336	—	—	—	1,336	(47)	1,289
Total comprehensive income/ (loss) for the year	—	—	9,240	1,336	—	—	171,408	181,984	(16,257)	165,727
Appropriation of profit to statutory reserve	—	—	—	—	—	296	(296)	—	—	—
Transfer to retained profit upon disposals of the properties	—	—	(2,436)	—	—	—	2,436	—	—	—
Release of depreciation of leasehold land and buildings	—	—	(177)	—	—	—	177	—	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(21,915)	(21,915)
Share-based payments	—	—	—	—	2,185	—	—	2,185	3,226	5,411
Issue of new shares by a subsidiary	—	—	—	—	—	—	—	—	79	79
Deemed receipt from non-controlling interests	—	—	—	—	(43)	—	—	(43)	43	—
Capital contribution from a non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	9,061	9,061
Capitalization of equity holders' loans upon the Merger (as defined in note 2(a)) (note (d))	—	—	—	—	300,000	—	—	300,000	—	300,000
Transfer to retained profit upon lapse of share options of a subsidiary	—	—	—	—	(38)	—	38	—	—	—
Issue of preferred shares to equity holders	1	—	—	—	—	—	—	1	—	1
Issue of shares upon common control merger (note (e))	448	997,961	—	—	(1,003,648)	—	—	(5,239)	—	(5,239)
Equity settled expenses related to corporate restructuring (note (e))	2	5,239	—	—	—	—	—	5,241	—	5,241
Share repurchased (note (f))	(28)	—	—	—	—	—	—	(28)	—	(28)
Balance at March 31, 2010	500	1,003,200	45,408	36,834	(597,316)	5,067	568,296	1,061,989	795,572	1,857,561

The notes on pages F-13 to F-74 are an integral part of these consolidated financial statements.

CHINA METRO-RURAL HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)
For the years ended March 31, 2010, 2011 and 2012

	Attributable to equity holders of the Company									
	Issued capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Accumulated translation reserve HK$'000	Capital reserve HK$'000	PRC statutory reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
	Note (a)				Note (b)	Note (c)				
Balance at April 1, 2010	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 year	—	—	—	—	—	—	227,346	227,346	5,206	232,552
Other comprehensive income:										
Increase in fair value of leasehold land and building, net of deferred income tax	—	—	1,868	—	—	—	—	1,868	2,768	4,636
Exchange difference on translation of foreign operations	—	—	—	33,899	—	—	—	33,899	8,801	42,700
Total comprehensive income for the year	—	—	1,868	33,899	—	—	227,346	263,113	16,775	279,888
Transfer to retained profit upon disposals of the properties	—	—	(144)	—	—	—	144	—	—	—
Release of depreciation of leasehold land and buildings	—	—	(499)	—	—	—	499	—	—	—
Share-based payments	—	—	—	—	463	—	—	463	685	1,148
Issue of new shares by a subsidiary	—	—	—	—	—	—	—	—	640	640
Deemed receipt from non-controlling interests	—	—	—	—	(446)	—	—	(446)	446	—
Transfer to retained profit upon lapse of share options of a subsidiary	—	—	—	—	(58)	—	58	—	—	—
Disposal of a subsidiary (note (g))	—	—	—	—	—	—	—	—	(8,957)	(8,957)
Dividend—Distribution of subsidiaries (note (h))	—	—	—	—	—	—	(466,474)	(466,474)	(805,855)	(1,272,329)
Release of reserve upon distribution of subsidiary (note (h))	—	—	(46,633)	(20,284)	(39,966)	(5,067)	91,666	(20,284)	—	(20,284)
Balance at March 31, 2011 and at April 1, 2011	500	1,003,200	—	50,449	(637,323)	—	421,535	838,361	(694)	837,667
Profit for the year	—	—	—	—	—	—	208,986	208,986	22,073	231,059
Other comprehensive income:										
Exchange difference on translation of foreign operations	—	—	—	34,170	—	—	—	34,170	608	34,778
Total comprehensive income for the year	—	—	—	34,170	—	—	208,986	243,156	22,681	265,837
Appropriation of profit to PRC statutory reserve	—	—	—	—	—	45,514	(45,514)	—	—	—
Issue of new shares from the May 2011 Offering (as defined in note 32(a)) (note (i))	11	19,120	—	—	—	—	—	19,131	—	19,131
Issue of new shares from the August 2011 Share Placement (as defined in note 32(b)) (note (j))	16	38,714	—	—	—	—	—	38,730	—	38,730
Issue of new shares from the August 2011 Unit Placement (as defined in note 32(c)) (note (k))	46	114,199	—	—	—	—	—	114,245	—	114,245
Balance at March 31, 2012	573	1,175,233	—	84,619	(637,323)	45,514	585,007	1,253,623	21,987	1,275,610

The notes on pages F-13 to F-74 are an integral part of these consolidated financial statements.

Note:

(a) Issued capital included ordinary shares of HK$572,000 and preferred shares of HK$1,000 as at March 31, 2012.

(b) Capital reserve as at March 31, 2012 comprises of (1) a deficit of HK$703,648,000 arising from the merger with China Metro-Rural Limited (“China Metro”) resulted from a waiver of shareholders loans of HK$300,000,000 (as detailed in note (d) below) and issue of 57,443,238 ordinary shares with an equivalent amount of HK$1,003,648,000 which was recorded as a reduction of capital reserve (as detailed in note (e) below); and (2) other capital reserve amounted HK$66,325,000 arising from the corporate restructuring in 1997.

(c) In accordance with PRC law and the articles of association of the relevant subsidiaries established in the PRC, the PRC subsidiaries may, upon the approval of the board of directors of the PRC subsidiaries, transfer certain of their net profit as stated in corresponding subsidiaries’ financial statements prepared under PRC accounting regulations to PRC statutory reserve. Such a transfer is not required when the amount of the PRC statutory reserve reaches 50% of the corresponding subsidiaries’ registered capital. The PRC statutory reserve shall only be used to make up losses of the corresponding subsidiaries’ production operations, or to increase the capital of the corresponding subsidiaries. Upon approval of the corresponding subsidiaries’ shareholders in general meetings, the subsidiaries may convert their PRC statutory reserve into registered capital and issue bonus capital to the existing owners in proportion to the existing ownership structure. In addition, this reserve is only distributable in the event of liquidation of these PRC subsidiaries.

(d) In connection with the acquisition of the equity interest of China Metro which is further discussed in note 2(a) to the consolidated financial statements, the shareholders of China Metro agreed to waive their loans to China Metro amounted to HK$300,000,000. Accordingly, the Company recorded such waiver as a capital contribution under capital reserve.

(e) In respect of the acquisition of the equity interest of China Metro which is further discussed in note 2(a) to the consolidated financial statements, an aggregate of 57,443,238 ordinary shares of the Company with an equivalent amount of HK$1,003,648,000 was issued. Such issuance was recorded as a reduction of capital reserve while the par value of the issued shares amounted to HK$448,000 was recorded as issued capital. The remaining amount between capital reserve and issued capital was recorded as share premium, net of 300,000 ordinary shares with a value of HK$5,241,000 which was issued as the issuance cost in respect of the share issuance.

(f) In connection with the reorganization which is further discussed in note 2(a) to the consolidated financial statements, Man Sang Holdings, Inc. (“MSHI”), the Company’s previous holding company of the Group was to be dissolved and liquidated, and the Company became the new holding company of the Group. Pursuant to the reorganization, shareholders of MSHI’s ordinary shares and preferred shares received 6,382,582 and 100,000 of the Company’s ordinary shares and preferred shares, respectively, on a share-for-share basis in cancellation of MSHI’s ordinary shares and preferred shares. Prior to and in connection with the reorganization, the Company repurchased 3,617,418 of its ordinary shares with a par value of US$0.001 each amounting to HK$28,000.

(g) In connection with a disposal of a subsidiary, which is further discussed in note 36 to the consolidated financial statements, the Company’s equity interests in the then subsidiary, Tieling Motor Vehicle Trading Co., Ltd. was reduced from 60% to 40%. As a result, the Company ceased to consolidate the results of Tieling Motor Vehicle Trading Co., Ltd.. Accordingly, non-controlling interest of approximately HK$8,957,000 was derecognized from equity upon the disposal.

(h) In connection with the distribution of Man Sang International Limited (“MSIL”) which is further discussed in note 2(a) to the consolidated financial statements, the Company distributed MSIL to its shareholders with net assets attributable to the equity holders of the Company of approximately HK$466,474,000 and non-controlling interests of approximately HK$805,855,000, which were debited from equity.

As a result of the distribution of MSIL, property revaluation reserve of approximately HK$46,633,000, capital reserve of approximately HK$39,966,000 and statutory surplus reserve of approximately HK$5,067,000 attributable to MSIL were released to retained profits; and accumulated translation reserve of approximately HK$20,284,000 attributable to MSIL was released to the consolidated income statement, upon the distribution of MSIL.

Further details in respect of the distribution of MSIL are set out in notes 2(a) and 17 to the consolidated financial statements.

(i) In connection with the May 2011 Offering (as defined in note 32(a)), the Company completed an underwritten offering of 1,517,978 units at a price of US$2.88 per unit with gross proceeds of approximately US$4,372,000 (approximately HK$34,100,000). Each unit consisted of one of the Company’s ordinary share and a warrant to purchase 0.65 of one of the Company’s ordinary shares. The exercise price of the warrants was US$3.456 per ordinary share, subject to certain adjustments with a term of three years. The Company has also issued warrant to the underwriter, to purchase 200,373 ordinary shares of the Company at an exercise price of US$3.456 and with a term of three years. As at the May 2011 Closing (as defined in note 32(a)), the fair values of these warrants approximated to HK$6,988,000, which was recorded as “Derivative financial liabilities”, and an amount of approximately HK$11,000 (being 1,517,978 ordinary shares at US$0.001 each) and HK$27,101,000 (being the difference between the gross proceeds and the fair value of these warrants and nominal value of issued capital) were credited in issued capital and share premium account, respectively. The Company also incurred certain share issuance expenses amounted to HK$7,981,000 in connection with the May 2011 Offering.

(j) In connection with the August 2011 Share Placement (as defined in note 32(b)), the Company completed a private placement of 2,000,000 ordinary shares at a price of US$2.5 per share with gross proceeds of approximately US$5,000,000 (approximately HK$38,900,000). As a result of the August 2011 Share Closing (as defined in note 32(b)), an amount of approximately HK$16,000 (being 2,000,000 ordinary shares at US$0.001 each) and HK$38,884,000 were credited in issued capital and share premium account, respectively The Company also incurred certain share issuance expenses amounted to HK$170,000 in connection with the August 2011 Share Placement.

Note:

(k) In connection with the August 2011 Unit Placement (as defined in note 32(c)), the Company completed an private placement of 5,900,000 units at a price of US$2.5 per unit with gross proceeds of approximately US$14,750,000 (approximately HK$114,755,000). Each unit consisted of one of the Company's ordinary share and a warrant to purchase one of the Company's ordinary shares. The exercise price of the warrants was US$2.875 per ordinary share and with a term of two years. As at the August 2011 Unit Closing (as defined in note 32(c)), the fair value of these warrants approximated to nil. As a result, an amount of approximately HK$46,000 (being 5,900,000 ordinary shares at US$0.001 each) and HK$114,709,000 (being the difference between the gross proceeds and nominal value of issued capital) were credited in issued capital and share premium account, respectively. The Company also incurred certain share issuance expenses amounted to HK$510,000 in connection with the August 2011 Unit Placement.

CHINA METRO-RURAL HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1—General Information of China Metro-Rural Holdings Limited

China Metro-Rural Holdings Limited (the "Company", or "we" or "us") was incorporated in the British Virgin Islands 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 of the BVI Companies Act. The Company through its subsidiaries is principally engaged in the: 1) development and operations of large-scale and integrated agricultural logistics platforms, which include trade centers and other supporting facilities, in the PRC; and 2) rural-urban migration and city re-development business which comprise of the development and sales of residential and commercial properties and assignment of development rights to developers.

In addition, the Company, through its former subsidiaries, engaged in the purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products. The Company also owned and operated an industrial real estate complex in Shenzhen, People's Republic of China (the "PRC") and a market center with various supporting facilities in Shanxiahu, Zhuji, Zhejiang Province, the PRC, which represented the Discontinued Operations (as defined in note 2(a)) as a result of the Distribution (as defined in note 2(a)). Further details in respect of the Distribution and the Discontinued Operations are set out in note 2(a) to the consolidated financial statements.

The shares of the Company have been listed on the NYSE MKT (formerly known as "NYSE Amex") under the ticker symbol of "CNR". The Company's principal place of business and executive office is located at Suit 2204, 22/F., Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The consolidated financial statements have been approved and authorized for issue by the Board of Directors on July 16, 2012.

Note 2—Summary of Significant Accounting Policies

(a) Basis of preparation and presentation

On July 28, 2010, the Company declared a dividend to its shareholders which was satisfied by way of distribution in specie of the entire equity interest in Man Sang International Limited ("MSIL"), held by the Company, represented approximately 494 million ordinary shares in MSIL (the "Distribution"), which was completed in August 2010. Upon the completion of the Distribution, the Group no longer held interest in MSIL and discontinued its jewelry and real estate businesses (the "Discontinued Operations"). In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the Discontinued Operations were shown as discontinued operations in the Group's consolidated financial statements.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial liabilities, investment properties, investment properties under construction, and leasehold land and buildings, which are stated at fair value as explained in the accounting policies set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

The IASB has issued certain new and revised IFRS, which are generally effective for accounting periods beginning on or after April 1, 2011. Details of major changes in accounting policies following the adoption of these IFRSs are summarized in note 3 of the consolidated financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Reorganization transaction

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

Upon the effective date of the Reorganization, the Company and its subsidiaries continued to conduct the business previously conducted by MSHI and its subsidiaries (including the Company). Although the dissolution and liquidation of MSHI would result in the cessation of MSHI as the holding company of the Group, the dissolution and liquidation had no material impact on our financial condition or operating results, other than the costs incurred in connection with its dissolution and liquidation. As the Company shall contractually assume all rights, title, obligations and liabilities of MSHI upon the terms and subject to the conditions of the agreement and plan of the dissolution and liquidation, there was a continuation of the risks and benefits to the ultimate controlling owners that existed prior to the planned dissolution and liquidation of MSHI.

Merger with China Metro

Pursuant to the Agreement and Plan of Merger, or the Merger Agreement, dated as of February 19, 2010, by and among the Company, China Metro-Rural Limited ("China Metro") and Creative Gains Limited ("Creative Gains") (a wholly-owned subsidiary of the Company), Creative Gains was merged with and into China Metro (the "Merger"). Immediately after the Merger, Creative Gains ceased and China Metro became a wholly-owned subsidiary of the Company. On March 19, 2010, Merger Agreement was adopted and the Merger was subsequently consummated, each outstanding share of China Metro as of the effective date of the Merger was converted automatically into the right to receive the number of the Company's ordinary shares equivalent to 57,443,238 divided by the number of China Metro ordinary shares outstanding immediately prior to the Merger. As a result, based on outstanding 100 ordinary shares of China Metro immediately prior to the Merger, an aggregate of 57,443,238 ordinary shares of the Company was issued in connection with the Merger (with cash paid for fractional shares), of which 37,338,104 ordinary shares were issued to Kind United Holdings Ltd., the controlling shareholder of China Metro under the control of Mr. Cheng Chung Hing ("Mr. Cheng"), or Kind United, and the remaining 20,105,130 ordinary shares of the Company were issued to the minority shareholders of China Metro.

In respect of the acquisition of the equity interest of China Metro controlled by Mr. Cheng, since both the Company and China Metro were under common control of Mr. Cheng prior to and after the Merger, the Merger was accounted for as a combination of entities under common control in a manner similar to pooling of interests. On this basis, the consolidated financial statements of the Company for periods prior to the Merger were restated to include, to the extent of equity interest of China Metro held by Mr. Cheng, the assets and liabilities and results of operations of China Metro for those periods as if the Company had been the holding company of China Metro at the beginning of the financial period reported in the consolidated financial statements or when our Company and China Metro became under common control by Mr. Cheng, whichever was later, and all assets and liabilities of China Metro were stated at historical carrying amounts. The acquisition by the Company of interest owned by all the shareholders of China Metro, including Mr. Cheng, was treated as an equity transaction at the completion date of the Merger.

During the fiscal year ended March 31, 2012, the Company was granted an option to purchase 20% equity interest in a company registered in the PRC for a term of one year. As of March 31, 2012, the fair value of this option was insignificant to the consolidated financial statements.

(b) Basis of consolidation

Business combinations (other than for combining entities under common control) are accounted for by applying the acquisition method. This involves the fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiaries, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiaries are included in the consolidated statements of financial position at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group's accounting policies.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. When the control ceases over the entity, the Group no longer consolidates the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposals, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

The Group treats transactions with non-controlling interest as transactions with equity owners of the Group. For purchases from non-controlling interest, the differences between any consideration paid and the revenant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that the amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Subsidiaries

A subsidiary is an entity, in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities. In relation to the Company's subsidiary, MSIL, certain shareholders of MSIL, prior to the occurrence of the Distribution, had assigned their voting rights to the Company giving the Company more than 50 percent of the voting rights. Consequently, the Company had the power to control MSIL. Such assignment of voting rights by these shareholders was cancelled as a result of the Distribution.

Investments in subsidiaries are included in the Company's statements of financial position at cost less impairment losses. The carrying amount of investment is reduced to its recoverable amount on an individual basis.

(d) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under IFRS 5 'Non-current assets held for sale and discontinued operations'). Under the equity method, investments in associates are carried in the consolidated statements of financial position at cost as adjusted for post acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of loss of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that if the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

(e) Related parties

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(i) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

- has control or joint control over the Group;
- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third party.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- The entity is controlled or jointly controlled by a person identified in (i) above.
- A person, or a close member of that person's family, who has control or joint control over the Group has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(f) Investment properties

Investment properties are land and/or buildings that are held to earn rental income and/or for capital appreciation, which include property interest held under operating lease carries at fair value.

Investment properties are stated at fair value at the statements of financial position date. Any gain or loss arising from a change in fair value is recognized in the consolidated income statement. An investment property is derecognized upon disposals or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognized.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction cost, and stated at fair value, subsequent to initial recognition, at the end of each reporting period when fair value can be determined reliably. Any gains or losses arising from changes in the fair values of completed investment properties and investment properties under construction are included in the consolidated income statement in the year in which they arise.

The fair values of investment properties are determined by management based in part on valuation by independent valuers who hold recognized professional qualifications and have recent experiences in the locations and category of properties being valued. Fair value is determined based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

If an investment property and/or an investment properties under construction become owner-occupied, they are reclassified as property, plant and equipment under leasehold land and building, or if become intended for sale are transferred to properties under development or completed properties held for sales, and their fair value at the date of reclassification becomes their deemed cost for accounting purposes.

(g) Property, plant and equipment

Property, plant and equipment, other than leasehold land and buildings, are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the year in which they are incurred.

The leasehold land and buildings are stated in the consolidated statements of financial position at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the statements of financial position date. Any revaluation increase is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in the net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

If there is no market-based evidence of fair value because of the specialized nature of the item of leasehold land and buildings and the item is rarely sold, the Group may estimate fair value using an income or a depreciated replacement cost approach.

Construction-in-progress, representing plant and machinery on which construction work has not been completed and machinery pending installation, is stated at historical cost, which includes construction expenditures incurred, cost of machinery and other direct costs capitalized during the construction and installation period, less accumulated impairment losses, if any. No depreciation is provided in respect of construction-in-progress until the construction is completed. On completion, the construction-in-progress is transferred to appropriate categories of property, plant and equipment.

Leasehold land in Hong Kong classified as finance lease commences amortization from the time when the land interest becomes available for its intended use. Leasehold land outside of Hong Kong is recognized in accordance with the Group's policies in note 2(j) to the consolidated financial statements. Amortization on leasehold land in Hong Kong classified as finance lease and depreciation for property, plant and equipment, other than construction in progress, are calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease and buildings	Over the shorter of the term of the lease or 50 years
Leasehold improvements	33%
Plant and machinery	10%
Furniture, fixtures and equipment	20% - 33%
Motor vehicles	10% - 25%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Residual values, useful lives and depreciation methods are reviewed at each statements of financial position date.

An item of property, plant and equipment is derecognized upon disposals or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognized.

(h) Properties under development

Property that is being constructed or developed for future use as held-for-sales is classified as properties under development and stated at lower of costs and net realizable value until construction or development is complete, at which time it is reclassified as completed properties held for sale. Costs comprise construction costs, borrowing costs capitalized, amortization of land use rights and professional fees incurred during the development period. If properties under construction become owner-occupied, they are reclassified as property, plant and equipment under leasehold land and building and stated at cost less any identified impairment losses for accounting purposes.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(i) Completed properties held for sale

Completed properties remaining unsold at the end of the year are stated at the lower of cost, deemed cost and net realizable value.

Cost comprises development costs attributable to the unsold properties.

Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

If an investment properties and/or investment properties under constructions become property held for sale, they are reclassified as completed properties held for sales and their fair value at the date of reclassification becomes their deemed cost for accounting purpose.

(j) Land use rights

Land use rights include up-front payments to acquire land and payments for lease of properties held under operating leases. Land use rights are stated at cost and are amortized on a straight-line basis over the period of the lease. Land use rights are reclassified as properties under developments or investment properties under developments when the corresponding properties are ready to be constructed.

(k) Financial instruments

Financial assets and financial liabilities are recognized on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition. At each statements of financial position date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in the consolidated income statement in the period in which they arise. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognized in accordance with the Group's policies in note 2(p) to the consolidated financial statements. The Group's financial assets at fair value through profit or loss were solely attributable to the Discontinued Operations, and as a result of the Distribution, the Group did not have any financial assets at fair value through profit or loss as at March 31, 2012.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each statement of financial position date subsequent to initial recognition, loans and receivables (including trade receivables, loan receivables and other receivables) are carried at amortized cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

At each statements of financial position date, financial assets other than those carried at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated income statement to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in consolidated income statement of the period in which the reversal occurs.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value at profit or loss and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative financial liabilities

Derivative financial liabilities are subsequently measured at fair value through profit or loss and any gains or losses derived from its changes in fair values are recognized in the consolidated income statement unless the derivative financial liabilities are qualified for hedge accounting. Transaction costs attributable to the issue of derivative financial instruments are charged to the consolidated income statement during the period in which they are incurred.

Other financial liabilities

Other financial liabilities (including bank and other borrowings, trade payables and other payables) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 ‘Revenue’. As at March 31, 2012, the Group did not have any material financial guarantee contracts.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognizing of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in the consolidated income statement. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(l) Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

(m) Construction contract

Contract costs are recognized as expenses in the period in which they are incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount to be recognized in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset if the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "Construction contract".

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profit (less recognized losses).

During the year ended March 31, 2011, the construction contract of the Group was fully completed and there was no construction contract that was remained outstanding as at March 31, 2012.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Restricted bank deposits are not included as cash and cash equivalents.

(o) Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statements of financial position date, and are discounted to present value where the effect is material.

(p) Revenue recognition

Revenue from sales of properties

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

Revenue from sales of properties with operating leaseback

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

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

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

Revenue from servicing and assignments of development rights

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

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

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

Revenue from sales of goods

Sale of goods is recognized on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed assuming amounts owned are considered collectible. The Group's sale of goods were solely attributable to the Discontinued Operations, and as a result of the Distribution, the Group no longer made any sale of goods.

Revenue from leasing of investment properties

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

Revenue from property management services

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

Others

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

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

(q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive board of directors that make strategic decision.

(r) Share-based payments

The Group, through the Discontinued Operations, operated a number of equity-settled, share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted. In determining the fair value of the options granted:

- market performance conditions are taken into considerations;
- the impact of any service and non-market vesting conditions (for example, profitability, sales growth targets and remaining employee of the entity over a specified time period) is excluded; and
- excluding the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any transaction costs that are directly attributable to the issue.

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When the share options are not exercised at the expiry date or are forfeited after vesting period, the amount previously recognized in share option reserve will be transferred to retained profits.

(s) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Transaction and balances

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are translated and recorded in the respective entity's functional currency at the rates of exchanges prevailing on the dates of the transactions. At each statements of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statements of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the statements of financial position date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the translation reserve). Such exchange differences are recognized in the consolidated income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after January 1, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the statements of financial position date. Exchange differences arising are recognized in the translation reserve.

(t) Taxation

Income tax expense comprises current and deferred income tax.

Current income tax is calculated based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are not taxable or deductible. Current income tax payable is calculated using tax rates that have been enacted or substantively enacted by the statements of financial position date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statements of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statements of financial position date. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(u) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable and receivable under operating leases are recognized as expense and revenue on the straight-line basis over the lease terms.

(v) Retirement benefits scheme

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the statement of financial position date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Company's subsidiaries in the PRC participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Company's subsidiaries in the PRC and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, which ranging from 10% to 15% of the average basic salary of the PRC based employee.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme"), which is a defined contribution retirement scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, including properties under development and investment properties under construction, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the consolidated income statement in the period in which they are incurred.

(x) Government grants

Grants from government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are recognized as income over the periods necessary to match with the related costs. If the grants do not relate to any specific expenditure incurred by the Group, they are reported separately as other operating income. If the grants subsidize an expense incurred by the Group, they are deducted in reporting the related expenses. Grants related to assets are presented as a deduction from the cost of the relevant asset.

(y) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale or held for distribution to owners. Discontinued operations are presented in the consolidated income statement (including comparative) as a separate amount, comprising the total of the post tax profit or loss of the discontinued operations for the period together with any post-tax gain or loss recognized on the measure to fair value less costs to sell, or on disposal of the assets/disposal groups constituting discontinued operations. When the Group discontinues its subsidiary, the Group is to account for all amounts recognized in other comprehensive income, including exchange difference on translation of foreign operations, in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income that relates to an asset or a liability, which when disposed, the Group reclassifies such accumulated gains or losses related to that asset or liability from equity to consolidated income statement, as a reclassification adjustment, when it loses control of the subsidiary. In presenting interest income and interest expense and various expenses relating to discontinued operations, account is taken of the continuance or otherwise of these income statement items post disposal of the discontinued operations. In the consolidated statement of financial position, the assets and liabilities of discontinued operations are shown within the caption 'Disposal groups and non-current assets/(liabilities) held for sale' separated from other assets and liabilities.

A non-current asset or a disposal group comprising assets and liabilities is classified as held for sale or held for distribution to owners if it is expected that its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probably within one year. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset or disposal group.

On initial classification as held for sale or held for distribution to owners, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less cost to sell with any adjustments taken to the income statement. The same applies to gains and losses on subsequent remeasurement. However, financial assets within the scope of IAS 39 continue to be measured in accordance with that standard. No reclassifications are made in respect of prior period.

Impairment losses subsequent to classification of assets as held for sale or held for distribution to owners are recognized in the consolidated income statement. Increase in fair value less costs to sell of assets that have been classified as held for sale or held for distribution to owners are recognized in the consolidated income statement to the extent that the increase is not in excess of any cumulative impairment loss previously recognized in respect of asset. Assets are not depreciated while they are classified as held for sale or held for distribution to owners.

Note 3—Application of New and Revised International Financial Reporting Standards

(a) Adoption of new or revised IFRS

In the current year, the Group has adopted the following new or revised IFRS, which are relevant to its operations:

- IAS 24 (revised), 'Related Party Disclosures'
- IFRIC Int 14, 'Prepayment of a Minimum Funding Requirement'
- IFRIC Int 19, 'Extinguishing Financial Liabilities with Equity Instruments'
- Improvements to IFRSs 2010

The adoption of these newly effective standards, interpretations and amendments to existing standards does not have significant impact to the Group's accounting policies or financial results.

(b) New or revised standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group

The following new or revised standards, interpretations and amendments to existing standards have been published by the IASB and are relevant to the Group's operations. They are not yet effective for accounting periods beginning on April 1, 2011 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
IAS 1 (Amendment)	Presentation of Financial Statements	July 1, 2012
IAS 12 (Amendment)	Income Taxes	January 1, 2012
IAS 19 (Revised)	Employee Benefits	January 1, 2013
IAS 27 (As amended in 2011)	Separate Financial Statements	January 1, 2013
IAS 28 (As amended in 2011)	Investments in Associates and Joint Ventures	January 1, 2013
IAS 32 (Amendment)	Financial Instruments: Presentation—Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IFRS 7 (Amendment)	Financial Instruments: Disclosures—Offsetting Financial Assets and Financial Liabilities	January 1, 2013
IFRS 7 (Amendment)	Financial Instruments: Disclosures—Transfers of Financial Assets	July 1, 2011
IFRS 9 (As amended in 2011)	Financial Instruments	January 1, 2015
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Vale Measurement	January 1, 2013
IFRIC Int 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

The Group has already commenced an assessment of the related impact of adopting the above new or revised standards and amendments to standards, but it is not yet in a position to state whether they will have a significant impact on its results of operations and financial position. The Group plans to adopt these new or revised standards and amendments to standards when they become effective.

Note 4—Critical Accounting Estimates and Judgment

In the application of the Group's accounting policies, which are described in note 2, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portions that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for these portions separately. If the portions could not be sold separately, the property is an investment property.

Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgment is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at the lower of cost and net realizable value, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties. Investment properties, both under construction and completed, are stated at fair value (where fair value can be reliably measured) and subject to revaluation at the end of each reporting period.

Fair value of leasehold land and buildings and investment properties

The leasehold land and buildings and investment properties of the Group were stated at fair value in accordance with the Group's accounting policies stated in note 2(g) and 2(f) respectively. The fair value of investment properties, investment properties under development, and leasehold land and buildings are determined by management based in part on valuation by independent professional valuers, and the fair values of investment properties, investment properties under development and leasehold land and buildings are set out in notes 18, 19 and 20 to the consolidated financial statements respectively. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from actual results.

In making the judgment, reasonable consideration has been given to the underlying assumptions based on market conditions existing at the statements of financial position date. These estimates are regularly compared to actual market data and actual transactions in the market.

Impairment of trade receivables

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

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses these estimations at the statements of financial position date to ensure inventories are shown at the lower of cost and net realizable value. The Group's inventories were solely attributable to the Discontinued Operations, and as a result of the Distribution, the Group no longer carried any inventories nor its related provision/write-back of provision in its consolidated statement of financial position.

Recoverability of completed properties held for sale and properties under development

Management performs a regular review on the carrying amounts of completed properties held for sale and properties under development. Based on management's review, write-down of completed properties held for sale and properties under development will be made when the estimated net realizable value has declined below the carrying amount. In determining the net realizable value of completed properties held for sale and properties under development, management refers to the latest economic measures introduced by the local government, recent global and local economic developments, recent sales transactions of the Group and other similar properties in the surrounding areas, marketability of the Group's existing properties, market survey reports available from independent property valuers, internally available information and management's expectation on future sales.

Impairment of long-lived assets

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

Recognition of construction contract

Profit on individual contracts is taken only when their outcome can be foreseen with reasonable certainty based on the lower of the percentage margin earned to date and that prudently forecast at completion, taking into account agreed variations in contract work and incentive payment claims. Full provision is made for all known or expected losses on individual contracts taking into account anticipated future claims income, immediately when such losses are foreseen.

Fair value of derivative financial instruments

The Group has issued certain warrants which are classified as derivative financial liabilities. These warrants are determined by way of valuation technique or external valuation which require subjective assumptions that are mainly based on performance conditions of the Group. The key assumptions are made by reference to the nature of the warrants, the conversion price of warrants, implied volatility of the underlying trading securities and the exercise period of the warrants.

PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. The provision of land appreciation taxes is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual land appreciation tax liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalized its land appreciation tax calculations and payments with the tax authorities for certain property development projects. The final outcome might be different from the amounts that were initially recorded, and any differences will impact the land appreciation tax expenses and the related provision in the period in which the differences realize. Further details are set out in note 14 to the consolidated financial statements.

Current and deferred income tax

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred assets and income tax expense in the periods in which such estimate is changed.

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognized in the consolidated income statement upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years. Further details are set out in note 26 to the consolidated financial statements.

Promotional sale of certain properties

As discussed in note 2(p), the Group, through the Discontinued Operations, conducted a promotional sale of certain properties during the fiscal year ended March 31, 2011 prior to the Distribution. Sales consideration for these properties included an explicitly agreed transaction price to be settled in cash plus a lease back of these properties to the Group free of charge. Of the explicitly agreed transaction price, the Group received a down-payment of 24% in cash amounting to HK$4,147,000 upon transfer of title to the properties with the remainder HK$13,131,000 being receivable in future. As all the revenue recognition criteria had been met, the Group's Discontinued Operations recorded this as a revenue transaction. Having considered a number of factors such as the overall state of the property market, the prospects of the properties and profile of individual buyers, management determined that the collectability of the receivable was not reasonably assured at the date of sale. Accordingly, revenue was recorded only to the extent of cash received during the year ended March 31, 2011 prior to the Distribution. As these transactions were solely attributable to the Discontinued Operations, subsequent to the Distribution, the Group no longer carried out these transactions.

Note 5—Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the bank and other borrowings and equity balances.

The capital structure of the Group consists of net debt and equity attributable to equity holders of the Company, comprising issued share capital, share premium, retained earnings and other reserves.

The management of the Group reviews the capital structure periodically. As a part of this review, the management of the Group considers costs of capital, its bank covenant obligations and the risks associated with issued share capital and will balance its overall capital structure through the drawdown of bank and other borrowings, the repayment of existing bank and other borrowings or the adjustment of dividends paid to equity holders.

The management of the Group monitors its capital structure on the basis of the net debt. Net debt is set out as follows:

	2012 HK$'000	2011 HK$'000
Bank and other borrowings	732,602	534,158
Restricted bank deposit	(17,508)	(123,627)
Cash and cash equivalents	(343,578)	(156,928)
Net debt	371,516	253,603

Note 6—Financial Risk Management

The Group's major financial instruments include trade and other receivables, restricted bank deposits, cash and cash equivalents, trade and other payables, derivative financial liabilities, bank and other borrowings, loan from a non-controlling interest and amount due to an associate. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments, include market risk (currency risk and interest rate risk), credit risk and liquidity risk, and the policies on how to mitigate these risks are set out below. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyze and formulate measures to manage the Group's exposure to different risks arising from the use of financial instruments. Generally, the Group employs conservative strategies regarding its risk management. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Currency risk

As the Group's assets, liabilities and transactions are principally denominated in RMB and HK$, which are also the functional currency of the Group's entities to which these balances relate. Accordingly, risk that the Group is subject to foreign currency risk at March 31, 2012 is minimal.

(ii) Interest rate risk

The Group's exposure to interest rate risk relates primarily to variable-rate bank borrowings of HK$310,582,000 (2011: HK$474,158,000) which were denominated in RMB and fixed-rate other borrowings of HK$176,500,000 (2011: HK$60,000,000) and HK$245,520,000 (2011: nil) which were dominated in Hong Kong Dollar and RMB, respectively. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. It is the Group's policy to keep the majority of borrowings at floating interest rate whenever possible so as to minimize the fair value interest rate risk.

The tenure of the fixed-rate other borrowings ranging from one to four years. The management considers the fair value interest rate risk was insignificant. The liquidity risk on repayment of the other borrowings was detailed in note 6(c) to the consolidated financial statements.

At March 31, 2012, if interest rates had been 0.25% higher/lower with all other variables held constant, interest payment on floating rate borrowings would have been approximately HK$776,000 (2011: HK$1,185,000) higher/lower. Post-tax profit for the year would have been approximately HK$768,000 (2011: HK$111,000) lower/higher mainly as a result of an increase/decrease in the fair value of fixed rate borrowings. Majority of the interest expenses would be capitalized as a result of such interest expenses directly attributable to the property construction. The management does not anticipate any significant impact on profit or loss of the Group resulting from changes in interest rate on floating rate borrowings.

(b) Credit risk

Credit risk mainly arises from trade and other receivables, pledged bank deposits and cash and cash equivalents.

In respect of pledged bank deposits and cash and cash equivalents, the Group will place cash in banks and financial institutions with high credit ratings assigned by international credit-rating agencies.

Most of the Group's customers do not have independent rating. Before accepting certain new customers, where available at reasonable cost, the Group obtains credit reports from commercial information provider to assess the potential customer's credit and defines credit limits by customer. Credit limits of customers are reviewed periodically. In order to minimize the credit risk, the management of the Group has established credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For the trade receivables arising from sales of properties, the Group managed the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loans financing procedures unless strong credit records of the customers could be established. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

For certain trade receivables in connection with sales of properties, the Group has the right to repossess the properties when the repayments of trade receivables in respect of properties sales are in default. The arrangement has mitigated the credit risk for the customers which cannot be assessed through our past experience and other factors to prove their credit standing.

(c) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank and other borrowings and ensures compliance with loan covenants.

As at March 31, 2012 and 2011, the Group's financial liabilities which have contractual maturities are summarized below:

	March 31, 2012				March 31, 2011			
	On demand HK$'000	Current within one year HK$'000	Non-current after one but within two years HK$'000	Non-current after two but within five years HK$'000	On demand HK$'000	Current within one year HK$'000	Non-current after one but within two years HK$'000	Non-current after two but within five years HK$'000
Trade and other payables	—	573,181	—	—	—	226,061	—	—
Bank and other borrowings	—	478,763	77,339	176,500	—	260,787	118,540	154,831
Interest obligations	—	54,395	31,748	18,195	—	30,166	18,251	16,157
	—	1,106,339	109,087	194,695	—	517,014	136,791	170,988

(d) Fair value estimation

Below analyses financial instruments carried at fair values, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at March 31, 2012, the Group's derivative financial instruments, warrants, were valued at HK$2,941,000 (2011: Nil). The fair value of the warrants that are not traded in an active market is determined by way of valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. As one or more of the significant inputs is not based on observable market data, the warrants are included on level 3.

Note 7—Revenue

Revenue represents (i) the amounts received and receivable from customers in respect of goods sold, less returns and allowances, (ii) the proceeds from the sale of properties during the year, (iii) the amounts received and receivable in respect of leasing and property management fees of investment properties and (iv) amounts received and receivable from servicing and assignments of development rights.

	2012 HK$'000	2011 HK$'000	2010 HK$'000
Continuing operations:			
Sales of properties	758,369	575,569	336,696
Rental and property management income	7,503	6,004	963
Revenue from servicing and assignments of development rights	147,896	—	—
	913,768	581,573	337,659
Discontinued operations (Note 17):			
Sales of pearls and jewelry	—	88,300	261,539
Sales of properties	—	57,574	51,720
Rental and property management income	—	11,578	26,120
	—	157,452	339,379
	913,768	739,025	677,038

Note 8—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.

As at and for the year ended March 31, 2012, the Group has two reportable operating segments. The Group's operating businesses are structured and managed separately according to the nature of the operations and the product perspectives. Each of the Group's reportable operating segments represents a strategic business unit that is subject to risks and returns that are different from the other reportable operating segment. Details of the reportable operating segment are as follows:

Continuing operations:

Agricultural logistics—Development, sales and leasing properties of integrated agricultural logistics and trade centers in Northeast China.

Rural-urban migration and city re-development—Development, sales and leasing of residential and commercial properties and servicing and assignments of development rights

Discontinued operations:

Pearls and jewelry—Purchasing, processing, assembling, merchandising, wholesale distribution of pearls and jewelry products.

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.

Segment information for these businesses is presented below:

The segment results for the year ended March 31, 2012

	Continuing operations			Discontinued operations (Note 17)			
	Agricultural logistics HK$'000	Rural-urban migration and city re-development HK$'000	Sub-total HK$'000	Pearls and jewelry HK$'000	Property development and investment HK$'000	Sub-total HK$'000	Total HK$'000
Profit and loss items							
Segment revenue and revenue from external customers	765,872	147,896	913,768	—	—	—	913,768
Segment operating profit	230,543	132,873	363,416	—	—	—	363,416
Finance income	915	238	1,153	—	—	—	1,153
Finance costs	(527)	—	(527)	—	—	—	(527)
Share of losses of an associate	(2,456)	—	(2,456)	—	—	—	(2,456)
Segment profit before income tax	228,475	133,111	361,586	—	—	—	361,586
Income tax expenses	(90,202)	(34,517)	(124,719)	—	—	—	(124,719)
Segment profit after taxation	138,273	98,594	236,867	—	—	—	236,867
Other information:							
Depreciation	6,457	126	6,583	—	—	—	6,583
Amortization	1,940	—	1,940	—	—	—	1,940
Increase in fair values of investment properties and investment properties under construction	2,594	—	2,594	—	—	—	2,594
Provision for impairment of trade and other receivables	3,990	—	3,990	—	—	—	3,990

The segment results for the year ended March 31, 2011

	Continuing operations			Discontinued operations (Note 17)			
	Agricultural logistics HK$'000	Rural-urban migration and city re-development HK$'000	Sub-total HK$'000	Pearls and jewelry HK$'000	Property development and investment HK$'000	Sub-total HK$'000	Total HK$'000
Profit and loss items							
Segment revenue	581,573	—	581,573	88,300	69,485	157,785	739,358
Inter-segment revenue	—	—	—	—	(333)	(333)	(333)
Revenue from external customers	581,573	—	581,573	88,300	69,152	157,452	739,025
Segment operating profit	337,808	—	337,808	7,174	7,613	14,787	352,595
Finance income	801	—	801	696	358	1,054	1,855
Finance costs	(3,927)	—	(3,927)	(919)	(49)	(968)	(4,895)
Share of results of an associate	(386)	—	(386)	—	17	17	(369)
Segment profit before income tax	334,296	—	334,296	6,951	7,939	14,890	349,186
Income tax expenses	(125,201)	—	(125,201)	(807)	(5,107)	(5,914)	(131,115)
Segment profit after taxation	209,095	—	209,095	6,144	2,832	8,976	218,071
Other information:							
Depreciation	3,457	—	3,457	1,976	1,264	3,240	6,697
Amortization	1,234	—	1,234	—	828	828	2,062
Increase in fair values of investment properties and investment properties under construction	111,528	—	111,528	—	1,592	1,592	113,120
Gain on disposals of investment properties	—	—	—	—	5,795	5,795	5,795
Gain on disposals of land use rights	8,502	—	8,502	—	—	—	8,502
Gain on disposal of a subsidiary	90	—	90	—	—	—	90
Provision for impairment of trade and other receivables	2,570	—	2,570	307	—	307	2,877
Reversal of provision for inventory obsolescence	—	—	—	3,700	—	3,700	3,700

The segment results for the year ended March 31, 2010

	Continuing operations			Discontinued operations (Note 17)			
	Agricultural logistics HK$'000	Rural-urban migration and city re-development HK$'000	Sub-total HK$'000	Pearls and jewelry HK$'000	Property development and investment HK$'000	Sub-total HK$'000	Total HK$'000
Profit and loss items							
Segment revenue	337,659	—	337,659	261,539	78,679	340,218	677,877
Inter-segment revenue	—	—	—	—	(839)	(839)	(839)
Revenue from external customers	337,659	—	337,659	261,539	77,840	339,379	677,038
Segment operating profit/(loss)	273,520	—	273,520	32,249	(69,219)	(36,970)	236,550
Finance income	362	—	362	1,023	792	1,815	2,177
Finance costs	—	—	—	(1,620)	—	(1,620)	(1,620)
Share of results of an associate	—	—	—	—	48	48	48
Segment profit/(loss) before income tax	273,882	—	273,882	31,652	(68,379)	(36,727)	237,155
Income tax (expenses)/credits	(87,379)	—	(87,379)	(2,597)	17,238	14,641	(72,738)
Segment profit/(loss) after taxation	186,503	—	186,503	29,055	(51,141)	(22,086)	164,417
Other information:							
Depreciation	(796)	—	(796)	(6,955)	(1,932)	(8,887)	(9,683)
Amortization	(854)	—	(854)	—	(449)	(449)	(1,303)
Increase/(decrease) in fair values of investment properties and investment properties under construction	155,631	—	155,631	—	(3,991)	(3,991)	151,640
Gain on disposals of investment properties	—	—	—	—	10,799	10,799	10,799
(Loss)/gain on disposals of property, plant and equipment	(7)	—	(7)	—	5	5	(2)
Impairment loss on properties under development	—	—	—	—	(591)	(591)	(591)
Provision for impairment of trade and other receivables	—	—	—	(4,964)	(5,675)	(10,639)	(10,639)
Reversal of provision for inventory obsolescence	—	—	—	2,370	—	2,370	2,370

The segment assets and liabilities at March 31, 2012

	Continuing operations			Discontinued operations (Note 17)			
	Agricultural logistics HK$'000	Rural-urban migration and city re-development HK$'000	Sub-total HK$'000	Pearls and jewelry HK$'000	Property development and investment HK$'000	Sub-total HK$'000	Total HK$'000
Statements of financial position items							
Total segment assets	2,721,426	447,400	3,168,826	—	—	—	3,168,826
Total segment assets include:							
Investment in an associate	27,728	—	27,728	—	—	—	27,728
Additions to non-current assets	924,940	1,581	926,521	—	—	—	926,521
Total segment liabilities	1,760,809	132,792	1,893,601	—	—	—	1,893,601

The segment assets and liabilities at March 31, 2011

	Continuing operations			Discontinued operations (Note 17)			
	Agricultural logistics HK$'000	Rural-urban migration and city re-development HK$'000	Sub-total HK$'000	Pearls and jewelry HK$'000	Property development and investment HK$'000	Sub-total HK$'000	Total HK$'000
Statements of financial position items							
Total segment assets	1,854,489	—	1,854,489	—	—	—	1,854,489
Total segment assets include:							
Investment in an associate	29,173	—	29,173	—	—	—	29,173
Additions to non-current assets	286,591	—	286,591	—	—	—	286,591
Total segment liabilities	1,024,651	—	1,024,651	—	—	—	1,024,651

A reconciliation of the reportable segments' profit/(loss) before income tax to the Group's profit/(loss) before income tax is as follows:

	2012			2011			2010		
	Continuing operations HK$'000	Discontinued operations HK$'000 (Note 17)	Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000 (Note 17)	Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000 (Note 17)	Total HK$'000
Total profit/(loss) before income tax for reportable segments	361,586	—	361,586	334,296	14,890	349,186	273,882	(36,727)	237,155
Gain on disposals of financial assets at fair value through profit or loss	—	—	—	—	1,128	1,128	—	8,861	8,861
Net unrealized loss on financial assets at fair value through profit or loss	—	—	—	—	(51)	(51)	—	(2,695)	(2,695)
Decrease in fair value of derivative financial liabilities	4,047	—	4,047	—	—	—	—	—	—
Share-based payment as share options granted to directors and employees by a subsidiary	—	—	—	—	(1,148)	(1,148)	—	(5,411)	(5,411)
Investment income	—	—	—	—	1,112	1,112	—	653	653
Recycling of exchange difference to profit or loss upon the Distribution (Note 17)	—	—	—	—	20,284	20,284	—	—	—
Corporate finance income	1	—	1	2	1	3	3	43	46
Corporate expenses	(9,856)	—	(9,856)	(6,994)	(286)	(7,280)	(21,589)	(2,949)	(24,538)
Profit/(loss) before income tax of the Group	355,778	—	355,778	327,304	35,930	363,234	252,296	(38,225)	214,071

A reconciliation of the total of reportable segments' assets to the Group's total assets is as follows:

	At March 31, 2012			At March 31, 2011		
	Continuing operations HK$'000	Discontinued operation HK$'000 (Note 17)	Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000 (Note 17)	Total HK$'000
Total for reportable segments	3,168,826	—	3,168,826	1,854,489	—	1,854,489
Unallocated:						
Corporate assets	7,053	—	7,053	10,620	—	10,620
Total assets for the Group	3,175,879	—	3,175,879	1,865,109	—	1,865,109

A reconciliation of the total of the reportable segments' liabilities to the Group's total liabilities is as follows:

	At March 31, 2012			At March 31, 2011		
	Continuing operations HK$'000	Discontinued operations HK$'000 (Note 17)	Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000 (Note 17)	Total HK$'000
Total for reportable segments	1,893,601	—	1,893,601	1,024,651	—	1,024,651
Unallocated:						
Corporate liabilities	3,727	—	3,727	2,791	—	2,791
Derivative financial liabilities	2,941	—	2,941	—	—	—
Total liabilities for the Group	1,900,269	—	1,900,269	1,027,442	—	1,027,442

The Company is domiciled in Hong Kong. The Group's revenue from external customers derived from Hong Kong and places other than Hong Kong are Nil (2011: HK$4,004,000 and 2010: HK$13,995,000) and HK$913,768,000 (2011: HK$735,021,000 and 2010: HK$663,043,000) respectively.

As of March 31, 2012, the total of non-current assets located in Hong Kong and places other than Hong Kong are HK$261,000 (March 31, 2011: HK$107,000) and HK$903,705,000 (March 31, 2011: HK$854,976,000) respectively.

The breakdown of major component of the total of revenue from external customers by geographical analysis which is based on the location of the customers is disclosed as follows:-

	2012			2011			2010		
	Continuing operations HK$'000	Discontinued operations HK$'000 (Note 17)	Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000 (Note 17)	Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000 (Note 17)	Total HK$'000
Hong Kong	—	—	—	—	4,004	4,004	—	13,995	13,995
North America	—	—	—	—	20,336	20,336	—	47,082	47,082
Europe	—	—	—	—	51,174	51,174	—	156,922	156,922
PRC (excluding Hong Kong)	913,768	—	913,768	581,573	68,477	650,050	337,659	76,345	414,004
Other Asian countries	—	—	—	—	10,029	10,029	—	33,949	33,949
Others	—	—	—	—	3,432	3,432	—	11,086	11,086
	913,768	—	913,768	581,573	157,452	739,025	337,659	339,379	677,038

Note 9—Other Income, Net

The Group's other income, net, attributable to continuing operations as presented on the face of the consolidated income statements is analyzed as follows:

	2012 HK$'000	2011 HK$'000	2010 HK$'000
Government grants	55,972	56,044	36,553
Contract income/(loss), net	—	11,000	(817)
Income of land leveling works, net	4,887	—	—
Others	504	1,190	418
	61,363	68,234	36,154

Note 10—Other Gains/(Losses), Net

The Group's other gains/(losses), net, attributable to continuing operations as presented on the face of the consolidated income statements is analyzed as follows:

	2012 HK$'000	2011 HK$'000	2010 HK$'000
Exchange gain/(loss)	190	14	(139)
Gain on disposals of land use rights	—	8,502	—
Gain on disposal of a subsidiary (Note 36)	—	90	—
Loss on disposals of property, plant and equipment	(3)	—	(7)
Others	—	322	—
	187	8,928	(146)

Note 11—Expenses by Nature

The Group's expenses attributable to continuing operations by their nature as presented on the face of the consolidated income statements is analyzed as follows:

	2012 HK$'000	2011 HK$'000	2010 HK$'000
Costs of completed properties for sale	460,258	348,037	208,762
Cost of services provided	16,295	4,228	653
Employee benefit expenses (including directors' emoluments) (Note 12)	39,111	18,643	13,472
Auditors' remuneration			
—Provision for current year	3,800	3,548	3,280
Depreciation of property, plant and equipment (Note 20)	6,583	3,457	796
Amortization of land use rights (Note 21)	1,940	1,234	854
Provision for impairment of trade and other receivables	3,990	2,570	—
Operating lease rental on rented premises	878	405	108
Selling and related expenses	20,365	18,610	5,975
Land use tax	23,023	17,955	17,600
Heating costs	14,301	5,273	2,503
Legal and professional fees	7,973	4,864	13,273
Others	25,835	10,625	10,091
Total cost of sales, selling expenses and administrative expenses from continuing operation	624,352	439,449	277,367

Note 12—Employee Benefit Expenses (Including Directors' Emoluments)

	2012 HK$'000	2011 HK$'000	2010 HK$'000
Salaries, wages and other benefits	36,738	17,706	12,809
Pension costs—defined contribution plans and social security costs	2,373	937	663
	39,111	18,643	13,472

Note 13—Finance Income and Costs

The Group's finance income, net, attributable to continuing operations as presented on the face of the consolidated income statements is analyzed as follows:

	2012 HK$'000	2011 HK$'000	2010 HK$'000
Finance income			
Interest income on short-term bank deposits	1,154	803	365
Finance costs			
Interest expense on bank borrowings	(36,519)	(27,833)	(24,424)
Interest expense on other borrowings	(36,113)	(2,201)	—
Amounts capitalized on qualifying assets	72,105	26,107	24,424
	(527)	(3,927)	—
Net finance income/(costs)	627	(3,124)	365

The capitalization rate of borrowings is 8.8% for the year ended March 31, 2012 (2011: 5.2% and 2010: 5.8%).

Note 14—Income Tax Expenses

The Group's income tax expenses attributable to continuing operations as presented on the face of the consolidated income statements is analyzed as follows:

	2012 HK$'000	2011 HK$'000	2010 HK$'000
Current income tax:			
PRC enterprise income tax	96,239	51,381	26,269
PRC land appreciation tax	42,478	45,938	22,202
	138,717	97,319	48,471
(Over)/under-provision in prior years:			
PRC Land appreciation tax	(14,647)	—	—
Others	—	(571)	579
	(14,647)	(571)	579
Deferred income tax charge for the current year	649	27,882	37,508
	124,719	124,630	86,558

The PRC enterprise income tax in respect of operations in Mainland China has been provided at the tax rate of 25% (2011: 25% and 2010: 25%) on the estimated assessable profits for the year based on existing legislation, interpretation and practices in respect thereof.

Income tax in respect of operations in Hong Kong has been provided at the tax rate of 16.5% (2011: 16.5% and 2010: 16.5%) on the estimated assessable profits for the year based on existing legislation, interpretation and practices in respect thereof.

PRC land appreciation tax is levied and provided for in the consolidated financial statements 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.

The tax charge for the year attributable to continuing operations can be reconciled to the profit before income tax from continuing operations using the enacted tax rates of the home countries where the subsidiaries are operated are as follows:

	2012 HK$'000	2011 HK$'000	2010 HK$'000
Profit before income tax from continuing operations	355,778	327,304	252,296
Tax calculated at tax rates applicable to profits in the respective entities	91,374	83,178	64,592
Tax effect of:			
Associate's losses reported net of tax	614	96	—
Deduction of land appreciation tax	(6,958)	(11,484)	(5,550)
Expenses that are not deductible for tax purpose	3,023	3,041	4,290
Income not subject to tax	(699)	(130)	—
Utilization of tax loss not previously recognized	(1,178)	—	—
Temporary difference not recognized	(2)	8	(6)
Recognition of temporary difference not previously recognized	—	—	(1,400)
Tax loss for which no deferred income tax was recognized	10,714	4,554	1,851
(Over)/under-provision in prior years	—	(571)	579
	96,888	78,692	64,356
Land appreciation tax	27,831	45,938	22,202
Income tax charge for the year from continuing operations	124,719	124,630	86,558

The effective tax rate during the fiscal year ended March 31, 2012 was 35.1% (2011: 38.1% and 2010: 34.3%). The decrease is contributed to decrease in land appreciation tax arising from sale of properties which has a higher tax rates.

Note 15—Earnings Per Share ("EPS")

	March 31, 2012			March 31, 2011			March 31, 2010		
	Earnings	Shares	EPS	Earnings	Shares	EPS	Earnings	Shares	EPS
	HK$'000	'000	HK$	HK$'000	'000	HK$	HK$'000	'000	HK$
Basic earnings per share:									
Net profit attributable to ordinary shares:									
From continuing operations	208,690	70,536	2.96	203,079	64,126	3.17	165,636	63,834	2.60
From discontinued operations (Note 17)	—	70,536	—	23,913	64,126	0.37	5,504	63,834	0.08
	208,690	70,536	2.96	226,992	64,126	3.54	171,140	63,834	2.68
Net profit attributable to preferred shares	296	100	2.96	354	100	3.54	268	58	4.62
Net profit attributable to equity holders	208,986			227,346			171,408		
Effect of dilutive share options of a subsidiary granted by a subsidiary from discontinued operations	—	—		(78)	—		(83)	—	
Diluted earnings per share:									
Net profit attributable to ordinary shares, including assumed exercise:									
From continuing operations	208,690	70,536	2.96	203,079	64,126	3.17	165,645	63,834	2.60
From discontinued operations (Note 17)	—	70,536	—	23,835	64,126	0.37	5,412	63,834	0.08
	208,690	70,536	2.96	226,914	64,126	3.54	171,057	63,834	2.68
Net profit attributable to preferred shares, including assumed exercise	296	100	2.96	354	100	3.54	268	58	4.62

The calculation of the basic earnings per share is based on the adjusted net profit attributable to equity holders for the year, which is derived by net profit attributable to equity holders deducting the profit shared by preferred shares, and on the weighted average number of ordinary shares in issue during the year.

The effect of dilutive share options is attributable to share options granted by MSIL. In the calculation of diluted earnings per share attributable to ordinary shares, the Company's net profit is reduced by the difference between the basic and diluted earnings per share attributable to the subsidiary multiplied by the Company's holding in the subsidiary's shares.

Note 16—Dividend

	2012 HK$'000	2011 HK$'000	2010 HK$'000
Special dividend—Nil (2011: HK$7.27; 2010: Nil) per ordinary share (Note 17)	—	466,474	—

Note 17—Discontinued Operations

As detailed in note 2(a) to the consolidated financial statements, as a result of the Distribution, the Group discontinued the Discontinued Operations. The financial information relating to the Discontinued Operations is set out below:

(i) Financial performance information for the year ended March 31:

	2012 HK$'000	2011 HK$'000 (Note (i))	2010 HK$'000
Revenue	—	157,452	339,379
Cost of sales	—	(117,241)	(276,602)
Gross profit	—	40,211	62,777
Other income and gains, net	—	7,722	16,776
Recycling of exchange difference to profit or loss upon the Distribution (Note (ii))	—	20,284	—
Expenses	—	(33,983)	(114,073)
Increase/(decrease) in fair values of investment properties and investment properties under construction	—	1,592	(3,991)
Operating profit/(loss)	—	35,826	(38,511)
Finance income, net	—	87	238
Share of results of an associate	—	17	48
Profit/(loss) before income tax	—	35,930	(38,225)
Income tax (expenses)/credits	—	(6,052)	14,036
Profit/(loss) for the year	—	29,878	(24,189)
Attributable to:			
Equity holders of the Company	—	23,950	5,504
Non-controlling interests	—	5,928	(29,693)
	—	29,878	(24,189)
Earnings per share from the Discontinued Operations attributable to equity holders of the Company during the year			
Basic	—	HK$ 0.37	HK$ 0.08
Diluted	—	HK$ 0.37	HK$ 0.08

Note:

(i) The financial performance of the Discontinued Operations for the year ended March 31, 2011 was up to the date of the Distribution.

(ii) The financial performance of the Discontinued Operations included a release of translation reserve.

(ii) Cash flows information for the year ended March 31:

	2012 HK$'000	2011 HK$'000 (Note)	2010 HK$'000
Operating cash flows	—	78,744	113,358
Investing cash flows	—	(599,392)	(26,611)
Financing cash flows	—	17,640	(47,972)
Total cash flows	—	(503,008)	38,775

Note:
The cash flows of the Discontinued Operations for the year ended March 31, 2011 was up to the date of the Distribution.

(iii) Financial position information as at date of the Distribution:

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 2(a)) during the year ended March 31, 2011 are as follows:

	HK$'000
Net assets distributed:	
Investment properties (Note 18)	844,560
Investment properties under construction (Note 19)	77,404
Property, plant and equipment	114,068
Land use rights (Note 21)	9,237
Interest in an associate	119
Deferred tax assets (Note 24)	1,337
Inventories	56,232
Completed properties held for sale	220,304
Properties under development (Note 26)	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	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 borrowings	(183,998)
Amount due to an associate	(1,557)
Deferred tax liability (Note 24)	(84,541)
Non-controlling interests	(805,855)
Special dividend (Note 16)	466,474

An analysis of the net outflow of cash and cash equivalents in respect of the Distribution is as follows:

	HK$'000
Cash and cash equivalents disposed of and net outflow of cash and cash equivalents in respect of the Distribution	(596,993)

No tax expense was recognized from the Distribution as such Distribution did not result into any gain or loss.

Note 18—Investment Properties

	2012 HK$'000	2011 HK$'000
At fair value		
At beginning of the year	133,950	866,329
Exchange difference	9,279	16,986
Additions	—	4,340
Distribution of subsidiaries (Note 17)	—	(844,560)
Disposals during the year (Note)	—	(11,390)
Transferred from investment properties under construction (Note 19)	396,227	75,310
Increase in fair values	3,142	26,935
At end of the year	542,598	133,950

Note:
The disposals during the year ended March 31, 2011, which were attributable solely to the Discontinued Operations, was sold for HK$17,185,000 and the corresponding gain was included in the other gains/(losses), net in the financial performance of the Discontinued Operations as disclosed in note 17 to the consolidated financial statements.

The Group's investment properties at March 31, 2012 and March 31, 2011 were determined by management based in part on valuation by independent firms of professional property valuers, on market value basis, at HK$542,598,000 (2011: HK$133,950,000). The valuations were arrived at by reference to comparable market transaction and where appropriate, on the basis of capitalization of net income. The increase in fair value amounted to HK$3,142,000 of the investment properties has been credited to the consolidated income statement (2011: HK$26,935,000).

The Group's investment properties are either rented or intended to be rented out under operating leases.

All the Group's investment properties are located in the PRC and the land, at which these investment properties are located, was held under leases of 40 years.

Note 19—Investment Properties Under Construction

	2012 HK$'000	2011 HK$'000
At fair value		
At beginning of the year	346,728	293,020
Exchange difference	8,500	13,625
Additions	40,716	98,450
Distribution of subsidiaries (Note 17)	—	(77,404)
Interest capitalized	15,445	8,162
Transferred from land use rights	240	—
Transferred to investment properties (Note 18)	(396,227)	(75,310)
(Decrease)/increase in fair values	(548)	86,185
At end of the year	14,854	346,728

The Group's investment properties under construction at March 31, 2012 and March 31, 2011 were determined by management based in part on valuation by independent firms of professional property valuers, on market value basis, at HK$14,854,000 (2011: HK$346,728,000). The valuations were arrived at by reference to comparable market transaction and where appropriate, on the basis of capitalization of net income. The decrease in fair values of investment properties under construction amounted to HK$548,000 has been debited to the consolidated income statement (2011: increase in fair values of investment properties under construction amounted to HK$86,185,000 had been credited to the consolidated income statement).

All the Group's investment properties under construction are located in the PRC and the land, at which these investment properties under constructions located, was held under leases of 40 years.

Note 20—Property, Plant and Equipment

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost or valuation							
At April 1, 2010	153,406	16,404	33,304	11,241	12,069	4,510	230,934
Exchange difference	3,178	152	527	381	340	87	4,665
Additions	—	—	623	2,819	1,334	1,244	6,020
Disposals	—	—	(42)	(55)	—	—	(97)
Reclassification	—	96	—	(96)	—	—	—
Distribution of subsidiaries	(101,303)	(16,556)	(29,235)	(8,833)	(6,993)	—	(162,920)
Transferred from properties under development	7,302	—	5,238	1,374	—	53	13,967
Reclassification upon completion	1,389	—	—	4,451	—	(5,840)	—
Revaluation increase	2,922	—	—	—	—	—	2,922
At March 31, 2011 and at April 1, 2011	66,894	96	10,415	11,282	6,750	54	95,491
Exchange difference	2,518	59	379	425	282	14	3,677
Additions	—	5,484	—	2,629	3,654	14	11,781
Disposals	—	(96)	—	(8)	—	—	(104)
Transferred from properties under development	6,218	—	714	16	—	983	7,931
Reclassification upon completion	—	—	—	14	—	(14)	—
Revaluation decrease	(2,100)	—	—	—	—	—	(2,100)
At March 31, 2012	73,530	5,543	11,508	14,358	10,686	1,051	116,676
Comprising:							
At cost—March 31, 2011	—	96	10,415	11,282	6,750	54	28,597
At valuation—March 31, 2011	66,894	—	—	—	—	—	66,894
	66,894	96	10,415	11,282	6,750	54	95,491
At cost—March 31, 2012	—	5,543	11,508	14,358	10,686	1,051	43,146
At valuation—March 31, 2012	73,530	—	—	—	—	—	73,530
	73,530	5,543	11,508	14,358	10,686	1,051	116,676

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
Accumulated depreciation							
At April 1, 2010	—	10,753	22,675	7,806	6,373	—	47,607
Exchange difference	49	142	195	110	120	—	616
Depreciation from continuing operations charged for the year	1,706	—	495	744	512	—	3,457
Depreciation from the Discontinued Operations charged for the year	903	822	815	285	415	—	3,240
Distribution of subsidiaries	—	(11,717)	(23,631)	(7,498)	(6,006)	—	(48,852)
Reclassification	—	66	—	(66)	—	—	—
Eliminated on disposals	—	—	(42)	(55)	—	—	(97)
Eliminated on revaluation	(2,658)	—	—	—	—	—	(2,658)
At March 31, 2011 and at April 1, 2011	—	66	507	1,326	1,414	—	3,313
Exchange difference	89	5	32	65	63	—	254
Depreciation from continuing operations charged for the year	2,011	605	1,102	1,896	969	—	6,583
Eliminated on disposals	—	(96)	—	(5)	—	—	(101)
Eliminated on revaluation	(2,100)	—	—	—	—	—	(2,100)
At March 31, 2012	—	580	1,641	3,282	2,446	—	7,949
Net book value							
At March 31, 2011	66,894	30	9,908	9,956	5,336	54	92,178
At March 31, 2012	73,530	4,963	9,867	11,076	8,240	1,051	108,727

All the Group's leasehold land and buildings are located in the PRC and the land, at which these buildings are located, was held under leases of 40 years.

Certain of the Group's leasehold land and buildings at April 1, 2010 were determined by management in part on valuation by independent firms of professional property valuers, on market value basis, at HK$96,170,000, which was solely attributable to the Discontinued Operations. The valuations were arrived at by reference to comparable market transactions. The revaluation increase arising from revaluation of the leasehold land and buildings attributable to the Discontinued Operations amounted to HK$5,580,000 and has been credited to the other property revaluation reserve in the fiscal year ended March 31, 2011 prior to the Distribution.

Certain properties of the Group regarded as operational are for continuing business, such as sales center and showroom located at Tieling, Liaoning Province and were valued on the basis of depreciated replacement cost ("DRC") at HK$73,530,000 (2011: HK$66,894,000) as there were no comparable market transaction for such properties. Such valuation using DRC has no gain or loss charged to the equity or consolidated income statement for the year.

If the leasehold land and buildings had not been revalued, they would have been included in the consolidated financial statements at historical cost less accumulated depreciation and impairment losses of HK$73,530,000 (March 31, 2011: HK$66,894,000).

Note 21—Land Use Rights

The cost is amortized over the lease period. Amortization expense has been charged to administrative expenses.

	2012 HK$'000	2011 HK$'000
At beginning of the year	78,351	24,657
Exchange difference	2,694	2,299
Amortization from continuing operations	(1,940)	(1,234)
Amortization from the Discontinued Operations	—	(828)
Additions (Note (i))	858,579	137,511
Disposals (Note (ii))	—	(6,659)
Distribution of subsidiaries (Note 17)	—	(9,237)
Refunds of payments from acquisition of land use rights (Note (iii))	(721,071)	(62,721)
Transferred to investment properties under construction	(240)	—
Transferred to properties under development	(143,767)	(5,437)
At end of the year	72,606	78,351

Note:

(i) During the year ended March 31, 2012, the additions included certain up-front payments and related costs incurred in acquiring a portion of the China Northeast Logistics City—Tieling Phase II land and China Northeast Logistics City—Dezhou (2011: the additions included certain up-front payments and related costs incurred in acquiring a portion of the China Northeast Logistics—Tieling Phase II land).

(ii) During the fiscal year ended March 31, 2011, the disposals were related to a capital injection where the Group injected capital in a form of land use rights into an associate of the Group. At the time of the injection, the fair values of the land use rights approximated to HK$20,830,000.

(iii) During the year ended March 31, 2012 and 2011, the refunds represented money received from the local government for certain payments made and costs incurred in acquiring lands for China Northeast Logistics City—Tieling and China Northeast Logistics City—Dezhou.

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Represented by:		
Amount included under current assets	1,911	2,118
Amount included under non-current assets	70,695	76,233
	72,606	78,351

The land use rights are situated in the PRC and held under the lease of between 40 and 70 years.

Note 22—Deposits for Acquisition of Land Use Rights

During the year ended March 31, 2009, the Group, from its continuing operations, disposed of all assets and liabilities, together with all related commitment and contingent liabilities thereof, in relation to a property development project at a consideration of RMB101,600,000 (the "Receivables") to an independent third party (the "Buyer"). During the year ended March 31, 2010, the PRC local government, the Buyer and the Group entered into a memorandum in December 2009 pursuant to which the PRC local government and the Buyer agreed that the Group was able to utilize the Receivable as part of the future land acquisition consideration in Tieling, Mainland China. Accordingly, the Receivable was transferred to deposits for acquisition of land use rights during the fiscal year ended March 31, 2010 and its amount at March 31, 2012 was approximately HK$124,724,000 (2011: HK$120,436,000).

During the fiscal year ended March 31, 2011, the Group has entered into an agreement with the PRC local government where the Group provided an escrow money of RMB80,000,000 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. During the fiscal year ended March 31, 2011, an aggregate amount of RMB70,000,000 was refunded to the Group and the amount of the remainder at March 31, 2012 was approximately HK$12,276,000 (2011: HK$11,854,000) which will be used as future land acquisition consideration in Tieling.

In addition, during the fiscal year ended March 31, 2011, the Group paid an aggregate amount of RMB25,641,000 to the PRC local government as a deposit for purchase of a land use right for its project in Dezhou, the PRC, and the deposit at March 31, 2011 was approximately HK$30,395,000. During the fiscal year ended March 31, 2012, the deposit was transferred to other receivables upon the receipt of land use right certificates pending for refund from the PRC local government.

During the fiscal year ended March 31, 2012, the Group paid an aggregate amount of RMB238,371,000 to the PRC local government as a deposit for purchase of a land use right for its project in Qiqihar, the PRC. During the fiscal year ended March 31, 2012, an aggregate amount of RMB117,897,000 was refunded to the Group and the remaining amount at March 31, 2012 was approximately HK$147,893,000.

Note 23—Interest in an Associate

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Non-current assets:		
Unlisted investment, at cost	28,686	28,686
Share of losses of an associate	(2,842)	(386)
Exchange difference	1,884	873
Share of net assets	27,728	29,173

Financial information of the associate for the years ended March 31, 2012 and March 31, 2011 was summarized as follows:

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Assets	198,798	154,406
Liabilities	(114,444)	(66,957)
Equity	84,354	87,449

	2012 HK$'000	2011 HK$'000
Turnover	—	—
Net loss	(6,140)	(965)

At March 31, 2012, the Group's investments in associates are as follows:

Name of Company	Place of establishment and operation	Class of shares held	Proportion of ownership interest % 2012	Proportion of ownership interest % 2011	Principal activities
Tieling Motor Vehicles Trading Co., Ltd.* 鐵嶺機動車交易有限責任公司	The People's Republic of China	Registered capital of RMB75,000,000	40%	40%	Property development and investment

* For identification purpose only.

Note 24—Deferred Income Tax

The major deferred tax liabilities/(assets) recognized by the Group and movements thereon during the current year and prior year are as follows.

Deferred tax assets:

	Revaluation of leasehold land and buildings and investment properties HK$'000	Accelerated tax depreciation HK$'000	Unrealized profit in inventories HK$'000	Total HK$'000
At April 1, 2010	425	234	(1,948)	(1,289)
Net charge/(credit) to the consolidated income statement for the year	50	(65)	(33)	(48)
Distribution of subsidiaries (Note 17)	(475)	(169)	1,981	1,337
At March 31, 2011 and at April 1, 2011	—	—	—	—
Net charge/(credit) to the consolidated income statement for the year	—	—	—	—
At March 31, 2012	—	—	—	—

Deferred tax liabilities:

	Revaluation of leasehold land and buildings and investment properties HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Unrealized profit in inventories HK$'000	Unrecognized revenue HK$'000	Others HK$'000	Total HK$'000
At April 1, 2010	150,653	(1,290)	(219)	(305)	(15,582)	(999)	132,258
Net charge/(credit) to the consolidated income statement for the year	27,545	88	65	6	(2,712)	324	25,316
Net charge to consolidated statement of comprehsive income for the year (Note)	944	—	—	—	—	—	944
Distribution of subsidiaries (Note 17)	(105,486)	1,207	154	299	18,606	679	(84,541)
Exchange difference	3,910	(5)	—	—	(312)	(4)	3,589
At March 31, 2011 and at April 1, 2011	77,566	—	—	—	—	—	77,566
Net charge to the consolidated income statement for the year	649	—	—	—	—	—	649
Exchange difference	2,768	—	—	—	—	—	2,768
At March 31, 2012	80,983	—	—	—	—	—	80,983

Note:
These amounts were charged to the consolidated statements of comprehsive income and presented net of changes in fair values of leasehold land and buildings.

As at March 31, 2011, the deferred taxes recognized by the Group were expected to be recovered in the period of beyond one year which was attributable to the Discontinued Operations. Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at March 31, 2012, the Group did not recognize deferred income tax assets of HK$17,062,000 (March 31, 2011: HK$7,302,000) in respect of losses amounting to HK$78,744,000 (March 31, 2011: HK$34,765,000) that can be carried forward against future taxable income as future taxable profits of certain of the Group's subsidiaries where these losses were incurred were not probable. Losses amounting to HK$30,866,000 (March 31, 2011: HK$16,348,000) can be carried forward indefinitely. Losses amounting to HK$47,878,000 expire by 2017 (March 31, 2011: HK$18,417,000 expired by 2016).

At March 31, 2012, deferred income tax liabilities of HK$29,525,000 (March 31, 2011: HK$15,078,000) has not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries as the Company controls the dividend policies of these subsidiaries and it has determined that these earnings will not be distributed in the foreseeable future. Unremitted earnings totaled HK$590,497,000 as of March 31, 2012 (March 31, 2011: HK$301,559,000).

Note 25—Completed Properties Held for Sale

All the Group's properties held for sale are located in the PRC and were held under lease term of 40 to 70 years. All the properties held for sale are stated at the lower of cost, deemed cost or net realizable value.

Note 26—Properties Under Development

	2012 HK$'000	2011 HK$'000
At beginning of the year	275,607	258,046
Exchange difference	15,637	10,989
Additions	934,852	456,450
Deemed disposal of a subsidiary (Note 36)	—	(27,199)
Interest capitalized	56,660	20,456
Distribution of subsidiaries (Note 17)	—	(493)
Transferred from land use rights	143,767	5,437
Transferred to completed properties held for sale	(607,592)	(434,112)
Transferred to property, plant and equipment	(7,931)	(13,967)
At end of the year	811,000	275,607

All the Group's properties under development are located in the PRC and were held under leases of 40 to 70 years.

Note 27—Trade and Other Receivables

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Trade receivables	270,038	165,823
Less: provision for impairment of trade receivables	(6,761)	(2,632)
Trade receivables, net	263,277	163,191
Prepaid expenses	9,542	7,155
Loans receivable (Note (i))	98,207	—
China tax receivable	3,899	—
Deposits and other receivables (Note (ii))	87,409	7,572
	462,334	177,918

Note:

(i) During the year ended March 31, 2012, the Group has serviced and assigned development rights to independent third parties with aggregate sum of RMB154,182,000, where RMB80,000,000 of which was lent to these parties as loans. The loans receivable from these parties are secured by equity interests in certain companies owned by these third parties. The loans receivable are interest bearing at interest rate of 12% per annum commencing from three months after first land use rights from assignment of development rights has been obtained by these third parties.

(ii) During the year ended March 31, 2012, the Group paid an aggregate amount of approximately RMB43,995,000 to the PRC local government for the land acquisition fees in acquiring a portion of the China Northeast Logistics—Dezhou land. The amount will be refunded upon the receipt of land use right certificates and the carrying amounts as at March 31, 2012 was approximately HK$54,008,000. In addition, during the fiscal year ended March 31, 2012, an deposit for purchase of a land use right of the China Northeast Logistics—Dezhou of approximately RMB25,641,000 was transferred to other receivables upon the receipt of land use right certificates of pending for refund from the PRC local government. During the fiscal year ended March 31, 2012, an aggregate amount of RMB4,932,000 was refunded to the Group and the remaining amount at March 31, 2012 was approximately HK$25,423,000.

The Group grants an average credit periods ranging from 60 days to 105 days to its customers. The carrying amounts of the trade and other receivables approximate their fair values as these financial assets, which are measured at amortized cost, are expected to be paid within a short period of time, such that the impact of the time value of money is not significant.

At each statements of financial position date, the recoverability of the Group's trade receivables due from individual customers is assessed based on the credit history of its customers, their financial conditions and current market conditions. Consequently, specific impairment provision is recognized.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Hong Kong dollars	1,775	2,188
Renminbi	459,616	172,696
United States dollars	943	3,034
	462,334	177,918

The Group has provided fully for all receivables where recovery of the amounts is remote unless the Group has determined that such balances are not recoverable, in which case the impairment loss is directly written off against the corresponding trade receivables. Based on past experience and the Group's assessment, the management believes that no impairment provision is necessary in respect of the remaining balances as there had not been a significant change in credit quality of such receivables and the balances are considered fully recoverable.

Movements in the provision for impairment of trade receivables are as follows:

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
At beginning of the year	2,632	54,709
Exchange differences	139	522
Provision for impairment losses	3,990	2,877
Amounts written off as uncollectible	—	(244)
Distribution of subsidiaries	—	(55,232)
At end of the year	6,761	2,632

Included in trade and other receivables of the Group are trade receivables of HK$270,038,000 (2011: HK$165,823,000) and their ageing analysis is as follows:

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Not past due	221,167	38,715
1 to 60 days past due	—	10,710
61 to 120 days past due	1,289	62,755
More than 120 days past due	47,582	53,643
	270,038	165,823

As of March 31, 2012, trade receivables of HK$42,110,000 (2011: HK$124,476,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Based on past experience, the mortgage applications by customers would take longer than normally required in the location at which the Group's subsidiaries are operated and management believes that, despite longer time is required, no impairment provision is necessary in respect of these balances as there has not been a significant change in credit quality of these receivables and the balances are still considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
1 to 60 days past due	—	10,710
61 to 120 days past due	1,289	62,755
More than 120 days past due	40,821	51,011
	42,110	124,476

As March 31, 2012, trade receivables of HK$6,761,000 (2011: HK$2,632,000) were impaired and provided for. The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. The ageing of these receivables is as follows:

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Not past due	—	—
1 to 60 days past due	—	—
61 to 120 days past due	—	—
More than 120 days past due	6,761	2,632
	6,761	2,632

Note 28—Restricted Bank Deposits and Cash and Cash Equivalents

(a) Restricted bank deposits

As at March 31, 2012, the Group's bank balances amounting to approximately HK$17,508,000 (2011: HK$123,627,000) were deposited at designated bank accounts in certain banks where these deposits can only be used for the payments of property development costs incurred by the Group, the repayments of the relevant loans, and as guarantee deposits for property ownership certificates not yet transferred from the customers to the banks.

The carrying amounts of the Group's restricted bank deposits are denominated in RMB.

(b) Cash and Cash Equivalents

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Bank balances and cash	333,755	117,186
Time deposits	9,823	39,742
	343,578	156,928

Time deposits are made for approximate range of 1 month to 3 months and carry interest at short-term deposit rates of below 4% per annum (2011: below 3% per annum).

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Hong Kong dollars	7,986	10,730
Renminbi	333,931	145,322
United States dollars	1,657	872
Others	4	4
	343,578	156,928

The carrying amounts of restricted bank deposits and cash and cash equivalents approximate their fair values.

The conversion of RMB denominated balances into foreign currencies and the remittance of such currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Note 29—Trade Payables, Other Payables and Accruals

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Trade payables	491,245	188,942
Deferred income (Note)	39,706	—
China taxes payable	26,704	9,799
Accrued payroll and employee benefits	3,140	1,557
Guarantee deposits	7,779	8,022
Accrued charges and other payables	31,309	27,539
	599,883	235,859

The carrying amounts of trade payables, other payables and accruals approximate their fair values.

Note:
During the year ended March 31, 2012, the Group has serviced and assigned development rights to independent third parties with aggregate sum of RMB154,182,000, where RMB121,837,000 of which was recognized in the consolidated income statement as revenue. The remaining balance of approximately RMB32,345,000 was deferred for the construction of auxiliary infrastructures for local government in accordance with the relevant regulations and agreements. As at March 31, 2012, the carrying value of the amount approximated to HKR39,706,000.

The carrying amounts of trade payables, other payables and accruals are denominated in the following currencies:

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Hong Kong dollars	14,686	7,240
Renminbi	584,969	227,666
United States dollars	228	953
Others	—	—
	599,883	235,859

Note 30—Derivative financial liabilities

On May 11, 2011, the Company completed an underwritten offering of 1,517,978 units at a price of US$2.88 per unit with gross proceeds of approximately US$4,372,000 (approximately HK$34,100,000). Each unit consisted of one of the Company's ordinary share and a warrant to purchase 0.65 of one of the Company's ordinary shares. The exercise price of the warrants was US$3.456 per ordinary share, subject to certain adjustments with a term of three years. The Company has also issued warrants to the underwriter, to purchase 200,373 ordinary shares of the Company at an exercise price of US$3.456 and with a term of three years. At the issuance of these warrants, derivatives financial liabilities were recognized at fair value which approximated HK$6,988,000. As at 31 March 2012, these warrants were recognized at fair value at HK$2,941,000.

The fair values of the warrants as at May 11, 2011 were determined using the binomial valuation model and the Black-Scholes model. The significant inputs into the models were volatility of 77.72%, dividend yield of 0%, risk-free interest rate of 0.97%, projected adjusted EBITDA of HK$137.9 million and standard deviation on adjusted EBITDA of 1.62.

The fair values of the warrants as at March 31, 2012 were determined using the binomial valuation model and the Black-Scholes model. The significant inputs into the models were volatility of 91.83%, dividend yield of 0% and risk-free interest rate of 0.35%.

Note 31—Bank and Other Borrowings

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Current		
Short-term bank loan—Secured	122,759	118,540
Portion of long-term bank loans repayable within one year—Secured	110,484	142,247
Other borrowings—Unsecured	245,520	—
	478,763	260,787
Non-current		
Portion of long-term bank loans repayable after one year—Secured	77,339	213,371
Other borrowings—Unsecured	176,500	60,000
	253,839	273,371
Total bank and other borrowings	732,602	534,158

The interest-bearing bank borrowings are carried at amortized cost. The Group does not have any bank borrowings which contain a repayable on demand clause.

The Group's bank and other borrowings are repayable as follows:

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Within 1 year	478,763	260,787
Between 1 and 2 years	77,339	118,540
Between 2 and 5 years	176,500	154,831
	732,602	534,158

Some of the banking facilities are subject to the fulfillment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants the drawn down facilities would become repayable on demand.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans. Further details of the Group's management of liquidity risk are set out in note 6(c) to the consolidated financial statements. As at March 31, 2012, none of the covenants relating to drawn down facilities had been breached (As at March 31, 2011: Nil).

The carrying amounts of bank borrowings approximate their fair values. All bank borrowings are denominated in RMB (March 31, 2011: All bank borrowings are denominated in RMB) and are carried at variable interest rates ranged from approximately 6.6% to 8.7% per annum (March 31, 2011: 6.1% to 7.9% per annum). The bank borrowings are secured by the assets of the Group (Note 34).

The carrying amounts of other borrowings approximate their fair values. Other borrowings of HK$176,500,000 (March 31, 2011: HK$60,000,000) and HK$245,520,000 (March 31, 2011: nil) are denominated in HKD and RMB, respectively, and are carried at fixed interest rate of arranged from approximately 13% to 18% per annum (March 31, 2011: 13% per annum). The other borrowings are unsecured.

As at March 31, 2012, bank borrowings with carrying amount of approximately HK$187,822,000 (March 31, 2011: HK$355,619,000) were guaranteed by a director and a shareholder.

Note 32—Share Capital

	Number of shares		Share capital	
	2012 '000	2011 '000	2012 HK$000	2011 HK$000
Authorized:				
Preferred share at US$0.001 each at end of year	200	200	2	2
Ordinary share at US$0.001 each at end of year	1,000,000	1,000,000	7,793	7,793
Issued and fully paid:				
Preferred share				
At end of the year	100	100	1	1
Ordinary shares				
At beginning of the year	64,126	64,126	499	499
Issue of new shares from May 2011 Offering (a)	1,518	—	11	—
Issue of new shares from August 2011 Share Placement (b)	2,000	—	16	—
Issue of new shares from August 2011 Unit Placement (c)	5,900	—	46	—
At end of the year	73,544	64,126	572	499
	73,644	64,226	573	500

The Company's share capital consists of ordinary shares and preferred shares.

Note:

(a) On May 11, 2011 (the "May 2011 Closing"), the Company completed an underwritten offering of 1,517,978 units at a price of US$2.88 per unit ("May 2011 Offering") with gross proceeds of approximately US$4,372,000 (approximately HK$34,100,000). Each unit consisted of one of the Company's ordinary share and a warrant to purchase 0.65 of one of the Company's ordinary shares. The exercise price of the warrants was US$3.456 per ordinary share, subject to certain adjustments with a term of three years. The Company has also issued warrants to the underwriter, to purchase 200,373 ordinary shares of the Company at an exercise price of US$3.456 and with a term of three years. As at the May 2011 Closing, the fair values of these warrants approximated to HK$6,988,000. As a result, an amount of approximately HK$6,988,000 was recorded as "Derivative financial liabilities" for these warrants, and amount of approximately HK$11,000 (being 1,517,978 ordinary shares at US$0.001 each) and HK$27,101,000 (being the difference between the gross proceeds, and the fair value of these warrants and nominal value of issued capital) were credited in issued capital and share premium account, respectively. The Company also incurred certain share issuance expenses amounted to HK$7,981,000 in connection with the May 2011 Offering.

(b) On August 4, 2011 (the "August 2011 Share Closing"), the Company completed a private placement of 2,000,000 ordinary shares at a price of US$2.5 per share (the "August 2011 Share Placement"), with gross proceeds of approximately US$5,000,000 (approximately HK$38,900,000). At a result of the August 2011 Share Closing, an amount approximately HK$16,000 (being 2,000,000 ordinary shares at US$0.001 each) and HK$38,884,000 were credited in issued capital and share premium account, respectively. The Company also incurred certain share issuance expenses amounted to HK$170,000 in acconnection with the August 2011 Share Placement.

(c) On August 16, 2011 (the "August 2011 Unit Closing"), the Company completed a private placement of 5,900,000 units at a price of US$2.5 per unit (the "August 2011 Unit Placement"), with gross proceeds of approximately US$14,750,000 (approximately HK$114,755,000). Each unit consisted of one of the Company's ordinary share and a warrant to purchase one of the Company's ordinary shares. The exercise price of the warrants was US$2.875 per ordinary share and with a term of two years. As at the August 2011 Unit Closing, the fair value of these warrants approximated to nil, and an amount of approximately HK$46,000 (being 5,900,000 ordinary shares at US$0.001 each) and HK$114,709,000 (being the difference between the gross proceeds and nominal value of issued capital) were credited in issued capital and share premium account, respectively. The Company also incurred certain share issuance expenses amounted to HK$510,000 in acconnection with the August 2011 Unit Placement.

Note 33—Share Incentive Plan/Share Option Schemes

On August 25, 2011, the Company adopted a share incentive plan (the "2011 Share Incentive Plan"). The purposes of the 2011 Share Incentive Plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors, advisors or consultants, and to promote the success of the Company's business. Options granted under the 2011 Share Incentive Plan may be incentive stock options ("Incentive Stock Options") or nonstatutory stock options ("Nonstatutory Stock Options"), as determined by the administrator (may be the board of directors (the "Board") or one of more committees committees of the Board) at the time of grant of an option. Under the 2011 Share Incentive Plan, the administrator of the Company may grant options to any person being an employee, a director, an advisor or a consultant, of the Group, to subscribe for shares in the Company at a price to be determined by the administrator being:

(1) In the case of Incentive Stock Option:

   a. granted to an employee who at the time of grant is a person who owns stock representing more than 10% of the voting power of all classes of stock of the Company or any parent or subsidiary measured as of date of grant., the per Share exercise price shall be no less than 110% of the Fair Market Value (as defined below) on the date of grant;

   b. granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value (as defined below) on the date of grant;

(2) In the case of a Nonstatutory Stock Option, the per share exercise price shall be such price as is determined by the administrator, provided that, if the per share exercise price is less than 100% of the Fair Market Value (as defined below) on the date of grant, it shall otherwise comply with all all applicable laws, rules, regulations and requirements, including, but not limited to, all applicable United States federal or state laws, any stock exchange rules or regulations, and the applicable laws, rules or regulations of any other country or jurisdiction where options or restricted stock are granted under the 2011 Share Incentive Plan or participants reside or provide services, as such laws, rules, and regulations shall be in effect from time to time; and

(3) Notwithstanding the foregoing, options may be granted with a per share exercise price other than as required above pursuant to a merger or other corporate transaction.

For the purpose of the 2011 Share Incentive Plan, Fair Market Value means, as of any date, the per share fair market value of the ordinary shares of the Company, as determined by the administrator in good faith on such basis as it deems appropriate and applied consistently with respect to participants. Whenever possible, the determination of Fair Market Value shall be based upon the per share closing price for the Shares as reported in The Wall Street Journal for the applicable date.

The maximum aggregate number of shares that may be issued under the 2011 Share Incentive Plan is 7,000,000 shares, all of which shares may be issued under the 2011 Share Incentive Plan pursuant to Incentive Stock Options. The shares issued under the 2011 Share Incentive Plan may be authorized, but unissued, or reacquired shares. If an award of an option should expire or become unexercisable for any reason without having been exercised in full, or is surrendered pursuant to an option exchange program, the unpurchased shares that were subject thereto shall, unless the 2011 Share Incentive Plan shall have been terminated, become available for future grant under the 2011 Share Incentive Plan. In addition, any shares which are retained by the Company upon exercise of an award of options in order to satisfy the exercise or purchase price for such award of options or any withholding taxes due with respect to such award of optins shall be treated as not issued and shall continue to be available under the 2011 Share Incentive Plan and shares issued under the 2011 Share Incentive Plan and later repurchased by the Company at the original purchase price paid to the Company for the shares (including, without limitation, upon repurchase by the Company in connection with the termination of a participant's continuous service status) shall again be available for future grant under the 2011 Share Incentive Plan.

The 2011 Share Incentive Plan shall be valid and effective for a period of 10 years commencing August 25, 2011.

Details of the principal terms of the 2011 Share Incentive Plan are set out in the proxy of the Company dated July 11, 2011.

As at and up to March 31, 2012 , no share option has been granted under the 2011 Share Incentive Plan.

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

The purpose of the 2002 Scheme was to provide incentives 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 shares 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 from a sub-division or consolidation of the number of shares at that date. Subject to as provided for in the 2002 Scheme, MSIL may seek approval from its shareholders in general meeting to refresh this 10% limit, 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 12-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.

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$1 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 directors and employees and movements in such holdings during the year ended March 31, 2011 prior to the Distribution.

Date of Grant	Exercisable Period		Exercise Price	Outstanding At April 1, 2010	Granted	Exercised	Lapsed	Outstanding at July 28, 2010*
Directors of MSIL			HK$					
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
				30,000,000	—	—	—	30,000,000
Employees								
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
				47,050,000	—	(1,600,000)	(750,000)	44,700,000
				77,050,000	—	(1,600,000)	(750,000)	74,700,000
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

* Date of the Distribution

During the year ended March 31, 2011 prior to the Distribution, no share options were granted to directors of MSIL and certain employees of the Group under the share option scheme, 1,600,000 options were exercised and 750,000 options were lapsed prior to the Distribution. The weighted average closing price of MSIL's shares immediately on the date which share options were exercised during the year endeding March 31, 2011 was HK$0.54.

Note:
(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.

The fair value of the options granted was calculated using the Black-Scholes option pricing model (the "Model"). The inputs into the Model were as follows:

Date of grant	**March 13, 2007**	**August 27, 2009**	**September 1, 2009**
Number of share options granted during the year	5,000,000	20,750,000	18,000,000
Weighted average share price on date of grant	HK$ 0.500	HK$ 0.390	HK$ 0.450
Exercise price	HK$ 0.500	HK$ 0.397	HK$ 0.450
Expected volatility	60.91%	90.63%	90.63%
Average expected life	5 years	2.5 years	2.5 years
Risk-free interest rate	4.030%	0.990%	0.990%
Expected dividend yield	0.00%	1.810%	1.810%

During the year ended March 31, 2011, HK$1,148,000 was recognized in the consolidated income statement in relation to share options granted by MSIL, a then subsidiary of the Company prior to the Distribution.

Note 34—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:

	March 31, 2012 HK$'000	**March 31, 2011 HK$'000**
Land	4,553	3,374
Investment properties	165,725	133,950
Completed properties held for sale	15,290	22,082
Property, plant and equipment	55,409	55,471
Properties under development	79,529	35,761
Investment properties under construction	—	341,394
	320,506	592,032

Note 35—Capital Commitments

	March 31, 2012 HK$'000	**March 31, 2011 HK$'000**
Capital injection in respect of investment in a subsidiary in the PRC	—	311,220
Capital expenditure in relation to construction of properties and acquisition of land contracted for but not provided in the consolidated financial statements	211,199	56,737

As at March 31, 2011, the Group was committed to making capital contribution to one of the Company's subsidiaries, China Northeast Logistics City Dezhou Co., Ltd. Such commitment was fully fulfilled during the current year.

Note 36—Disposal of a Subsidiary

During the fiscal year ended March 31, 2011, China Northeast Logistic City Co., Ltd., a wholly-owned subsidiary of the Company, which is principally engaged in property development, 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 and (2) the non-controlling interest of Motor Vehicles Company to ultimately hold 60% equity interest in Motor Vehicles Company. Upon the execution of this agreement, the Group disposed of 20% of its interest in Motor Vehicles Company as the Group no longer had the interest in controlling the financial and operating policies of Motor Vehicles Company. As a result of the revised shareholding, Motor Vehicles Company became an associate of China Northeast Logistic City Co., Ltd and is no longer consolidated by the Group.

The following is an analysis of the net assets on the date which Motor Vehicles Company was being disposed of:

	HK$'000
Net assets disposed of:	
Cash and bank balances	4,688
Prepayments and other receivables	57
Property under development	27,199
Accounts payable	(9,552)
Non-controlling interest	(8,957)
Net assets	13,435
Gain on disposal of a subsidiary	90
	13,525
Satisfied by:	
Acquisition of interest in an associate upon disposal	13,525

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

Cash and bank balances disposed of and net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(4,688)

As at the date of the disposal of Motor Vehicles Company as a subsidiary and acquisition of Motor Vehicles Company as an associate, the net assets attributable to the Group approximated to their fair values.

Note 37—Issuance of New Shares by Subsidiaries

During fiscal year ended March 31, 2011, there were 1,600,000 of MSIL's share options exercised with an exercise price of HK$0.397. The share options exercised were solely attributable to the Discontinued Operations, and subsequent to the Distribution, the Group no longer has any share options outstanding at March 31, 2011 and 2012. In addition, during the fiscal year ended March 31, 2011, a subsidiary of the Discontinued Operations issued certain shares to a non-controlling interest with an aggregate consideration of approximately HK$5,000.

Note 38—Operating Lease Arrangements

The Group as lessee

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

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Operating leases which expire:		
Within one year	765	779
In the second to fifth year inclusive	735	1,500
	1,500	2,279

The Group as lessor

Property rental income earned during the year was HK$3,942,000 (2011: HK$16,120,000). 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:

	March 31, 2012 HK$'000	March 31, 2011 HK$'000
Within one year	1,049	3,144
In the second to fifth year inclusive	411	80
	1,460	3,224

Note 39—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 years ended March 31, 2012 and 2011 is remote. Accordingly, no accrual has been made.

Save as disclosed above, the Group had no other significant contingent liabilities at March 31, 2012 and 2011.

Note 40—Related Party Transactions

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

Related party relationship	Nature of transaction	2012 HK$'000	2011 HK$'000	2010 HK$'000
Key management personnel including directors	Salaries and other allowance	10,135	9,627	19,916
	Retirement benefit	42	44	72
	Share-based payments	—	1,148	2,702
		10,177	10,819	22,690
An entity which is significantly influenced by a key management personnel of the Company	Reimbursement of rental charges paid on behalf	—	639	1,899

As at March 31, 2012, bank borrowings with carrying amounts of approximately HK$187,822,000 (March 31, 2011: HK$355,619,000) were guaranteed by a director and a shareholder.

Save as disclosed in the consolidated financial statements, there were no other significant related party transactions.

Note 41—Balances with Related Parties and Equity Holders

The loan from a non-controlling interest of HK$58,800,000 was unsecured, interest-free and quasi-equity in nature, which is not repayable within one year as at March 31, 2012.

Note 42—US Dollar Equivalents

The US dollar equivalents of the figures shown in the consolidated financial statements are supplementary information and have been translated at HK$7.80 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.

Note 43—Particulars of Subsidiaries

Particulars of the Company's subsidiaries at March 31, 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation / establishment or registration / operation	Issued and fully paid share capital / registered capital	Proportion of nominal value of issued capital / registered capital held by the Company (Note (i)) 2012	2011	Principal activities
M.S. Electronic Emporium Limited	British Virgin Islands	Ordinary shares US$100	100%	100%	Inactive
China Metro-Rural Limited	British Virgin Islands (redomiciled from Cayman Islands)	Ordinary shares US$1	100%	100%	Investment holding
China Metro-Rural Exchange Limited	Hong Kong	Ordinary shares HK$10,000	100%	100%	Investment holding
China Northeast Logistics City Co., Ltd. ^ 鐵嶺東北物流城有限公司 (Note (ii))	PRC	Registered capital US$35,000,000	100%	100%	Operating of agricultural logistic platform
Tieling North Asia Development Co., Ltd. ^ 鐵嶺北亞發展有限公司	PRC	Registered capital RMB5,000,000	100%	100%	Not yet commenced operation
Tieling Northeast City Advertising Co., Ltd. ^ 鐵嶺東北城廣告有限公司	PRC	Registered capital RMB300,000	100%	100%	Not yet commenced operation
Tieling North Asia Property Management Co., Ltd.^ 鐵嶺北亞物業管理有限公司	PRC	Registered capital RMB500,000	100%	100%	Provision of property management and related service
China Metro-Rural Development Limited	Hong Kong	Ordinary shares HK$100	85%	85%	Investment holding
China Northeast Logistics City Dezhou Co., Ltd.^ 德州東北商貿物流城有限公司 (Note (ii))	PRC	Registered capital US$49,990,000	85%	85%	Operating of agricultural logistic platform
Dezhou Northeast City Property Co., Ltd.^ 德州東北城商貿置業有限公司 (Note (iii))	PRC	Registered capital RMB50,000,000	85%	—	Not yet commenced operation
Dezhou Northeast City Advertising Co., Ltd.^ 德州東北城廣告有限公司 (Note (iii))	PRC	Registered capital RMB2,000,000	85%	—	Not yet commenced operation
Dezhou North Asia Property Management Co., Ltd.^ 德州北亞物業管理有限公司 (Note (iii))	PRC	Registered capital RMB2,000,000	85%	—	Not yet commenced operation
China Focus City (H.K.) Holdings Limited (Note (iii))	Hong Kong	Ordinary shares HK$1	100%	—	Investment holding
China Northeast Logistics City Shenzhen Co., Ltd.^ 深圳東北城商貿有限公司 (Note (iii))	PRC	Registered capital RMB10,000,000	100%	—	Management company

Name of subsidiary	Place of incorporation / establishment or registration / operation	Issued and fully paid share capital / registered capital	Proportion of nominal value of issued capital / registered capital held by the Company (Note (i)) 2012	2011	Principal activities
Qiqihar China Focus City Holdings (Group) Co., Ltd.^ 齊齊哈爾中匯城控股(集團)有限公司 (Note (iii))	PRC	Registered capital RMB200,000,000	100%	—	Investment holding and rural-urban migration and city re-development
Qiqihar China Focus City China South Real Estates Development Co., Ltd.^ 齊齊哈爾中匯城華南房地產開發有限公司 (Note (iii))	PRC	Registered capital RMB100,000,000	100%	—	Property development
Qiqihar Northeast Logistics City Co., Ltd.^ 齊齊哈爾東北城商貿物流有限公司 (Note (iii))	PRC	Registered capital RMB50,000,000	100%	—	Note yet commenced operation
Shenyang Jiataihe Investmnets Co., Ltd.^ 瀋陽嘉泰和投資有限公司 (Note (iii))	PRC	Registered capital RMB20,000,000	100%	—	Not yet commenced operation

Note:

(i): The Company directly holds China Metro-Rural Limited and M.S. Electronic Emporium Limited. All other interests shown above are indirectly held by the Company.

(ii): These subsidiaries registered or operated in the PRC are wholly foreign owned enterprises.

(iii): Incorporated during the current year.

The symbol of “ ^ ” represents the English name of the subsidiary for identification purpose only.

Exhibit 1.2

TERRITORY OF THE BRITISH VIRGIN ISLANDS

BVI BUSINESS COMPANIES ACT, 2004

AMENDED AND RESTATED

ARTICLES OF ASSOCIATION
OF
China Metro-Rural Holdings Limited

(a company limited by shares)

(Adopted by way of resolution of members on 19 March 2010)

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INTERPRETATION

1. Definitions

1.1 In these Articles, the following words and expressions shall, where not inconsistent with the context, have the following meanings, respectively:

Act	BVI Business Companies Act, 2004, as from time to time amended or restated.
Articles	these Articles of Association as originally registered or as from time to time amended or restated.
Auditors	the persons for the time being performing the duties of auditors of the Company.
Board	the board of directors appointed or elected pursuant to these Articles and acting by resolution in accordance with the Act and these Articles or the directors present at a meeting of directors at which there is a quorum.
Company	China Metro-Rural Holdings Limited.
Designated Stock Exchange	the NYSE Amex stock exchange (formerly known as The American Stock Exchange) or any other securities exchange or other system on which the shares of the Company may be listed or otherwise authorized for trading from time to time.
Distribution	(a) the direct or indirect transfer of an asset, other than the Company's own shares, to or for the benefit of a Member; or (b) the incurring of a debt to or for the benefit of a Member, in relation to shares held by a Member and whether by means of the purchase of an asset, the purchase, redemption or other acquisition of shares, a transfer of indebtedness or otherwise, and includes a dividend.
Dollars and $	dollars, the legal currency of the United States of America.
Exchange Act	the Securities Exchange Act of 1934, as amended.
Group	the Company and every company which is for the time being controlled by or under common control with the Company (for these purposes, "control" means the power to direct management or policies of the person in question, whether by means of an ownership interest or otherwise).
Independent Director	a person recognized as such by the relevant code, rules and regulations applicable to the listing of the shares on the Designated Stock Exchange.
Member	a person whose name is entered in the Register as the holder of one or more shares, or fractional shares, in the Company including Ordinary Shares or Preferred Shares.
Memorandum	the Memorandum of Association of the Company as originally registered or as from time to time amended or restated.

Ordinary Resolution of Members	(a) a resolution approved at a duly constituted meeting of Members by the affirmative vote of a simple majority of the votes of those Members entitled to vote and voting on the resolution; or (b) a resolution approved or consented to in writing by a majority of Members holding not less than one half of the issued and outstanding voting shares of the Company.
Ordinary Share	ordinary shares in the capital of the Company each with par value of US$0.001 having the rights, privileges and restrictions as set out in Section 6.2 of the Memorandum.
Preferred Share	preferred shares in the capital of the Company each with par value of US$0.001 having the rights, privileges and restrictions as set out in Section 6.1 of the Memorandum.
Register	the principal register and where applicable, any branch register of Members of the Company to be maintained at such place within or outside the British Virgin Islands as the Board shall determine from time to time.
Resolution of Directors	(a) a resolution approved at a duly constituted meeting of directors or of a board committee of the Company by the affirmative vote of a simple majority of the directors present who voted and did not abstain; or (b) a resolution approved or consented to in writing by all of the directors or of all the members of the committee, as the case may be, provided that for this paragraph (b) only, "director" shall not include an alternate.
Resolution of Members	a Special Resolution of Members or an Ordinary Resolution of Members.
Seal	the common seal of the Company.
SEC	the United States Securities and Exchange Commission.
Secretary	the person appointed to perform any or all of the duties of secretary of the Company and includes any deputy or assistant secretary and any person appointed by the Board to perform any of the duties of the Secretary.
Securities	shares and debt obligations of every kind, and options, warrants and rights to acquire shares, or debt obligations.
share	a share of any class in the capital of the Company and including, without limitation, an Ordinary Share and a Preferred Share.

Special Resolution of Members	a resolution shall be a special resolution when it has been passed by a majority of not less than two-thirds of votes cast by such Members as, being entitled so to do, vote in person or, in the case of such Members as are corporations, by their respective duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which not less than ten (10) clear days' Notice, specifying (without prejudice to the power contained in these Articles to amend the same) the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the Members having the right to attend and vote at any such meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the shares giving that right and in the case of an annual general meeting, if it is so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than ten (10) clear days' Notice has been given. a special resolution shall be effective for any purpose for which an ordinary resolution is expressed to be required under any provision of these Articles or the Act. a resolution shall also be a special resolution when it has been consented to in writing by a majority of Members holding not less than two thirds of the issued and outstanding voting shares of the Company.
Treasury Share	a share of the Company that was previously issued but was repurchased, redeemed or otherwise acquired by the Company and not cancelled.

1.2 In these Articles, where not inconsistent with the context:

(a) words denoting the plural number include the singular number and vice versa;

(b) words denoting the masculine gender include the feminine and neuter genders;

(c) words importing persons include companies, associations or bodies of persons whether corporate or not;

(d) a reference to voting in relation to shares shall be construed as a reference to voting by Members holding the shares, except that it is the votes allocated to the shares that shall be counted and not the number of Members who actually voted and a reference to shares being present at a meeting shall be given a corresponding construction;

(e) a reference to money is unless otherwise stated a reference to the currency in which shares of the Company shall be issued;

(f) the words:-

(i) "may" shall be construed as permissive; and

(ii) "shall" shall be construed as imperative; and

(g) unless otherwise provided herein, words or expressions defined in the Act shall bear the same meaning in these Articles.

1.3 In these Articles, expressions referring to writing or its cognates shall, unless the contrary intention appears, include facsimile, printing, lithography, photography, electronic mail and other modes of representing words in visible form.

1.4 Headings used in these Articles are for convenience only and are not to be used or relied upon in the construction hereof.

SHARES

2. Power to Issue Shares

2.1 Subject to the provisions of the Memorandum, the Act and the rules of the Designated Stock Exchange, the unissued shares of the Company shall be at the disposal of the directors who may, without prejudice to any rights previously conferred on the holders of any existing shares or class or series of shares, offer, allot, grant options over or otherwise dispose of the shares to such persons, at such times and upon such terms and conditions as the Company may by Resolution of Directors determine.

2.2 At the discretion of the Board, whether or not in connection with the issuance and sale of any shares or other securities of the Company, the Company may issue securities, contracts, warrants or other instruments evidencing any shares, option rights, securities having conversion or option rights, or obligations on such terms, conditions and other provisions as are fixed by the Board, including, without limiting the generality of this authority, conditions that preclude or limit any person or persons owning or offering to acquire a specified number or percentage of the issued shares, option rights, securities having conversion or option rights, or obligations of the Company or transferee of the person or persons from exercising, converting, transferring or receiving the shares, option rights, securities having conversion or option rights, or obligations.

3. Power of the Company to Purchase its Shares

3.1 The directors may, on behalf of the Company, subject to an Ordinary Resolution of Members (including the written consent of all the Members whose shares are to be purchased, redeemed or otherwise acquired), purchase, redeem or otherwise acquire any of the Company's own shares for such consideration as they consider fit, and either cancel or hold such shares as Treasury Shares; provided, however, that with respect to repurchases of the Company's shares that are listed on a Designated Stock Exchange, such repurchase transactions shall be in accordance with the relevant code, rules and regulations applicable to the listing of the shares on the Designated Stock Exchange. The directors may dispose of any shares held as Treasury Shares on such terms and conditions as they may from time to time determine. Shares may be purchased or otherwise acquired in exchange for newly issued Shares.

3.2 Sections 60 and 61 of the Act shall not apply to the Company.

4. Treatment of Purchased, Redeemed or Acquired Shares

4.1 Subject to Article 4.2, a share that the Company purchases, redeems or otherwise acquires may be cancelled or held by the Company as a Treasury Share.

4.2 The Company may only hold a share that has been purchased, redeemed or otherwise acquired as a Treasury Share if the number of shares purchased, redeemed or otherwise acquired, when aggregated with shares of the same class already held by the Company as Treasury Shares, does not exceed 50% of the shares of that class previously issued by the Company, excluding shares that have been cancelled.

5. Treasury Shares

5.1 Treasury Shares may be transferred by the Company and the provisions of the Act, the Memorandum and these Articles that apply to the issue of shares apply to the transfer of Treasury Shares.

5.2 All the rights and obligations attaching to a Treasury Share are suspended and shall not be exercised by or against the Company while it holds the share as a Treasury Share.

6. Consideration

6.1 A share may be issued for consideration in any form, including money, a promissory note or other written obligation to contribute money or property, real property, personal property (including goodwill and know-how), services rendered or a contract for future services.

6.2 No share may be issued for a consideration other than money unless the directors pass a resolution stating:

(a) the amount to be credited for the issue of the share;

(b) their determination of the reasonable present cash value of the non-money consideration for the issue; and

(c) that, in their opinion, the present cash value of the non-money consideration for the issue is not less than the amount to be credited for the issue of the share.

6.3 No share may be issued by the Company that:

(a) increases the liability of a person to the Company; or

(b) imposes a new liability on a person to the Company,

unless that person, or an authorised agent of that person, agrees in writing to becoming the holder of the share.

6.4 Shares in the Company may be issued for such amount of consideration as the Board may from time to time determine, except that in the case of shares with par value, the amount shall not be less than the par value, and in the absence of fraud, the decision of the Board as to the value of the consideration received by the Company in respect of the issue in conclusive unless a question of law is involved. The consideration in respect of the shares constitutes capital to the extent of the par value and the excess constitutes surplus.

7. Forfeiture of Shares; Lien on Shares

7.1 Where a share is not fully paid for on issue, the directors may, subject to the terms on which the share was issued, at any time serve upon the Member a written notice of call specifying a date for payment to be made.

7.2 The written notice of call shall name a further date not earlier than the expiration of fourteen days from the date of service of the notice on or before which the payment required by the notice is to be made and shall contain a statement that in the event of non-payment at or before the time named in the notice, the share will be liable to be forfeited.

7.3 Where a notice complying with the foregoing provisions has been issued and the requirements of the notice have not been complied with, the directors by Resolution of Directors may, at any time before tender of payment forfeit and cancel the share to which the notice relates. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before the forfeiture.

7.4 Upon forfeiture and cancellation pursuant to Article 7.3, the Company shall be under no obligation to refund any moneys to that Member and that Member shall be discharged from any further obligation to the Company as regards the forfeited share.

7.5 The Company shall have a first and paramount lien on every share issued for a promissory note or for any other binding obligation to contribute money or property or any combination thereof to the Company, and the Company shall also have a first and paramount lien on every other share standing registered in the name of a Member, whether singly or jointly with any other person, for all such promissory notes or other binding obligations of such Member or his estate to the Company, whether the same shall have been incurred before or after notice to the Company of any interest of any person other than such Member, and whether the time for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Member or his estate and any other person, whether a Member of the Company or not. The Company's lien on a share shall extend to all dividends payable thereon. The directors may at any time either generally, or in any particular case, waive any lien that has arisen or declare any share to be wholly or in part exempt from the provisions of this Article.

7.6 In the absence of express provisions regarding sale in the promissory note or other binding obligation to contribute money or property, the Company may sell, in such manner as the directors may by Resolution of Directors determine, any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of twenty-one days after a notice in writing, stating and demanding payment of the sum presently payable and giving notice of the intention to sell in default of such payment, has been served on the holder for the time being of the share.

7.7 The net proceeds of the sale by the Company of any shares on which it has a lien shall be applied in or towards payment of discharge of the promissory note or other binding obligation to contribute money or property or any combination thereof in respect of which the lien exists so far as the same is presently payable and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale) be paid to the holder of the share immediately before such sale. For giving effect to any such sale the directors may authorize some person to transfer the share sold to the purchaser thereof. The purchaser shall be registered as the holder of the share and he shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the sale.

8. Share Certificates

8.1 The Company shall not be required to issue certificates in respect of its shares to a Member, but may elect to do so by Resolution of Directors upon the request and at the expense of the Member. If the Company issues share certificates, the certificates shall be signed by at least one director or such other person who may be authorized by Resolution of Directors to sign share certificates, or shall be under the common seal of the Company, with or without the signature of any director, and the signature and common seal may be facsimiles.

8.2 Any Member receiving a share certificate for registered shares shall indemnify and hold the Company and its directors and officers harmless from any loss or liability which it or they may incur by reason of wrongful or fraudulent use or representation made by any person by virtue of the possession thereof. If a share certificate for registered shares is worn out or lost it may be renewed on production of the worn out certificate or on satisfactory proof of its loss together with such indemnity as may be required by a Resolution of Directors.

9. Fractional Shares

The Company may issue fractional shares and a fractional share shall have the corresponding fractional rights, obligations and liabilities of a whole share of the same class or series of shares.

REGISTRATION OF SHARES

10. Register of Members

10.1 The directors shall cause there to be kept a Register in which there shall be recorded the name and address of each Member, the number of each class and series of shares held by each Member, the date on which the name of each Member was entered in the Register and the date upon which any person ceased to be a Member.

10.2 The Register may be in such form as the directors may approve, but if it is in magnetic, electronic or other data storage form, the Company must be able to produce legible evidence of its contents. Unless the directors otherwise determine, the magnetic, electronic or other data storage form shall be the original Register.

10.3 The Company may keep an overseas or local or other branch Register resident in any place (in accordance with the laws applicable to maintaining such an overseas or local or other branch Register in such place), and the Board may make and vary such regulations as it determines in respect of the keeping of any such register.

10.4 The Register including any overseas or local or other branch Register may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of the Designated Stock Exchange or by any electronic means in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty days in each year as the Board may determine and either generally or in respect of any class of shares. If the Register shall be so closed for the purposes of determining Members' entitlement to notice of or to vote at a meeting of Members, such Register shall be so closed for at least ten days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register.

10.5 In lieu of or apart from closing the Register, the Board may fix in advance a date as the record date for any such determination of Members' entitlement to notice of or to vote at a meeting of the Members, and for the purpose of determining the Members' entitlement to receive payment of any dividend, the Board may, at or within 90 days prior to the date of declaration of such dividend, fix a subsequent date as the record date for such determination. The Board shall give not less than 10 days and not more than 60 days prior written notice for fixing any such record date for determination of dividend entitlement to those persons whose names on the date the declaration is made appear as Members in the Register of the Company.

11. Registered Holder Absolute Owner

11.1 The entry of the name of a person in the Register as a holder of a share in the Company is *prima facie* evidence that legal title in the share vests in that person.

11.2 The Company may treat the holder of a registered share as the only person entitled to:

(a) exercise any voting rights attaching to the share;

(b) receive notices;

(c) receive a distribution in respect of the share; and

(d) exercise other rights and powers attaching to the share.

12. Transfer of Registered Shares

12.1 Registered shares in the Company shall be transferred by a written instrument of transfer signed by the transferor and containing the name and address of the transferee. Shares may be transferred without a written instrument if transferred in accordance with the Act.

12.2 The instrument of transfer shall also be signed by the transferee if registration as a holder of the share imposes a liability to the Company on the transferee.

12.3 The instrument of transfer shall be sent to the Company for registration.

12.4 The Company shall, on receipt of an instrument of transfer, enter the name and address of the transferee of the share in the Register unless the directors resolve to refuse or delay the registration of the transfer for reasons that shall be specified in the resolution.

12.5 The directors are permitted to pass a Resolution of Directors refusing or delaying the registration of a transfer where they reasonably determine that it is in the best interest of the Company to do so. Without limiting the generality of the foregoing, the directors may refuse or delay the registration of a transfer of shares if the transferor has failed to pay an amount due in respect of those shares.

12.6 Where the directors pass a resolution to refuse or delay the registration of a transfer, the Company shall, as soon as practicable, send the transferor and the transferee a notice of the refusal or delay.

12.7 The transfer of a share is effective when the name of the transferee is entered in the Register and the Company shall not be required to treat a transferee of a share in the Company as a Member until the transferee's name has been entered in the Register.

12.8 If the directors are satisfied that an instrument of transfer has been signed but that the instrument has been lost or destroyed, they may resolve:

(a) to accept such evidence of the transfer of the shares as they consider appropriate; and

(b) that the transferee's name should be entered in the Register.

13. Transmission of Registered Shares

13.1 The personal representative of a deceased Member, the guardian of an incompetent Member or the trustee of a bankrupt Member shall be the only person recognised by the Company as having any title to the Member's share.

13.2 Any person becoming entitled by operation of law or otherwise to a share in consequence of the death, incompetence or bankruptcy of any Member may be registered as a Member upon such evidence being produced as may reasonably be required by the directors. An application by any such person to be registered as a Member shall for all purposes be deemed to be a transfer of the share of the deceased, incompetent or bankrupt Member and the directors shall treat it as such.

13.3 Any person who has become entitled to a share or shares in consequence of the death, incompetence or bankruptcy of any Member may, instead of being registered himself, request in writing that some person to be named by him be registered as the transferee of such share and such request shall likewise be treated as if it were a transfer.

13.4 What amounts to incompetence on the part of a person is a matter to be determined by the court having regard to all the relevant evidence and the circumstances of the case.

13.5 The production to the Company of any document which is evidence of probate of the will, or letters of administration of the estate, or confirmation as executor, of a deceased Member or of the appointment of a guardian of an incompetent Member or the trustee of a bankrupt Member shall be accepted by the Company even if the deceased, incompetent or bankrupt Member is domiciled outside the British Virgin Islands if the document evidencing the grant of probate or letters of administration, confirmation as executed appointment as guardian or trustee in bankruptcy is issued by a foreign court which had competent jurisdiction in the matter. For the purpose of establishing whether or not a foreign court had competent jurisdiction in such a matter the directors may obtain appropriate legal advice. The directors may also require an indemnity to be given by the executor, administrator, guardian or trustee in bankruptcy.

ALTERATION OF SHARES

14. Power to Alter Shares

14.1 The Company may by an Ordinary Resolution of Members amend the Memorandum to increase or reduce the maximum number of shares that the Company is authorised to issue.

14.2 Subject to the Memorandum and these Articles, the Company may by an Ordinary Resolution of Members:

(a) divide its shares, including issued shares, into a larger number of shares; or

(b) combine its shares, including issued shares, into a smaller number of shares;

provided that, where shares are divided or combined, the aggregate par value (if any) of the new shares must be equal to the aggregate par value (if any) of the original shares.

14.3 A division or combination of shares, including issued shares, of a class or series shall be for a larger or smaller number, as the case may be, of shares in the same class or series.

15. Restrictions on the Division of Shares

The Company shall not divide its shares if it would cause the maximum number of shares that the Company is authorised to issue to be exceeded.

DISTRIBUTIONS

16. Distributions

16.1 The directors may, by Resolution of Directors, authorise a Distribution by the Company to Members at such time and of such an amount as they think fit if they are satisfied, on reasonable grounds, that immediately after the Distribution, the value of the Company's assets exceeds its liabilities and the Company is able to pay its debts as they fall due. The resolution shall include a statement to that effect.

16.2 Notice of any Distribution that may have been authorised shall be given to each Member entitled to the Distribution in the manner provided in Article 24.

16.3 No Distribution shall bear interest as against the Company.

16.4 Any distribution payable in respect of a share which has remained unclaimed for three years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company. The payment of any unclaimed distribution may (but need not) be paid by the Company into an account separate from the Company's own account. Such payment shall not constitute the Company a trustee in respect thereof.

16.5 The Company shall be entitled to cease sending distributions by post or otherwise to a Member if those instruments have been returned undelivered to, or left uncashed by, that Member on at least two consecutive occasions, or, following one such occasion reasonable enquiries have failed to establish the Member's new address. The entitlement conferred on the Company by this Article in respect of any Member shall cease if the Member claims a distribution or cashes a cheque or warrant.

17. Power to Set Aside Profits

The directors may, before authorising any Distribution, set aside out of the profits of the Company such sum as they think proper as a reserve fund, and may invest the sum so set apart as a reserve fund upon such securities as they may select.

18. Unauthorised Distributions

18.1 If, after a Distribution is authorised and before it is made, the directors cease to be satisfied on reasonable grounds that immediately after the Distribution the value of the Company's assets exceeds its liabilities and the Company is able to pay its debts as they fall due, such Distribution is deemed not to have been authorised.

18.2 A Distribution made to a Member at a time when, immediately after the Distribution, the value of the Company's assets did not exceed its liabilities and the Company was not able to pay its debts as they fell due, is subject to recovery in accordance with the provisions of the Act.

19. Distributions to Join

If several persons are registered as joint holders of any shares, any one of such persons may give an effectual receipt for any Distribution payable in respect of such shares.

MEETINGS OF MEMBERS

20. General Meetings

20.1 A meeting of Members for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at least once in every calendar year on such date within 6 months from the date of the financial year end of the Company and on such date and at such times and in such manner as the directors consider desirable.

20.2 The directors, by Resolution of Directors, may convene such other meetings of Members at such times and in such manner as the directors consider necessary or desirable, or as required or permitted by applicable law or the relevant code, rules or regulations applicable to the listing of the shares on the Designated Stock Exchange.

21. Location

Any meeting of the Members may be held in such place within or outside the British Virgin Islands as the directors consider appropriate.

22. Requisitioned General Meetings

The directors shall call a meeting of the Members if requested in writing to do so by Members entitled to exercise at least thirty percent of the voting rights in respect of the matter for which the meeting is being requested.

23. Notice

23.1 The directors shall give not less than 10 days and not more than 60 days prior written notice of meetings of Members to those persons whose names on the date the notice is given appear as Members in the Register of the Company and are entitled to vote at the meeting.

23.2 The directors may fix the date notice is given of a meeting, or such other date as may be specified in the notice, as the record date for determining those members that are entitled to vote at the meeting, provided any such date shall not be more than 60 days nor less than 10 days before the date of such meeting.

23.3 The notice shall include the purpose or purposes of the meeting, the place, date and hour of the meeting and, unless it is an annual meeting, shall indicate that the notice is being issued by or at the direction of the person calling the meeting, and, in any event, shall specify such details as are required by applicable law or the relevant code, rules and regulations applicable to the listing of the shares on the Designated Stock Exchange.

23.4 The inadvertent failure of the directors to give notice of a meeting to a Member, or the fact that a Member has not received notice, does not invalidate the meeting.

24. Giving Notice

24.1 A notice may be given by the Company to any Member either by delivering it to such Member in person or by sending it to such Member's address in the Register or to such other address given for the purpose. Notice may be sent by mail, courier service, cable, telex, telecopier, facsimile or other mode of representing words in a legible form.

24.2 Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register and notice so given shall be sufficient notice to all the holders of such shares.

25. Service of Notice

25.1 Save as provided in Article 25.2, any notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, and the time when it was posted, delivered to the courier or to the cable company or transmitted by telex, facsimile or other method as the case may be.

25.2 Mail notice shall be deemed to have been served seven days after the date on which it is deposited, with postage prepaid, in the mail of any member state of the European Union, the United States, or the British Virgin Islands.

25.3 The Company shall be under no obligation to send a notice or other document to the address shown for any particular Member in the Register if the Board considers that the legal or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in, the territory in which that address is situated are such that it is necessary or expedient not to send the notice or document concerned to such Member at such address and may require a Member with such an address to provide the Company with an alternative acceptable address for delivery of notices by the Company.

26. Participating in Meetings

26.1 A person may participate at a meeting of Members in person or by proxy and may also be permitted to attend by conference telephone or other electronic means if all Members participating in the meeting are able to hear each other. Participation by a person in a meeting by conference telephone or other electronic means is treated as presence in person at that meeting.

26.2 The Board and/or the chairman of a meeting may make any arrangement and impose any requirement or restriction it or he considers appropriate to ensure the security of a meeting, including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of personal property and the restriction of items that may be taken into the meeting place. The Board and/or the chairman are entitled to refuse entry to a person who refuses to comply with such arrangements, requirements or restrictions.

27. Quorum at General Meetings

27.1 A meeting of Members is properly constituted if at the commencement of the meeting there are 2 Members present in person or by proxy or (in the case of a Member being a corporation) by its duly authorised representative representing not less than one third of the votes of the shares or class or series of shares entitled to vote on Resolutions of Members to be considered at the meeting.

27.2 If within thirty minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week at the same time and place or to such other time and place as the directors may determine, and if at the adjourned meeting a quorum is not present within 30 minutes from the time appointed for the meeting, the Member or Members present and entitled to vote shall be quorum.

27.3 If a quorum is present, notwithstanding the fact that such quorum may be represented by only one person then such person may resolve any matter and a certificate signed by such person accompanied where such person be a proxy by a copy of the proxy form shall constitute a valid Resolution of Members.

28. Chairman to Preside

At every meeting of Members, the chairman of the Board shall preside as chairman of the meeting. If there is no chairman of the Board or if the chairman of the Board is not present at the meeting, the Members present shall choose some one of their number to be the chairman. If the Members are unable to choose a chairman for any reason, then the person representing the greatest number of voting shares present in person or by proxy at the meeting shall preside as chairman.

29. Voting on Resolutions

29.1 Subject to any rights and restrictions for the time being attached to any class or classes of shares, every Member present in person or by proxy at a meeting of the Members shall have one vote and on a poll every Member and every person representing a Member by proxy shall have one vote for each issued and outstanding voting share registered in his name, or the name of the person represented by proxy, in the Register of Members. Subject to any provisions to the contrary in the Act or in the Memorandum or these Articles, holders of the Ordinary Shares and Preferred Shares shall vote together as one class.

29.2 At any meeting of the Members the chairman shall be responsible for deciding in such manner as he shall consider appropriate whether any resolution has been carried or not and the result of his decision shall be announced to the meeting and recorded in the minutes thereof.

30. Power to Demand a Vote on a Poll

If the chairman shall have any doubt as to the outcome of any resolution put to the vote, he shall cause a poll to be taken of all votes cast upon such resolution, but if the chairman shall fail to take a poll then any Member present in person or by proxy who disputes the announcement by the chairman of the result of any vote may immediately following such announcement demand that a poll be taken and the chairman shall thereupon cause a poll to be taken. If a poll is taken at any meeting, the result thereof shall be duly recorded in the minutes of that meeting by the chairman. On a poll, votes may be given either personally or by proxy.

31. Voting by Joint Holders of Shares

The following shall apply where shares are jointly owned: (a) if two or more persons hold shares jointly each of them may be present in person or by proxy at a meeting of Members and may speak as a Member; (b) if only one of the joint owners is present in person or by proxy he may vote on behalf of all of them; and (c) if two or more of the joint owners are present in person or by proxy they must vote as one.

32. Instrument of Proxy

32.1 A Member may be represented at a meeting of Members by a proxy (who need not be a Member) who may speak and vote on behalf of the Member.

32.2 An instrument appointing a proxy may be any usual or common form or such other form as the directors may approve, subject to such rules and procedures as required by applicable law or the relevant code, rules and regulations applicable to the listing of the shares on the Designated Stock Exchange. The rules and procedures relating to the depositing or filing of proxies and voting pursuant to a proxy and any other matter incidental thereto shall, if not otherwise provided for in the Articles, may also be approved by the Board, subject, in any case, to such rules and procedures as required by applicable law or the relevant code, rules and regulations applicable to the listing of the shares on the Designated Stock Exchange.

32.3 The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation under the hand of an officer or attorney duly authorized in that behalf. A proxy need not be a Member of the Company.

32.4 The chairman of any meeting at which a vote is cast by proxy or on behalf of any person other than an individual may call for a notarially certified copy of such proxy or authority which shall be produced within seven days of being so requested or the votes cast by such proxy or on behalf of such person shall be disregarded.

32.5 The Company shall solicit proxies and provide proxy statements for all meetings of Members. The instrument appointing a proxy shall be delivered to such place or places (if any) as may be specified for that purpose in or by way of not to or in any document accompanying the notice convening the meeting not less than 48 hours before the time appointed for the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

32.6 No instrument of proxy shall valid after the expiration of 12 months from the date named in it as the date of its execution.

32.7 Delivery of an instrument appointing a proxy shall not preclude a Member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

32.8 A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument of proxy or of the authority under which it was executed, provided that no notification in writing of such death, insanity or revocation shall have been received by the Company at such place as may be specified for the delivery of instruments of proxy in the notice convening the meeting or other documents sent therewith two hours at least before the commencement of the meting at which the instrument of proxy is used.

33. Representation of Members

33.1 Any person other than an individual which is a Member may by resolution in writing (certified or signed by a duly authorised person) of its directors or other governing body authorise such person as it thinks fit to act as its representative (in this Article, "Representative") at any meeting of the Members or at the meeting of the Members of any class or series of shares and the Representative shall be entitled to exercise the same powers on behalf of the Member which he represents as that Member could exercise if it were an individual.

33.2 The right of a Representative shall be determined by the law of the jurisdiction where, and by the documents by which, the Member is constituted or derives its existence. In case of doubt, the directors may in good faith seek legal advice from any qualified person and unless and until a court of competent jurisdiction shall otherwise rule, the directors may rely and act upon such advice without incurring any liability to any Member.

34. Adjournment of General Meetings

34.1 The chairman may, with the consent of the meeting, adjourn any meeting from time to time, and from place to place.

34.2 The chairman may adjourn the meeting to another time and place without consent or direction of the meeting if it appears to him that:

(a) it is likely to be impracticable to hold or continue that meeting because of the number of Members wishing to attend who are not present; or

(b) the unruly conduct of persons attending the meeting prevents, or is likely to prevent, the orderly continuation of the business of the meeting; or

(c) an adjournment is otherwise necessary so that the business of the meeting may be properly conducted.

35. Business at Adjourned Meetings

No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

36. Directors Attendance at General Meetings

Directors of the Company may attend and speak at any meeting of Members of the Company and at any separate meeting of the holders of any class or series of shares in the Company.

DIRECTORS AND OFFICERS

37. Election of Directors

37.1 The first registered agent of the Company shall appoint one or more persons as the first director or directors of the Company. The first director or directors may at the first meeting of directors elect any number of additional directors as it or they may determine up to the maximum number set by Article 38. Thereafter, the directors shall be elected in accordance with the following Articles.

37.2 Only persons who are proposed or nominated in accordance with this Article shall be eligible for election as directors. Any Member or the Board may propose any person for election as a director. Where any person, other than a director retiring at the meeting or a person proposed for re-election or election as a director by the Board, is to be proposed for election as a director, notice must be given to the Company of the intention to propose him and of his willingness to serve as a director. Such notice must be given not later than 10 days following the earlier of the date on which notice of the general meeting was posted to the Members or the date on which public disclosure of the date of the next general meeting was made.

37.3 Where the number of persons validly proposed for re-election or election as a director is greater than the number of directors to be elected, the persons receiving the most votes (up to the number of directors to be elected) shall be elected as directors, and an absolute majority of the votes cast shall not be a prerequisite to the election of such directors.

37.4 A director shall not require a share qualification, and may be an individual or a company.

37.5 Any director which is a body corporate may appoint any person its duly authorised representative for the purpose of representing it at meetings of the Board or with respect to unanimous written consents.

37.6 The Board shall have a Chairman of the Board elected and appointed by a majority of the directors then in office. The period for which the Chairman will hold office will also be determined by a majority of the directors then in office.

38. Number of Directors

Unless otherwise determined by an Ordinary Resolution of Members, the number of directors shall not be less than one. For so long as shares are listed on a Designated Stock Exchange, the Board shall include such number of Independent Directors as applicable law or the relevant code, rules and regulations applicable to the listing of the shares on the Designated Stock Exchange require.

39. Term of Office of Directors

Each director shall hold office for a term, not exceeding a maximum of three years, as may be specified in the resolution appointing him or until his earlier death, resignation or removal.

40. Alternate and Reserve Directors

40.1 A director may by a written instrument appoint an alternate who need not be a director and an alternate is entitled to attend meetings in the absence of the director who appointed him and to vote in place of the director.

40.2 Where the Company has only one Member who is an individual and that Member is also the sole director, the sole member/director may, by instrument in writing, nominate a person who is not disqualified from being a director under the Act as a reserve director in the event of his death.

40.3 The nomination of a person as a reserve director ceases to have effect if: (a) before the death of the sole Member/director who nominated him he resigns as reserve director, or the sole Member/director revokes the nomination in writing, or (b) the sole Member/director who nominated him ceases to be the sole Member/director for any reason other than his death.

41. Removal of Directors

41.1 A director may be removed from office, with cause:

(a) by an Ordinary Resolution of Members at a meeting of the Members called for the purpose of removing the director or for purposes including the removal of the director; or

(b) by an Ordinary Resolution of Members consented to in writing by a majority of Members holding not less than one half of the issued and outstanding voting shares of the Company.

41.2 A director may be removed from office without cause:

(a) by a Special Resolution of Members at a meeting of the Members called for the purpose of removing the director or for purposes including the removal of the director; or

(b) by a Special Resolution of Members consented to in writing by a majority of Members holding not less than two thirds of the issued and outstanding voting shares of the Company.

41.3 Notice of a meeting called under Article 41.1(a) or Article 41.2(a) shall state that the purpose of the meeting is, or the purposes of the meeting include, the removal of a director.

41.4 For the purposes of Article 41.1, "cause" shall mean a conviction for a criminal offence involving dishonesty or engaging in conduct which brings the director or the Company into disrepute and which results in material financial detriment to the Company.

42. Vacancy in the Office of Director and Additions to the Board

42.1 Notwithstanding Article 37, the directors may appoint one or more directors to fill a vacancy on the Board or as an addition to the Board.

42.2 For the purposes of this Article, there is a vacancy on the Board if a director dies or otherwise ceases to hold office as a director prior to the expiration of his term of office or there is otherwise a vacancy in the number of directors as fixed pursuant to Article 38.

42.3 The term of any appointment to fill a vacancy may not exceed the term that remained when the person who has ceased to be a director left or otherwise ceased to hold office.

42.4 Any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

43. Remuneration of Directors

43.1 Directors, as such, shall not receive any stated salary for their services, but by a Resolution of Directors a fixed sum may be allowed for attendance at each meeting of the Board. Each director shall also be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or meetings of any class of shares or debentures of the Company or otherwise in connection with the discharge of his duties as a director.

43.2 Any director, who by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article.

43.3 Nothing in these Articles shall be construed to preclude any director from serving the Company in any other capacity and receiving remuneration therefor.

44. Resignation of directors

A director may resign his office by giving written notice of his resignation to the Company and the resignation shall have effect from the date the notice is received by the Company or from such later date as may be specified in the notice.

45. Directors to Manage Business

45.1 The business and affairs of the Company shall be managed by, or under the direction or supervision of, the directors.

45.2 The directors have all the powers necessary for managing, and for directing and supervising, the business and affairs of the Company, and may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

45.3 The directors may authorise the payment of all expenses incurred preliminary to and in connection with the formation and registration of the Company and may exercise all such powers of the Company as are not by the Act or by the Memorandum or these Articles required to be exercised by the Members of the Company, subject to any delegation of such powers as may be authorised by these Articles and to such requirements as may be prescribed by an Ordinary Resolution of Members; but no requirement made by an Ordinary Resolution of Members shall prevail if it is inconsistent with these Articles nor shall such requirement invalidate any prior act of the directors which would have been valid if such requirement had not been made.

45.4 Subject to the provisions of the Act, all cheques, promissory notes, draft, bills of exchange and other negotiable instruments and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as shall from time to time be determined by Resolution of Directors.

46. Board Committees

46.1 The directors may, by a Resolution of Directors, designate one or more board committees, each consisting of one or more directors.

46.2 The Board may, and, if required by applicable law or the listing rules of the Designated Stock Exchange, shall, designate an audit committee, compensation committee and nominating and corporate governance committee, as committees of the board of directors. The committees of the Board shall include such number of Independent Directors as applicable law or the relevant code, rules and regulations applicable to the listing of the shares on the Designated Stock Exchange require.

46.3 If required by applicable law or the relevant code, rules and regulations applicable to the listing of the shares on the Designated Stock Exchange, the Board shall adopt a formal written committee charter for a board committee and review and assess the adequacy of such formal written charters on an annual basis. The charters shall comply with applicable law, and the relevant code, rules and the rules applicable to the listing of the shares on the Designated Stock Exchange.

46.4 Each of the board committees has such powers and authorities of the directors, including the power and authority to affix the Seal, as are set forth in the Resolution of Directors establishing the committee, except that the directors have no power to delegate the following powers to a board committee:

(a) to amend the Memorandum or these Articles;

(b) to designate board committees;

(c) to elect, appoint or remove officers or directors;

(d) to appoint or remove an agent;

(e) to submit to Members any action that requires Members' approval;

(f) to amend or repeal any resolution adopted by the Board which by its terms may only be amended or repealed by the Board;

(g) to approve a plan of merger, consolidation or arrangement;

(h) to make a declaration of solvency or approve a liquidation plan; or

(i) to make a determination that the company will, immediately after a proposed distribution, meet the solvency test set out in the Act.

46.5 The directors may, by Resolution of Directors, designate such other board committees, each consisting of one or more directors, as they deem necessary or desirable. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board.

46.6 Each committee of the Board shall keep regular minutes of its meetings and report the same to the Board when required. The meetings and proceedings of each board committee shall be otherwise governed mutatis mutandis by the provisions of those Articles regulating the proceedings of directors so far as the same are not superseded by any provisions in the resolution establishing the committee.

46.7 The Board may, and, if required by applicable law or the listing rules of the Designated Stock Exchange, shall, adopt, institute, amend, modify or revoke corporate governance policies or initiatives, which shall be intended to set forth the policies of the Company and the Board on various corporate governance related matters, including board committees, as the Board shall determine by resolution from time to time.

47. Officers and Agents

47.1 The directors may, by a Resolution of Directors, appoint any person, including a person who is a director, to be an officer or agent of the Company. Such officers may consist of a chairman of the Board, a vice chairman of the Board, a president and one or more vice presidents, secretaries and treasurers and such other officers as may from time to time be deemed desirable. Any number of offices may be held by the same person.

47.2 Each officer or agent has such powers and authorities of the directors, including the power and authority to affix the Seal, as are set forth in the Resolution of Directors appointing the officer or agent, except that no officer or agent has any power or authority with respect to the following:

(a) to amend the Memorandum or these Articles;

(b) to change the registered office or agent;

(c) to designate board committees;

(d) to delegate powers to a board committee;

(e) to appoint or remove directors;

(f) to appoint or remove an agent;

(g) to fix emoluments of directors;

(h) to approve a plan of merger, consolidation or arrangement;

(i) to make a declaration of solvency or approve a liquidation plan;

(j) to make a determination that the company will, immediately after a proposed distribution, meet the solvency test set out in the Act; or

(k) to authorise the Company to continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands.

48. Removal of Officers and Agents

The officers and agents of the Company shall hold office until their successors are duly elected and qualified, but any officer or agent elected or appointed by the directors may be removed at any time, with or without cause, by Resolution of Directors. Any vacancy occurring in any office of the Company may be filled by Resolution of Directors.

49. Duties of Officers

49.1 In the absence of any specific allocation of duties it shall be the responsibility of the chairman of the Board to preside at meetings of directors and Members, the vice chairman to act in the absence of the chairman, the president to manage the day to day affairs of the Company, the vice presidents to act in order of seniority in the absence of the president but otherwise to perform such duties as may be delegated to them by the president, the Secretary to maintain the Register, register or directors, minute books, records (other than financial records) of the Company, and Seal and to ensure compliance with all procedural requirements imposed on the Company by applicable law, and the treasurer to be responsible for the financial affairs of the Company.

49.2 Every officer has such powers and authority of the directors, including the power and authority to affix the Seal, as are set forth in these Articles or in the resolution appointing the officer or agent, except that no officer has any power or authority with respect to fixing the emoluments of directors.

50. Remuneration of Officers

The emoluments of all officers shall be fixed by Resolution of Directors.

51. Standard of Care

A director, when exercising powers or performing duties as a director, shall exercise the care, diligence, and skill that a reasonable director would exercise in the same circumstances taking into account, but without limitation, (a) the nature of the Company, (b) the nature of the decision, and (c) the position of the director and the nature of the responsibilities undertaken by him.

52. Conflicts of Interest

52.1 A director shall, forthwith after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the Company, disclose the interest to the Board, unless the transaction or proposed transaction (a) is between the director and the Company and (b) is to be entered into in the ordinary course of the Company's business and on usual terms and conditions.

52.2 A transaction entered into by the Company in respect of which a director is interested is voidable by the Company unless the director complies with Article 52.1 or (a) the material facts of the interest of the director in the transaction are known by the Members entitled to vote at a meeting of Members and the transaction is approved or ratified by an Ordinary Resolution of Members or (b) the company received fair value for the transaction.

52.3 For the purposes of this Article, a disclosure is not made to the Board unless it is made or brought to the attention of every director on the Board.

52.4 A director who is interested in a transaction entered into or to be entered into by the Company may vote on a matter relating to the transaction, attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum and sign a document on behalf of the Company, or do any other thing in his capacity as director that relates to the transaction.

53. Indemnification and Exculpation

53.1 Subject to Article 53.2 the Company shall indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who:

(a) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director, an officer or a liquidator of the Company; or

(b) is or was, at the request of the Company, serving as a director, officer or liquidator of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise.

53.2 Article 53.1 does not apply to a person referred to in that Article unless the person acted honestly and in good faith and in what he believed to be the best interests of the Company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful.

53.3 The decision of the directors as to whether the person acted honestly and in good faith and in what he believed to be the best interests of the Company and as to whether the person had no reasonable cause to believe that his conduct was unlawful is, in the absence of fraud, sufficient for the purposes of these Articles, unless a question of law is involved.

53.4 The termination of any proceedings by any judgment, order, settlement, conviction or the entering of a *nolle prosequi* does not, by itself, create a presumption that the person did not act honestly and in good faith and with a view to the best interests of the Company or that the person had reasonable cause to believe that his conduct was unlawful.

53.5 If a person referred to in this Article has been successful in defense of any proceedings referred to therein, the person is entitled to be indemnified against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred by the person in connection with the proceedings.

53.6 The Company may purchase and maintain insurance in relation to any person who is or was a director, an officer or a liquidator of the Company, or who at the request of the Company is or was serving as a director, an officer or a liquidator of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity, whether or not the Company has or would have had the power to indemnify the person against the liability under Article 53.1.

MEETINGS OF THE BOARD OF DIRECTORS

54. Board Meetings

The directors of the Company shall meet at such times and in such manner and places within or outside the British Virgin Islands as they may determine to be necessary or desirable. Any director or the secretary of the Company may call a meeting of directors.

55. Notice of Board Meetings

A director shall be given reasonable notice of a meeting of directors, but a meeting of directors held without reasonable notice having been given to all directors shall be valid if all the directors entitled to vote at the meeting waive notice of the meeting, and for this purpose, the presence of a director at the meeting shall be deemed to constitute waiver on his part (except where a director attends a meeting for the express purpose of objecting to the transaction of business on the grounds that the meeting is not properly called). The inadvertent failure to give notice of a meeting to a director, or the fact that a director has not received the notice, does not invalidate the meeting.

56. Participation in Meetings by Telephone

A director may participate in any meeting of the Board, or of any committee appointed by the Board of which such director or directors are members, by telephone or other electronic means by way of which all persons participating in the meeting are able to hear each other and such participation shall be deemed to constitute presence in person at the meeting.

57. Quorum at Board Meetings

The quorum necessary for the transaction of business at a meeting of directors shall be a majority of directors.

58. Board to Continue in the Event of Vacancy

The continuing directors may act notwithstanding any vacancy in their body, save that if their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum for a meeting of the directors, the continuing directors or director may act only for the purpose of appointing directors to fill any vacancy that has arisen or summoning a meeting of Members.

59. Chairman to Preside

At every meeting of the directors the chairman of the Board shall preside as chairman of the meeting. If there is not a chairman of the Board or if the chairman of the Board is not present at the meeting the vice chairman of the Board shall preside. If there is no vice chairman of the Board or if the vice chairman of the Board is not present at the meeting the directors present shall choose some one of their number to be chairman of the meeting.

CORPORATE RECORDS

60. Documents to be Kept

60.1 The Company shall keep the following documents at the office of its registered agent:

(a) the Memorandum and these Articles;

(b) the Register or a copy of the Register;

(c) the register of directors or a copy of the register of directors;

(d) the register of charges or a copy of the register of charges;

(e) copies of all notices and other documents filed by the Company in the previous ten years.

60.2 Where the Company keeps a copy of its Register or register of directors at the office of its registered agent, it shall within 15 days of any change in the register, notify the registered agent, in writing, of the change, and it shall provide the registered agent with a written record of the physical address of the place or places at which the original Register or the original register of directors is kept.

60.3 Where the place at which the original Register or the original register of directors is changed, the company shall provide the registered agent with the physical address of the new location of the records within 14 days of the change of location.

60.4 The Company shall keep the following records at the office of its registered agent or at such other place or places, within or outside the British Virgin Islands, as the directors may determine:

(a) the minutes of meetings and Resolutions of Members and of classes of Members; and

(b) the minutes of meetings and Resolutions of Directors and board committees.

60.5 Where any of the minutes or resolutions described in the previous paragraph are kept at a place other than at the office of the Company's registered agent, the Company shall provide the registered agent with a written record of the physical address of the place or places at which the records are kept.

60.6 Where the place at which any of the records described in Article 60.4 is changed, the Company shall provide the registered agent with the physical address of the new location of the records within 14 days of the change of location.

60.7 The Company's records shall be kept in written form or either wholly or partly as electronic records.

61. Form and Use of Seal

The Company may have more than one Seal and references herein to the Seal shall be references to every Seal which shall have been duly adopted by Resolution of Directors. The directors shall provide for the safe custody of the Seal and for an imprint thereof to be kept at the Registered Office. Except as otherwise expressly provided herein the Seal when affixed to any written instrument shall be witnessed and attested to by the signature of a director or any other person so authorized from time to time by Resolution of Directors. Such authorization may be before or after the Seal is affixed, may be general or specific and may refer to any number of sealings. The directors may provide for a facsimile of the Seal and of the signature of any director or authorized person which may be reproduced by printing or other means on any instrument and it shall have the same force and validity as if the Seal had been affixed to such instrument and the same had been signed as hereinbefore described.

ACCOUNTS

62. Books of Account

62.1 The Company shall keep records that:

(a) are sufficient to show and explain the Company's transactions; and

(b) will, at any time, enable the financial position of the Company to be determined with reasonable accuracy.

62.2 Any Member who owns not less than 15 percent of all of the issued and outstanding voting shares of the Company, upon at least five days' written demand, is entitled to inspect in person or by agent or attorney, during normal business hours, the books of account and all financial records of the Company, to make copies of records, and to conduct an audit of such records.

63. Form of Records

The records required to be kept by the Company under the Act, the Memorandum or these Articles shall be kept in written form or either wholly or partly as electronic records complying with the requirements of the Electronic Transactions Act (British Virgin Islands).

64. Financial Statements

If the Members, by an Ordinary Resolution of Members, determine, the directors shall cause to be made out and served on the Members or laid before a meeting of Members at some date not later than eighteen months after the incorporation of the Company, and subsequently once at least in every calendar year, a profit and loss account for a period in the case of the first account since the incorporation of the Company and in any other case, since the preceding account, made to a date not earlier than the date of the notice by more than twelve months, and a balance sheet as at the date to which the profit and loss account is made up. The Company's profit and loss account and balance sheet shall be drawn up so as to give respectively a true and fair view of the profit or loss of the Company for that financial period, and a true and fair view of the state of affairs of the Company as at the end of that financial period.

65. Distribution of Accounts and audit

(a) The Company shall prepare an annual report of the Company containing audited financial statements of the Company and its subsidiaries. The annual report shall be made available to Members prior to the Company's annual general meeting and shall be laid before the annual general meeting. If required, the Company shall cause such annual report to be filed with the United States Securities and Exchange Commission, any other applicable federal, state or foreign regulatory authority and the Designated Stock Exchange or other securities exchange on which the shares are then listed for trading at the time in the time period required by such regulatory authority or securities exchange.

(b) The Company shall make available to Members any interim financial statements or report which the Company may be required to file with the United States Securities and Exchange Commission and any other applicable federal, state or foreign regulatory authority at the same time or as soon as practicable following filing with such regulatory authority. If required by the Designated Stock Exchange or other securities exchange on which the shares are then listed, the Company shall file copies of such financial statements or reports therewith.

66. Reports and Accounts

The Board shall cause to be prepared audited or unaudited profit and loss accounts, balance sheets, group accounts (if any) and such other reports and accounts as the Company may be required to provide to the Members or investors in the Company.

67. Appointment of Auditor

The directors may appoint an auditor of the Company who shall hold office until removed from office by an Ordinary Resolution and may fix his or their remuneration. Notwithstanding the above, for so long as the ordinary shares of the Company are listed or quoted on the Designated Stock Exchange, the audit committee is directly responsible for the appointment, remuneration, retention and oversight of the Company's auditors.

68. Duties of Auditor

The auditor shall, upon request of the directors or any general meeting of the Members, make a report on the accounts of the Company during their tenure of office.

69. Access to Records

Every auditor of the Company shall have right of access at all times to the books of account of the Company, and shall be entitled to require from the directors and officers of the Company such information and explanations as he thinks necessary for the performance of the duties of the auditor.

70. Auditor Entitled to Notice

The auditor of the Company shall be entitled to receive notice of, and to attend any meetings of Members of the Company at which the Company's profit and loss account and balance sheet are to be presented.

BUSINESS COMBINATIONS

71. Business Combinations

71.1 (a) The Company shall not engage in any Business Combination with any Interested Shareholder for a period of three years following the date such Member became an Interested Shareholder, unless:

(i) prior to the time that the person became an Interested Shareholder, the Board approved the Business Combination; or

(ii) prior to the time that the person became an Interested Shareholder, the Board approved the transaction which resulted in the person becoming an Interested Shareholder; or

(iii) on or subsequent to such date the Business Combination is approved by the affirmative vote of a majority of the issued and outstanding voting shares of the Company that are not owned by the Interested Shareholder or any affiliate or associate of the Interested Shareholder at a meeting of Members called for that purpose.

(b) The restrictions contained in this Article 71.1 shall not apply if a Member becomes an Interested Shareholder inadvertently and (i) as soon as practicable divests itself of ownership of sufficient shares so that the Member ceases to be an Interested Shareholder; and (ii) would not, at any time within the three-year period immediately prior to a Business Combination between the Company and such Member, have been an Interested Shareholder but for the inadvertent acquisition of ownership.

(c) For the purpose of this Article 71 only, the term:

(i) "affiliate" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another person;

(ii) "associate," when used to indicate a relationship with any person, means: (i) any company, partnership, unincorporated association or other entity of which such person is a director, officer or partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of voting shares; (ii) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and (iii) any relative or spouse of such person, or any relative of such spouse, who has the same residence as such person;

(iii) "Business Combination," when used in reference to the Company and any Interested Shareholder of the Company, means:

(a) any merger, amalgamation or consolidation of the Company or any entity directly or indirectly wholly-owned or majority-owned by the Company, wherever incorporated, with (A) the Interested Shareholder, or (B) any other company, partnership, unincorporated association or other entity, whether or not itself an Interested Shareholder of the Company, which is, or after the merger, amalgamation or consolidation would be, an affiliate or associate of the Interested Shareholder;

(b) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a shareholder of the Company, to or with the Interested Shareholder or any affiliate or associate of the Interested Shareholder, whether as part of a dissolution or otherwise, of assets of the Company or of any entity directly or indirectly wholly-owned or majority-owned by the Company which assets (A) have an aggregate market value equal to 5% or more of either the aggregate market value of all the assets of the Company determined on a consolidated basis of the Company, (B) have an aggregate market value equal to 5% or more of the aggregate market value of all of the outstanding voting shares of the Company, or (C) represent 10% or more of the earning power or net income, determined on a consolidated basis, of the Company;

(c) any transaction which results in the issuance or transfer by the Company or by any entity directly or indirectly wholly-owned or majority-owned by the Company of any shares of the Company, or any share of such entity, the value of which must be at least 5% or more of the aggregate market value of all the issued and outstanding voting shares of the Company or any such entity to the Interested Shareholder or any affiliate or associate of the Interested Shareholder, except: (A) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares of the Company, or shares of any such entity, which securities were issued and outstanding prior to the time that the Interested Shareholder became such; (B) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares of the Company, or shares of any such entity, which security is distributed, pro rata to all holders of a class or series of shares subsequent to the time the Interested Shareholder became such;

(d) the adoption of any plan or proposal for the liquidation or dissolution of the Company proposed by, or under any agreement, arrangement or understanding, whether or not in writing, with, the Interested Shareholder or any affiliate or associate of the Interested Shareholder;

(e) any: (A) reclassification of securities, including, without limitation, any splitting of shares, dividend distributed in shares, or other distribution of shares with respect to other shares, or any issuance of new shares in exchange for a proportionately greater number of old shares, (B) recapitalization of the Company, (C) merger or consolidation of the Company with any entity directly or indirectly wholly-owned or majority-owned by the Company, or (D) other transaction involving the Company or any entity directly or indirectly wholly-owned or majority-owned by the Company which has the effect, directly or indirectly, of increasing the proportionate share of any class or series of shares, or securities convertible into any class or series of shares of the Company, or shares of any such entity, or securities convertible into such shares, which is owned by the Interested Shareholder or any affiliate or associate of the Interested Shareholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any repurchase or redemption of any shares not caused, directly or indirectly, by the Interested Shareholder; or

(f) any receipt by the Interested Shareholder or any affiliate or associate of the Interested Shareholder of the benefit, directly or indirectly (except proportionately as a shareholder of the Company), of any loans, advances, guarantees, pledges or other financial benefits (other than those expressly permitted in subparagraphs (a)-(d) of this paragraph) provided by or through the Company or any entity directly or indirectly wholly-owned or majority-owned by the Company;

(iv) "control," including the terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting shares, by contract or otherwise. A person who is the owner of 10% or more of the issued and outstanding voting shares of any company, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary; provided that notwithstanding the foregoing, such presumption of control shall not apply where such person holds voting shares, in good faith and not for the purpose of circumventing this provision, as an agent, bank, broker, nominee, custodian or trustee for one or more owners who do not individually or as a group have control of such entity;

(v) "Interested Shareholder" means any person (other than the Company, any entity directly or indirectly wholly-owned or majority-owned by the Company and any person that, as of the date of adoption of the Articles, is the owner, directly or indirectly, of 50% or more of the issued and outstanding voting shares of the Company) that (i) is the beneficial owner, directly or indirectly, of 10% or more of the issued and outstanding voting shares of the Company, or (ii) is an affiliate or associate of the Company and was the owner of 10% or more of the issued and outstanding voting shares of the Company at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an Interested Shareholder;

(vi) "person" means any individual, company, partnership, unincorporated association or other entity;

(vii) "voting shares" means, with respect to any company, shares of any class or series entitled to vote generally in the election of directors and, with respect to any entity that is not a company, any equity interest entitled to vote generally in the election of the governing body of such entity;

(viii) "owner," including the terms "own" and "owned," when used with respect to any shares, means a person that individually or with or through any of its affiliates or associates:

(a) beneficially owns such shares, directly or indirectly; or

(b) has (A) the right to acquire such shares (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the owner of shares tendered pursuant to a tender or exchange offer made by such person or any of such person's affiliates or associates until such tendered shares are accepted for purchase or exchange; or (B) the right to vote such shares pursuant to any agreement, arrangement or understanding; provided, however, that a person shall not be deemed the owner of any shares because of such person's right to vote such shares if the agreement, arrangement or understanding to vote such shares arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to 10 or more persons; or

(c) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in item (B) of subparagraph (b) of this paragraph), or disposing of such shares with any other person that beneficially owns, or whose affiliates or associates beneficially own, directly or indirectly, such shares.

71.2 In respect of any Business Combination to which the restrictions contained in Article 71.1 do not apply but which the Act requires to be approved by the Members, the necessary general meeting quorum and Members' approval shall be as set out in these Articles.

FUNDAMENTAL CHANGES

72. Changes

Notwithstanding Section 175 of the Act, the directors may sell, transfer, lease, exchange or otherwise dispose of the assets of the Company without the sale, transfer, lease, exchange or other disposition being authorised by an Ordinary Resolution of Members.

73. Continuation under Foreign Law

The Company may by Special Resolution of Members or by unanimous Resolution of Directors continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands in the manner provided under those laws.

WINDING UP

74. Winding up

The Company may be voluntarily liquidated under Part XII of the Act if it has no liabilities and it is able to pay its debts as they become due. If the Company shall be wound up, the liquidator may, in accordance with an Ordinary Resolution of Members, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purpose set such value as he deems fair upon any such property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members in accordance with the Memorandum. This Article is without prejudice to the rights of the holders of shares issued upon special terms and conditions and to the rights, preferences and privileges of different classes of shares set forth in the Memorandum. The liquidator may vest the whole or any part of such assets in trustees upon such trust for the benefit of the contributors as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

We, Caribbean Corporate Services Limited, of 3rd Floor, Omar Hodge Building, Wickhams Cay I, P.O. Box 362, Road Town, Tortola, British Virgin Islands for the purpose of disapplying Part IV of the BVI Business Companies Act in relation to the Company hereby sign these Articles of Association the 24th day of July, 2009.

Registered Agent

Sgd: Janice Skelton

Janice Skelton
Authorised Signatory
Caribbean Corporate Services Limited

Exhibit 4.14

SPD Bank **Working Capital Loan Contract**

Contract Number: **[Not disclosed in this translation]**

The Borrower: China Northeast Logistics City Co., Ltd.

The Lender:_Shanghai Pudong Development Bank Co., Ltd. Shenyang Branch

Whereas:

For funding needs, the Borrower applies for working capital loan from the Lender:After review, the Lender agrees to grant the loan in accordance with the terms and conditions stipulated under this Contract. In order to clarify the rights and obligations of both parties, this contract is entered into upon mutual agreement, based on relevant laws, regulations and rules of the People's Republic of China, and shall be binding on both parties.

At the same time, the Borrower and Lender ascertain the following prerequisites ("✓" for selected, and "x" for not selected):

☒ This Contract is signed as the supplemental financing agreement to the Credit Facility Agreement (hereunder referred to as the Credit Facility) with serial number: **[Blank]**. After this Contract became effective, all the terms and conditions contained herein are incorporated into and form part of the Credit Facility (This option should be selected should an Credit Facility has been signed previously and the serial number of the Credit Facility should be recorded here);

☑ This Contract is an independent financing document signed between the Borrower and the Lender (This option should be selected should a Credit Facility has not been signed previously between the Borrower and the Lender);

☒ The purpose of the loan under this Contract is for renewal of existing loan, for which the Guarantor(s) is/are known.
The name of the original contract: **[Blank]**
Date of signing: **[Blank]** Serial number: **[Blank]** (This option should be selected should the purpose of the loan is for the renewal of existing loan).

Part I: Commercial Terms

1. Type of loan: ☑ Short term working capital loan ☒ Medium to long term working capital loan
2. The loan amount under this Contract is **RMB** (currency) **Fifty million** (in words).
3. The specific purpose of the loan under this Contract is: **Replenishment of working capital**
4. The term of the loan under this Contract is: ("✓" for selected, and "x" for not selected)

☑ From **July 15, 2011** to **July 8, 2012**;

☒ **[Blank]** year (or **[Blank]** months) from the date of the first drawdown.

The actual drawdown and repayment date to be determined based on the date of the drawdown voucher produced by the Borrower and the Lender. The date of the last repayment shall not extend beyond the loan period as agreed in this Contract. The drawdown vouchers form an inseparable part of this Contract.

5. The interest rate for the loan under this Contract is ("✓" for selected, and "x" for not selected):

☑ (1) RMB interest rate:

☑ Calculated based on interest rate for similar class and types of lending announced by the People's Bank of China (☒ marking up ☒ marking down) of **[Blank]**%, which equals to **6.56%** per annum at the time of signing this Contract.

☒ Other arrangement: **[Blank]**

☒ (2) Foreign currency interest rate ("✓" for selected, and "x" for not selected):

☒ Calculated based on **[Blank]** months London Inter-Bank Offered Rate plus **[Blank]** (Also referred to as LIBOR + **[Blank]**), on the date of the loan granted by the Lender. "LIBOR" referred to the average (rounded to nearest four decimal points) of the related interest rate shown on the related screen page (if any) on Reuters . The abovementioned interest rate should be the interest rate quoted for the US dollar deposit with the same corresponding period of the loan at 11:00 am (London time) on the date of determining interest rate.

☒ Other arrangement: **[Blank]**

☑ (3) Interest settlement method ("✓" for selected, and "x" for not selected)

☒ Monthly, the interest settlement date is on the 20th of every month;

☑ Quarterly, the interest settlement date is on the 20th of the final month of each quarter;

☒ interest to be paid once upon maturity of the loan, together with repayment of principal of the loan;

☒ Other arrangement: **[Blank]**

For instalment repayment of principal or interest, the last interest payment shall be made at the time of repayment of the loan principal,

☒ (4) Adjustment of interest rate for RMB loans under this Contract

In the case where an adjustment to the benchmark lending interest rate is made by the People's Bank of China before the drawdown of the RMB loan under this Contract, the interest rate applicable to the loan under this Contract commencing from the date of the drawdown should be the interest rate for similar class and types of loans as published by the People's Bank of China at the time of the drawdown. In the case where benchmark lending interest rate is adjusted by the People's Bank of China during the term of the loan after the loan is drawn down, then ("✓" for selected, and "x" for not selected):

☒ Adjusted monthly, adjusted from the 21st of every month;

☒ Adjusted quarterly, adjusted from the 21st of the last month of each quarter;

☒ Adjusted annually, adjusted from **[Blank]** month **[Blank]** date of every year;

☑ Interest rate is not adjusted

☒ Other arrangement: **[Blank]**

☒ (5) Interest rate adjustment for foreign currency loan under this Contract ("✓" for selected, and "x" for not selected):

☐ From the date when the loan is granted, the interest rate is adjusted every **[Blank]** month(s) according to the latest foreign currency interest rate with the same period;

☐ Other arrangement: **[Blank]**

6. The interest rate for penalty interest under this Contract is:

(1) The penalty interest rate for overdue payments under this Contract is determined at additional **30%** over the benchmark lending interest rate published at the time of overdue.

(2) The penalty interest rate for use of the loan not according to the purpose stipulated in this Contract, is determined at additional **50%** over the benchmark interest rate published at the time of the loan misuse.

7. The drawdown period for the loan under this Contract is from **July 15, 2011** to **July 8, 2012**.

8. The drawdown schedule for the loan under this Contract is as follows ("✓" for selected, and "x" for not selected):

☑ The withdrawal plan is as follow:

Order	Drawn down before	Drawdown amount	
1	**July 15, 2011**	**RMB Fifty million**	(In words)

☒ Other drawn down arrangement: **[Blank]**

9. The repayment plan for the loan herein is as follows ("✓" for selected, and "x" for not selected):

☑ The repayment plan is as follow:

Order	Repayment before	Repayment amount	
1	**July 8, 2012**	**RMB Fifty million**	(In words)

☒ Other repayment arrangement: **[Blank]**

10. The penalty for early repayment of the loan: equal **[Blank]**% of the total amount of actual early repayment or **[Blank]** (Currency)**[Blank]** (In words).

11. The portion of the loan principal being early repaid shall not less than **[Blank]**(Currency)**[Blank]** (In words).

12. Set Up of Bank Account: ("✓" for selected, and "x" for not selected)

(1) The Borrower's designated working capital loan account at the Lender's bank:

Bank:	Fangyuan Branch, Shanghai Pudong Development Bank Co. Ltd.
Account name:	China Northeast Logistics City Co., Ltd.
Account number:	**[Not disclosed in this translation]**

(2) The Borrower's general settlement account at the Lender's bank:

Branch:	Fangyuan Branch, Shanghai Pudong Development Bank Co. Ltd.
Account Beneficiary:	China Northeast Logistics City Co., Ltd.
Account number:	**[Not disclosed in this translation]**

(3) The Borrower's funds receiving account under this Contract:

Bank:	Fangyuan Branch, Shanghai Pudong Development Bank Co. Ltd.
Account name:	China Northeast Logistics City Co., Ltd.
Account number:	**[Not disclosed in this translation]**

13. The Lender's entrusted payment: Any single payment required from the Borrower which exceeds an amount of (currency and amount) **RMB Zero** shall entrust to the Lender for payment.

14. The Borrower agrees to pay the Lender an amount of (currency and amount) **RMB Zero** as payment account supervision fee.

    Payment method:**[Blank]**.

15. The Borrower agrees to provide the following Guarantors and guarantee contracts for the loan secured under this Contract:

☒ Guarantors: **[Blank]**	Guarantee Contract No.: **[Blank]**
☑ Mortgagors: China Northeast Logistics City Co., Ltd.	Mortgage Contract No.: **[Not disclosed in this translation]**
☒ Pledge provider: **[Blank]**	Pledge Contract No.: **[Blank]**
☒ Other guarantee: **[Blank]**	

16. Default penalty: equivalent to **[Blank]** % of the loan principal or **[Blank]**

17. Appendices to this Contract include:

(1) Drawdown Application

(2) **[Blank]**

(3) **[Blank]**

(4) **[Blank]**

(5) **[Blank]**

18. Other matters agreed by both parties: **[Blank]**

19. There are **Eight** copies of this Contract, **1** copy for the Borrower, **1** copy for the Lender, and **Collateral departments** copies for **6**, all copies carry the same legal status.

Part II: General Terms

Section 1: The Loan

1. The Borrower hereby irrevocably agrees and undertakes: the Lender, at all times, has full discretion on the drawings of the loan obtained under this contract; the Lender has full discretion on the date for which regular or irregular inspection on the loan should be carry out, in order for the Lender to decide whether the Lender should continue to grant a loan of any form to the Borrower; notwithstanding of the provisions contained in this Contract or any other documents, the Lender shall have the right to call for the Borrow to repay all of the loan at any time. The Lender shall have the right to terminate or suspend all or part of the loan, or cancel any further usage of the loan without prior notification to the Borrower.
2. The loan under this Contract shall only be used for purpose as agreed in this Contract, the Borrower shall not misuse the loan for fixed asset investment, share transaction or similar investment, and productions and operations in area which are prohibited by the PRC or on activities that are not comply with the purpose of working capital loan.

Section 2: Loan interest rate and method of calculation

1. Unless otherwise specified in this Contract, the interest under this Contract shall be calculated based on the actual amount of loan drawn down and the number of days for which the loan is drawn down from the date of drawdown. The number of days in use includes the first day and excludes the last day. Daily interest rate equals to monthly interest rate divided by 30, monthly interest rate equals to annual interest divided by 12.
2. The Lender shall entitle to receive penalty interest from the Borrower on any outstanding principal which become overdue ("overdue", for the purpose of this Contract includes situation where early repayment is declared by the Lender), for period starting from the day when the outstanding principal of the loan become overdue, calculated in accordance with the actual number of days overdue and overdue interest rate agreed in this Contract, until the day the Borrower settles all of the principal and interest.
3. In the event the Borrower does not utilize the loan which does not comply with the purpose as agreed in this Contract, the Lender shall entitle to receive penalty interest, based on the portion of the loan being misused, calculated based on the penalty interest rate as agreed in this Contract, from the day when such misuse commence, for the number of days the portion of the loan being misused, until the Borrower settles all of the principal and interest.
4. The Lender shall entitle to receive from the Borrower for interest not settled on time (which include normal interest, overdue penalty interest and misuse penalty interest) an overdue interest, which shall be calculated based on the overdue interest rate as agreed in this Contract for period, from the day when such interest become overdue (which is the day of interest settlement date as agreed in this Contract), when such interests are overdue, on a compound interest basis.
5. Interest rate marketization or market immobilization
   (1) In the event that after the loan under this Contract has been granted and the People's Bank of China has implemented the policy of marketization of lending interest rate for RMB loan, the Borrower shall negotiate with the Lender for the determination of the interest rate standard. Should there be no mutual agreement reached within five (5) banking days after the commencement of the negotiation, the Borrower shall repay all of the principal and interest of the loan within thirty (30) banking days from the date on which no mutual agreement is affirmed. (This paragraph applies to RMB).
   (2) In the event that after the loan under this Contract has been granted, none of the relevant banks has offered any US Dollar interest rate quotation to major banks in the London Interbank Money Market at 11:00am (London time), and no interest rate could be obtained on the day of the interest rate adjustment as agreed in this Contract, the Borrower shall negotiate with the Lender for the determination of an alternative interest rate. if no relevant bank quotes the US Dollar deposit rate to the major banks in the London Interbank money market, by the hour of 11 am (London time) on the interest quote date of relevant interest period. Should there be no mutual agreement reached within five (5) banking days after the commencement of the negotiation, the Borrower shall repay all of the principal and interest of the loan within thirty (30) banking days from the date on which no mutual agreement is affirmed. (This paragraph applies to foreign currency)

Section 3: Drawdown of the loan

1. Prior to the first drawdown, the Borrower shall fulfill the following conditions, however the Lender is not obligated to verify the authenticity of the following documents or conditions:

   (1) The Borrower shall submit the drawdown application form (refer to Appendix 1 for format), the completed borrowing/lending voucher and other related documents at a time and method of submission as agreed in this Contract;

   (2) This Contract and related guarantee contract, if any, have been signed and remained valid, and the rights of the guarantee has been properly established;

   (3) The Borrower shall provide valid business license, company articles of association, most recent financial statements from the drawdown date (including but not limited to the audited financial statement for the preceding year and the management accounts for the current period);

   (4) The Borrower shall provide the resolution in respect of the loan approved by the board of directors or in shareholders' meeting or other entities with the same legal status, authorization letter from legal representatives to authorized representatives, and original copy of sample signatures for the legal representatives and authorized representatives;

   (5) The Borrower has opened general settlement, fund collection or any other accounts, if any, at the Lender's bank as requested by the Lender;

   (6) The Borrower has fulfilled the obligations agreed in this Contract, and no event of default as stipulated in this Contract has occurred.

   (7) Other documents or other conditions may be requested by the Lender from time to time.

2. Prior to each drawdown other than the first drawdown, the Borrower shall fulfill the following conditions, however the Lender is not obligated to verify the authenticity of the following documents or conditions:

   (1) The Borrower shall submit the drawdown application form (refer to Appendix 1 for format), the completed borrowing/lending voucher and other related document at a time and method of submission as agreed in this Contract;

   (2) The Borrower has fulfilled the obligations agreed under this Contract, and no event default as stipulated in this Contract has occurred.

   (3) Other documents or other conditions may be requested by the Lender from time to time.

3. Drawdown

   (1) The Borrower shall make one-time drawdown or instalments drawdown in accordance with the schedules as agreed under this Contract, and submit the drawdown application to the Lender three (3) banking days prior to the each drawdown date as agreed in this Contract for the processing of draw procedure (refer to Appendix 1 for format)

   (2) In the event that a change the drawdown date such as postponement is required by the Borrower, the Borrower shall obtain consent from the Lender three (3) banking days prior to the scheduled day, and shall pay the Lender loss of interest income as a result of such change (loss of interest income equals to interest the Lender should have earned from the loan deduct by the interest earned through savings over the same period).

   (3) In the event that the Borrow wishes to cancel all or part of the undrawn loan amount, the Borrower shall obtain the approval from the Lender by submitting an application to the Lender three (3) days prior to the scheduled drawdown day or expiry of the drawdown period. The Borrower confirms that in the event where all or part of the loan was not drawn down upon the expiry of the drawdown period, the Borrower shall pay an undertaking fees to the Lender (as detailed in Part I of this Contract).

   (4) In the event where the Borrower fails to lodge its application for the draw down or postponement of the drawdown upon the expiry of the scheduled drawdown date or drawdown period, the Lender may notify the Borrower to handle related procedure within three (3) banking days from the date of the expiry. Where the Borrower fails to complete either one of the applications, the Lender shall have the rights to cancel the undrawn loan amount.

(5) Notwithstanding the terms and conditions as agreed elsewhere in this Contract, the Lender shall have the rights to refuse the Borrower's drawdown application and cancel all or part of the loan agreed in this Contract, prior to any drawdown of the loan.

Section 4: Account set up and management

1. The Borrower should have opened general settlement account, fund collection account and any other accounts, is any, as agreed between both parties, at the Lender's bank at the time of when this Contract is signed. The Borrower agrees the Lender to monitor the abovementioned accounts.
2. The general settlement account is used to account for the draw down and drawings of the loan obtained from the Lender by the Borrower, and the account entitles to interest income at calculated based on current deposit savings rate.
3. The Borrower acknowledges fund collection account shall serve as the income account and loan repayment account, as agreed in this Contract. The cash inflow from sales or the overall cash flow of the Borrower shall be deposited in the funds receiving account.

   The Borrower undertakes that the balance of the funds receiving account shall not be less than the amount of principal and interest due within 3 days prior to the day of each settlement. The Borrower agrees the Lender shall have the rights to restrict or reject any payments to third parties, within 3 days prior to the day of each settlement, where such payment will result in the balance of the funds receiving account lower than the principal and interest falling due, to ensure sufficient funds in the funds receiving account for the repayment of the principal and interest falling due.

   The Lender shall have the right to monitor the funds receiving account. In the event of any irregular cash movements in the fund collection account, the Lender shall have the rights to request the Borrower for explanations and take necessary measures.

Section 5: Payment Monitoring

1. The Borrower agrees that the Lender shall entitle to manage and monitor the payment from the loan obtained through Lender entrusted payment or/and direct payment methods by the Borrower, in order to supervise the purpose of usage of the loan as agreed in this Contract.

   The Lender entrusted payments refers to the Lender, make payments on behalf of the Borrower, upon application from the Borrower, to third parties who qualifies the purpose of the usage of the loan as agreed in this Contract, from the Borrower's bank accounts.

   Direct payment by the Borrower refers to the Lender deposited the loan into the Borrower's bank account based on the draw down application, and payments being made to the qualified payee in accordance with the usage agreed in the respective contracts by the Borrower directly.
2. With the consent of the Borrower, should the borrower-lender relationship between the Borrower and the Lender is a newly established relationship and the credit rating the Borrower is average, or each single payment required by the Borrower exceeds the limit as agreed in this Contract (refer to Part I of this Contract), or other cases as specified by the Lender, the Lender entrusted payment method should be used.

   Where the Lender entrusted payment method is used, the Lender shall have the right to review and approve payees on the payment application as provided by the Borrower whether the names of payee, amount and other information on the payment application is in conformity with relevant business contracts and related documents, and in accordance with the purpose of usage of the loan as agreed in this Contract. Payments will be made by the Lender to the Borrower's payees through the Borrower's bank account where the loan is obtained.
3. The Borrower shall provide evidence as requested by the Lender when applying payments to external parties from the loan obtained, including but not limited to:

   (1) Documents and evidence which support the purpose of the payment is as agreed in this Contract;

   (2) Business contract and written documents which reflect the Borrower's payment obligations. In the event where fees and expenses for which a written contract is not required or available, the Borrower shall provide fee policy and standards from relevant authorities;

(3) The Borrower shall provide the corresponding invoices or receipts after the payment is made if the invoices or receipts thereof are available at the time of payment;

(4) Legally valid payment voucher;

(5) Other documents as required by the Lender.

4. In case where a working capital loan account is not opened, the Borrower shall submit the drawdown application form (refer to Appendix 1 for format) to the Lender three (3) banking days prior to the proposed drawdown day, and shall designate whether the Lender entrusted payment method or direct payment method the Borrower wishes to use. The Borrower confirms that the Lender shall have the rights to review and approve whether the relevant documents complies with the payment condition stipulated under this Contract, and have the right to decide which payment method the Borrower should entitle for the loan that is drawn down.

   In case where a working capital loan account is opened, and when the Lender entrusted payment method is used, the Borrower shall submit the Borrower pre-stamped working capital loan reserved stamp payment application form (refer to Appendix 2 for format) to the Lender three (3) banking days prior to the proposed payment day. The Lender shall have the rights to review and approve whether the relevant documents complies with the payment condition stipulated under this Contract, and have the right to decide which payment method the Borrower should entitle for the loan that is drawn down. When the direct payment method is used, the Borrower shall submit the payment application form (refer to Appendix 2 for format) and related information to the Lender three (3) banking days prior to the proposed payment day. The Lender shall have the rights to review and approve whether the relevant documents complies with the payment condition stipulated under this Contract. When reviewed and approved by the Lender, the Borrower is required to complete payment voucher (the amount of each summary payment voucher must not exceed the loan amount the Lender entrusted for payment under this Contract). When approved, the Lender will stamp on the summary payment voucher a working capital loan fund monitoring chop and the required fund will be transferred to the Borrower's general settlement account.

5. In the case that direct payment method is used, the Borrower shall report to the Lender the details of direct payments from the loan obtained on a monthly basis. The Lender shall have the right to verify whether the payments made by the Borrower complies with the purpose and payment method as agreed in this Contract, by ways of account analysis, voucher inspections and on-site investigations, etc.

6. The Borrower confirms that the Borrower shall pay to the Lender any clearing fees that may be incurred due to the drawdown of the loan. At the time when clearing fee become chargeable, the Lender has the right to deduct the actual clearing fee from the Borrower's bank account.

7. In the case of the following, the Lender shall have the right to request the Borrower, during the course of drawdown application and payment application, to provide additional condition for the drawdown and payment, to change the way of settlement or cease to granting and payment of the loan:

   (1) Deterioration of the credit status

   (2) Weak profitability of core business

   (3) Abnormal usage of the loan under this Contract

Section 6: Repayment

1. The Borrower shall settle in full the loan principal, interest outstanding and relevant costs thereof in accordance with the repayment plan as agreed under this Contract. The Borrower hereby irrevocably authorizes the Lender the right to deduct directly the abovementioned funds from the account set up by the Borrower with the Lender's bank, on the due date of the repayment or other arrangement as agreed in this Contract.

2. Should the Borrower request an early repayment of the loan, the Borrower shall notify the Lender ten (10) banking days prior to the anticipated repayment date in writing and written consent must be obtained from the Lender. Should the Borrower early repay the loan principal and interest without the prior written consent from the Lender, the Lender shall charge the Borrower a fixed amount of one off penalty (see Part I of this Contract).

   In the case where early repayment of the loan has been accepted by the Lender, the anticipated early repayment date shall be regarded as early maturity of the loan and the Lender shall have the right to request the Borrower for payment of a fixed amount of penalty as agreed in this Contract (see Part I of this Contract).

   Interest for early repayment of the loan shall be paid together with the principal, and calculated based on the actual number of days for which the loan is drawn, and the amounts of the principal of the early repayment shall not be less than the limit agreed under Part I of this Contract; the amount of principal repaid shall be offset, in reversing order of the loan repayment plan, against the total principal of the loan.

3. In the event that the Borrower is unable to settle the repayment on maturity with justified reasons, the Borrower shall submit an application for extension of the term of the loan thirty (30) banking days prior to the original maturity of the loan, and prepare the required documents for the processing of relevant loan extension procedures. In the event that the loans under this Contract that is guaranteed, mortgaged or pledged, written consents should be received from the guarantor, mortgagor or pledge provider. The Lender shall has the final decision on granting of the loan extension, the loan will be transferred to as overdue loan on the following day upon maturity when no application for loan extension is submitted by the Borrower or when loan extension is not approved by the Lender.

Section 7: Representations and undertakings

The following representations and undertakings are made by the Borrower to the Lender at the time when this Contract is signed remain valid during the tenure of this Contract.

1. The Borrower is an independent legal entity, possesses the capability to assume rights and obligations, and has the ability to carry out obligations under this Contract and assume civil responsibility.
2. The Borrower has the right to execute this Contract and has signed this Contract and exercised all necessary duties under this Contract to obtained authorizations and approvals from the shareholders, board of directors and other authorities. The terms and conditions contained in this Contract represented the Borrower's true intent and legally binding on the Borrower.
3. The signing and execution of this Contract by the Borrower will not be in breach of the laws of which the Borrower is subjected to (the laws referred herein and hereunder include laws, rules, regulations, local laws, and judicial interpretation, etc). Relevant documents, judgments and adjudications from relevant authorities do have contradict to the Borrower's articles of association or contract and agreements signed by the Borrower, or any other obligations undertook by the Borrower.
4. The Borrower undertakes that all financial reports, if any, presented are in compliance with the laws of the People's Republic of China. (For the purpose of this Contract, do not include laws in Hong Kong and Macau Special Administrative Regions and Taiwan region). The financial reports are true, complete and fairly reflect the Borrower's financial status. The Borrower guarantee that all materials, information and documents, including both the Borrower and the Guarantor, provided to the Lender by the Borrower in the course of signing and execution of this Contract are true, valid, accurate and complete without any concealment of facts.
5. The Borrower guarantee that all materials, information and documents, including both the Borrower and the Guarantor, provided to the Lender by the Borrower in the course of signing and execution of this Contract are true, valid, accurate and complete without any concealment of facts, and the Borrower has complied with the principles of honesty and integrity.
6. The Borrower undertakes to complete all filings, registrations or any other procedures, and to bear all related costs and expenses, that are necessary for this Contract to remain valid and can be legally executed.
7. Subsequent to the date of latest audited financial statements, there have been no significant negative changes on the Borrower's operations and financial status.
8. Business activities are carried out in strict compliance with laws and regulations, and strictly adhere to the operating scope as stated in business license or laws; timely renewal of annual inspection; and that the operations are legal and qualified and has the ability to sustain its operations, and possesses legitimate source of financing for the repayment of the loan.
9. Shall not forfeit any matured claims on debts, and shall not dispose of existing substantial assets at no cost or any other inappropriate method.
10. The Borrower has already disclosed to the Lender important facts and circumstances known or should have known to the Borrower, which are essential for the Lender to determine whether the loan should be granted under this Contract.
11. The Borrower undertakes that, it has not and will not be any delay in payments by the Borrower, including but not limited to salaries, medical expenses, disability subsidies, compassionate payments and compensation of employees, on the date of signing of this Contract and during the tenure of this Contract.
12. The Borrower undertakes that it is of sound credit status and there ware no significant adverse records.
13. The Borrower undertakes that situations or events which will or may have a material and adverse impact on the ability of the Borrower in execution of this Contract do not exist.

Section 8: Agreed matters

The Borrower and the Lender agreed on the following matters:

1. The Borrower undertakes that its business activities be operated under legal regulations and the loan obtained under this Contract will be used for purpose as agreed in this Contract and not for other purpose. The Borrower shall, at the requirements of the Lender, provide regular financial information to Lender, which include monthly and annual financial information of varies types, and to actively cooperate with the Lender in monitoring the usage of the loan and the operational status of business activities. The Lender shall, at any time, have the right to carry out inspection and monitoring of the any kinds on the usage of the loan.
2. The Borrower shall repay of the principal and interest obtained under this Contract, based on the timing, amount, currency and interest rate stipulated under this Contract, drawdown application form and borrowing/lending voucher. The actual timing, amount, currency and interest rate for the repayment shall be based on the borrowing/lending voucher.
3. The Borrower undertakes that, in case of any events which will or may have a significant and negative impact on the financial status of the Guarantor which may affect the Guarantor’s capacity as a guarantor under this Contract, it shall provide other new guarantees that are recognized by the Lender immediately,.
4. The Borrower represents that, prior to receipt of written consent from the Lender, none of the following actions will be taken:
   (1) Selling, gifting, leasing, lending, transferring, mortgaging, pledging or otherwise disposing of all or part of its substantial assets.
   (2) Contracting, leasing, joint operations, external investment, share capital reform, merger and acquisition, joint venture/cooperation, sub-division, transfer of shares, practically increase in debt financing, set up of subsidiary, transfer of property rights, deduction in capital, suspension of operation, dissolution, file for bankruptcy, reorganization and other actions that has potential impact on the repayment ability of the Borrower.
   (3) Amendments to the articles of association or alteration of scope of business or core business.
   (4) Provide guarantees to third parties and, as a consequence thereof, having a significant and negative impact on financial status of the Borrower or its ability to fulfill the obligations under this Contract.
   (5) Early settlement of other long term debts.
   (6) Signing of contracts or agreements which have a significant and negative impact on the ability of the Borrower to fulfill the obligations herein or assuming relevant obligations with same implications.
5. The Borrower undertakes that, in the event of the following circumstances, the Borrower shall notify the Lender immediately on the day when such event occurred and ensure that the original copy of the relevant notice (stamped with company seal) reach the Lender within five (5) banking days after the event occured:
   (1) The occurrence of events which result in untruth, inaccuracy and invalidation on the representations and undertakings made by the Borrower under this Contract.
   (2) The Borrower or its controlling shareholders, de facto controller or its related parties are involved in litigation or arbitration, or their assets are subject to seizure, attachment, freezing, forcible execution or other measures of the same effect, or their legal representatives/persons in charge, directors, supervisors, or senior management are involved in litigation, arbitration or subject to other forcible measures.
   (3) Changes of legal representative or authorized representative, person in charge, person in charge of financial affairs, or correspondence address, name of the entity, and place of business of the Borrower.
   (4) Petition for restructuring or bankruptcy is filed by other creditors or revocation by higher-level authorities.
   (5) Occurrence of other significant and negative events that may have negative impact on the repayment ability of the Borrower.
6. The Borrower undertakes that it shall not in breach of normal repayment order to settle full and early repayment of other loans, and shall not enter into any contract or agreement, present and in the future, that would result in the subordination of the loan obtained under this Contract.

7. The Borrower shall make every effort to settle the principal and interest with the same currency of the loan obtained under this Contract. Under the circumstance where the principal and interest are settled in different currency, the Borrower shall voluntarily or authorize the Lender to convert the principal and interest repaid, which denominated in different currency, to the currency of the loan obtained under this Contract according to the exchange method specified under the "Stipulations on transfers of funds", with all the expenses and costs arising thereof to be borne by the Borrower. Under the circumstance where the Guarantor settle the repayment of the loan on behalf of the Borrower in different currency, all cost expenses arising thereof shall be borne by the Borrower, in accordance with the "Stipulations on transfers of funds" under the Guarantor Contract.
8. In the event where specific circumstances has resulted in a specific changes in the status of the guarantee under this Contract, the Borrower shall, at the request of Lender, provide other guarantees that is recognized the Lender. The specific circumstances or specific changes abovementioned include but not limited to suspension of production, termination of business, dissolution, suspension of business for internal rectification, revocation or deregistration of business license, applying or being applied for restructuring, bankruptcy, significant changes in operating or financial status, involved in material litigation or arbitration, involvement in litigations by legal representative, director, supervisor and key management, the decrease or possible decrease in the value of the assets pledged or being imposed of the property preservation measures, breaches under the Guarantee Contract and request for lifting of the Guarantee Contract, by the Guarantor.
9. The Lender shall entitle to carry out onsite or offsite due diligence on the Borrower, and carry out inspection on the operating and financial conditions, usage and repayment status of the loan, etc, after the loan has been drawn down by the Borrower. The borrower has the obligation to actively cooperate with the Lender in monitoring payment management, post-drawn down management and relevant inspection.
10. The Lender shall entitle to early withdraw the loan from the Borrower in view of the funds receiving status of the Borrower.
11. Specific terms for group corporate clients (applicable to group corporate clients).

    If the Borrower under this Contract is a part of a group corporate client, the Borrower hereby represents:

    (1) The Borrower shall report related party transactions over 10% of the net asset of the facility grantee on timely manner, including: i) relationships among the transacting parties; ii) types and nature of transactions; iii) transaction amounts or proportion; iv) pricing policy (including non-monetary or nominal value transactions).

    (2) Any of the following events by the actual facility grantee shall be regarded as breaches of this Contract by the Borrower, where the Lender shall have the right to unitarily cancel any unutilized credit facility of the client, and withdraw part or all of the utilized credit facility, or request from the client for additional security deposit with coverage of up to 100%: i) provision of false information or conceal material facts of operations and financial status; ii) change of the original purpose of use of the credit facility without authorization from the Lender, misappropriation of the credit facility or use of the bank credit facility for illegal and unlawful trading; iii) using fictitious contracts between related parties, creating notes receivable, accounts receivable and other claims which have no real business background to substantiate, and taken to the bank to endorsed or for pledge in order to obtain funds or facilities; iv) refusal of the monitoring and inspection request by the Lender on the usage of the funds and relevant operating and financial activities; v) the occurrence of major merger, acquisition and reorganization, etc, that the Lender believes may have an impact on the credit facility; vi) intentional evasion of bank debts through related party transactions.

Section 9: Stipulations on transfers of funds

1. The Borrower agrees that the Lender shall have the right to directly deduct and collect the funds from the general settlement account and/or funds receiving account opened by the Borrower with Shanghai Pudong Development Bank Co., Ltd, upon the due date of any outstanding debts under this Contract. In the event where there is insufficient balance in the general settlement account and/or funds receiving account for the repayment of the debts, the Lender shall have the right to deduct the funds from any accounts opened by the Borrower with the Shanghai Pudong Development Bank Co., Ltd.
2. Unless otherwise published by relevant national regulators or laws, the proceeds deducted from the Borrower's accounts shall be applied in the following order: settlement of outstanding expenses, settlement of outstanding interest and settlement of the outstanding principal, due from the Borrower.

3. The following ways shall be applied when the currency obtained from deduction from the Borrower's accounts differ from the currency of amount required settlement:

   (i) In the case the currency of the loan is RMB, the amount deducted from the Borrower's bank accounts will be converted into RMB from their original currencies at the bidding price of relevant exchange rates published on the day of the fund deduction by the Lender and settle the outstanding principal and interest.

   (ii) In the case that the currency of the loan is non-RMB, and the fund deducted from the Borrower's bank accounts is RMB, the fund deducted will be converted from RMB to the currency in which the loan is denominated at the asking price of relevant exchange rates published on the day of the fund reduction by the Lender and settle the outstanding principal and interest.

   (iii) In the case that the currency of the loan and the fund deducted from the Borrower's bank account are different and not denominated in RMB, the fund deducted will be first converted into RMB at the bidding price of relevant exchange rates published on the date of the fund deduction, then converted to the currency in which the loan is denominated at the asking price of relevant exchange rates published on the same date and settle the outstanding principal and interest.

Section 10: Proof of Claims

The Lender, in accordance with its usual business practice, maintains accounting ledgers for all the business activities related to this Contract on its accounting records for proof of the loan amount due to the Lender. The Borrower confirms that the accounting documents compiled and recorded by the Lender according to its business practices constitute valid proof of its loan obligations under this Contract.

Section 11: Notice and Delivery

1. Any notice given by either party under this Contract to the other party shall be sent to the addresses shown on the signing page of this Contract, unless either one party is notified in writing by the other party of a change of address. Once the notice is sent to the above address, it is deemed to have been delivered on following dates: For letters, the seventh (7) banking day after the dispatch of registered mail to the principal business address; For delivery by courier, the day on which the recipient signs to acknowledge receipt; For facsimile or emails, the day on which the facsimile or email is sent. However, all notices, requests or other correspondence sent or delivered to the Lender shall only be deemed to have been delivered when the Lender actually receives them. In addition, the originals (affixed with the company seal) of all notices and requests sent to the Lender via facsimile or email shall be delivered by hand or mailed to the Lender afterwards for confirmation purposes.

2. The Borrower agrees that any subpoena or notices issued to the Borrower as a result of litigation brought against it shall be deemed to have been delivered if they are dispatched to the principal business address as shown on the signing page of this Contract. Any change to the above address will not take effect unless a written notice of the same has been given to the Lender in advance.

Section 12: Validity, modification and rescission

1. This Contract shall become effective after both the Borrower and Lender have affixed their seals and signed/sealed by their respective legal representatives (responsible persons) or authorized persons, and shall be terminated when all the debts under this Contract are fully settled.

2. When this Contract become effective, neither party to this Contract is permitted to modify or rescind this Contract before its intended term. Where modification or rescission is required for this Contract, both parties shall reach unanimity through negotiation and evidenced by written agreement.

Section 13: Events of Default and Handling

1 Events of default

Any of the following events shall constitute a default on part of the Borrower to the Lender:

(1) Any representations and undertakings made by the Borrower in this Contract, or any notice, authorization, approval, consent, certificate and other documents provided by the Borrower in connection with this Contract are inaccurate or misleading, or are proved to be inaccurate or misleading, or are proved to be void or rescinded or have no legal effect, at the time of being made by the Borrower.

(2) Any breach of the "Other matters agreed by both parties", if any, in Part I of this Contract or any agreed matter in Section 8 in Part II of this Contract by the Borrower.

(3) Any major cross-default events on part of the Borrower, including but not limited to breaches of other loan contracts/agreements entered into by the Borrower; or default in repayment of matured debts under other loan contracts/agreements entered into by the Borrower.

(4) Embezzlement of funds, transfer of assets or sale of share holdings by investors of the Borrower.

(5) The Guarantor fails or shall fail to act in the capacity of a guarantor for the loan, or in breach of the signed guarantee document.

(6) The suspension of business, suspension of production, closure of business, suspension of business for internal rectification, restructuring, liquidation, being placed in receivership or conservatorship, dissolution, revocation or cancellation of business license, or bankruptcy of the Borrower.

(7) Deterioration of financial conditions of the Borrower and the Guarantor, encountering great difficulties in operations, or an event or situation which has adverse impact on their normal operations, financial conditions or solvency.

(8) The Borrower or its controlling shareholders, de facto controller or its related parties are involved in litigation or arbitration, or their assets are subject to seizure, attachment, freezing, forcible execution or other measures of the same effect, or their legal representatives/persons in charge, directors, supervisors, or senior management are involved in litigation, arbitration or subject to other forcible measures, which may have adverse impact on the solvency of the Borrower.

(9) Failure to utilize the loan for purposes agreed in this Contract or failure to make payments with agreed methods.

(10) Provision of false and misleading documents and information for the application of the loan.

(11) Fail to meet with the minimum requirements on relevant financial covenants agreed under this Contract.

(12) Unusual movements of fund flows in the general settlement account/fund collection account.

(13) The Borrower engages in activities which in breach of this Contract and will hinder the execution of this Contract or other actions which will impair the normal interests of the Lender to this Contract.

2. Treatment of default

(1) If any one or more of the above events of default occurs, the Lender shall entitle to take one or more of the following measures as the Lender may deemed appropriate:

i) Request the Borrower to rectify within defined period of time.

ii) Cancelation of any undrawn credit of the loan facility, stop granting or making payments from unused loan balance granted to the Borrower.

iii) Declare all or part of the loan principal granted become due immediately, and request immediate repayment of all or part of the loan, settlement of outstanding interest, and seek for recourse from the Guarantor or Borrower with all necessary means.

iv) Collect penalty interest on overdue loan principal and/or misappropriated loan portion, at compound interest rate.

v) Directly deducts funds at any bank accounts opened by the Borrower at various branches of the Shanghai Pudong Development Bank Co., Ltd.

vi) Request for the Borrower to supplement additional conditions on drawdown of the loan or modification on the payment method for utilization of the loan.

vii) Request the Borrower to provide other guarantees recognized by the Lender.

viii) Other necessary measures as regulated by the laws.

(2) Other than the above measures, the Lender may further request the Borrower for default liability and for payment of default penalty (refer to Part I of this Contract for calculation of default penalty). Where the default penalty is insufficient to cover losses suffered by the Lender, the Borrower shall indemnify the Lender against all resulting losses.

(3) The Borrower shall bear all expenses incurred by the Lender in connection with the Lender's realization of debts and guarantee rights, including but not limited to debt chasing expenses, litigation charges, notary fees, announcement fees, lawyers remuneration, travelling expenses, translation fees and all other fees payable.

Section 14: Other provisions

1. Definitions

i) "All the debts" under this Contract refers to the principal, interest, default penalty and various expenses for the realization of the debts.

ii) "Interest" under this Contract includes interest, penalty interest and compound interest.

iii) "Banking day" under this Contract refers to the general open day for public business at the Lender's place of residence, not including Saturdays and Sundays (except for business day open to the public due to holiday adjustment) or other public holiday by laws.

2. Applicable laws

The Laws of the People's Republic of China (for the purpose of this Contract, excluding the laws of Hong Kong and Macau Special Administrative Regions and Taiwan regions) are applicable to this Contract, and their interpretations.

3. Dispute Resolution

All disputes arising from this Contract shall be resolved through friendly negotiations. In the case that an agreement cannot be reached, the People's Court of the People's Republic of China where the Lender is located has exclusive jurisdiction over the dispute matter. During the period of dispute, the parties shall continue to comply with the undisputed provisions of this Contract.

4. Miscellaneous

(i) The parties hereto may revise the terms and conditions of this Contract through negotiation for matters not discussed herein and set out those additional terms and conditions in Part I of this Contract or in a separate agreement which will become a supplement to this Contract. Appendices and supplements to this Contract (detailed in Part I of this Contract) are inseparable constituent part of this Contract and have the same legal effect as the main text of this Contract.

(ii) During the tenure of this Contract, the Lender's tolerance of extension or delay in action in connection to any events of default or other actions by the Borrower, shall not damage, influence or restrict the Lender from enjoying all the rights and benefits in accordance with laws or with regards to this Contract, neither can be taken as the Lender's recognition of such events of default by the Borrower, nor can be treated as the Lender's forfeiture of the Lender's rights on taking action against the Borrower's present or future events of default.

(iii) Invalidity of any terms in this Contract shall not affect the validity of other terms. The Borrower shall bear the obligation for the repayment of all the debts owing to the Lender, regardless of reasons resulting in the invalidity of this Contract. In case of the aforesaid event, the Lender shall entitle to terminate the execution of this Contract immediately and may seek for repayment all the outstanding debts under this Contract from the Borrower.

(iv) The Lender may transfer all or part of the rights and/or obligations under this Contract, and under this circumstance, the transferee shall entitle to enjoy the same rights and/or obligations as being a party of the Lender to this Contract. The Borrower shall bind to the transferee as agreed in this Contract, after receiving notice from the Lender with regards to the transfer of debts.

(v) Unless otherwise stated herein, the relevant terms and expressions in the Appendices to this Contract have the same meaning as those contained in this Contract.

(vi) The headings in this Contract are for ease of reference only and shall not be regarded as the basis of interpretation of the content under that heading.

(No main text below on this page)

(This is the signing page with no main text)

This Contract is signed by the Borrower and the Lender (as below) on **July 13, 2011**. The Borrower acknowledges that, at the time of signing this Contract, both parties have explained and discussed all the terms and conditions in details. Both parties have no disagreement toward any of the terms and conditions herein and have an accurate understanding of the legal implications of the terms and conditions with respect to the rights and obligations, restrictions of responsibility or exclusion provisions of the subject persons.

Borrower (company seal)
[sealed] China Northeast Logistics City Co, Ltd

Legal representative or authorized person (signature or seal)
Cheng Chung Hing

Principal business address:
[Not disclosed in this translation]

Postal code: **[Not disclosed in this translation]**

Telephone No: **[Not disclosed in this translation]**

Fax No.: **[Not disclosed in this translation]**

Email: **[Not disclosed in this translation]**

Contact person: **[Not disclosed in this translation]**

Lender (company seal)
[Sealed] Pudong Development, Bank Co., Ltd., Shenyang Branch

Responsible person or authorized person (signature or seal)
[Not disclosed in this translation]

Principal business address:
[Not disclosed in this translation]

Postal code: **[Not disclosed in this translation]**

Telephone No: **[Not disclosed in this translation]**

Fax No.: **[Not disclosed in this translation]**

Email: **[Not disclosed in this translation]**

Contact person: **[Not disclosed in this translation]**

Appendix 1

Under "Working Capital Loan Contract"

Drawdown Application Form
(Applicable to cases where designated working capital loan account is used)

No:

Shanghai Pudong Development Bank Co., Ltd. **Shenyang** Branch

Whereas the Company signed Working Capital Loan Contract (referred to as "loan contract" hereunder) with contract number **[Not disclosed in this translation]** with the Bank on **July 13, 2011**, according to the drawdown plan agreed in the loan contract, the Company plans to take its **1st** drawdown with an amount of **RMB** (currency) **Fifty million** (In words) on **July 15, 2011**.

In accordance with the terms of the loan contract, this amount shall be made to the general settlement bank account opened by the Borrower at Shanghai Pudong Development Co., Ltd., the bank account name is **China Northeast Logistics City Co., Ltd.**, bank account number is: **[Not disclosed in this translation]**.

The Company hereby confirms, as at the date of this application form, there is no occurrence of any event or situation that would constitute events of default under the loan contract. The Company further confirms, all the representations and undertakings and guarantees are executed accordingly and all the applicable prerequisites are satisfied as agreed under the loan contract.

Applicant: (seal): **China Northeast Logistics City Co., Ltd.**
Legal representative or authorized agent: (signature or seal) **Cheng Chung Hing**

July 13, 2011

Appendix 2

Under "Working Capital Loan Contract"

Drawdown Application Form
(Applicable to cases where designated working capital loan account is used)

No:

Shanghai Pudong Development Bank Co., Ltd. **[Blank]** Branch

Whereas the Company signed Working Capital Loan Contract (referred to as "loan contract" hereunder) with contract number **[Blank]** with the Bank on **[Blank]**, according to the drawdown plan agreed in the loan contract, the Company plans to take its **[Blank]**drawdown with an amount of **[Blank]** (currency) **[Blank]** (In words) on **[Blank]**.

In accordance with the terms of the loan contract, this amount shall be made to the general settlement bank account opened by the Borrower at Shanghai Pudong Development Co., Ltd., the bank account name is **[Blank]**, bank account number is: **[Blank]**.

The Company hereby confirms, as at the date of this application form, there is no occurrence of any event or situation that would constitute events of default under the loan contract. The Company further confirms, all the representations and undertakings and guarantees are executed accordingly and all the applicable prerequisites are satisfied as agreed under the loan contract.

For the amount to be drawn down this time, the Company hereby makes specific application for the below **[Blank]** method of making external payment from the loan obtained:

(1) The Lender entrusted payment method for all payments:

i) The Company has provided the following documents to the Bank in compliance with the loan contract:

☐ Business Contract and written documents truthfully reflecting the Borrower's payment obligation and related written documents relating to usage of the loan;

☐ Relevant invoices or receipts, the Borrower shall submit relevant invoices or receipts for the payment timely after payment has been completed, if such invoices and receipts are not available at the time of payment;

☐ legally valid payment voucher;

☐ Others: **[Blank]**

(ii) Please transfer the loan principal requested to the following bank account of the transacting party, on **[Blank]**, upon verification and approval by the Bank as agreed in the loan contract:

Branch Name: **[Blank]**
Account Name: **[Blank]**
Account Number: **[Blank]**

(2) The Borrower's direct payment method for all payments:

i) The Company has provided the following documents to the Bank in compliance with the loan contract:

☐ Business Contract and written documents truthfully reflecting the Borrower's payment obligation and written document relating to loan usage:

☐ Others: **[Blank]**

(ii) Please transfer the loan principal requested to our general settlement account upon verification and approval by the Bank as agreed in the loan contract:

Applicant: (seal): **[Blank]**
Legal representative or authorized agent: (signature or seal) **[Blank]**

Exhibit 4.15

SPD Bank **Working Capital Loan Contract**

Contract Number: **[Not disclosed in this translation]**

The Borrower: China Northeast Logistics City Co., Ltd.

The Lender:_Shanghai Pudong Development Bank Co., Ltd. Shenyang Branch

Whereas:

For funding needs, the Borrower applies for working capital loan from the Lender: After review, the Lender agrees to grant the loan in accordance with the terms and conditions stipulated under this Contract. In order to clarify the rights and obligations of both parties, this contract is entered into upon mutual agreement, based on relevant laws, regulations and rules of the People's Republic of China, and shall be binding on both parties.

At the same time, the Borrower and Lender ascertain the following prerequisites ("✓" for selected, and "x" for not selected):

☑ This Contract is signed as the supplemental financing agreement to the Credit Facility Agreement (hereunder referred to as the Credit Facility) with serial number: **[Not disclosed in this translation].** After this Contract became effective, all the terms and conditions contained herein are incorporated into and form part of the Credit Facility (This option should be selected should an Credit Facility has been signed previously and the serial number of the Credit Facility should be recorded here);

☒ This Contract is an independent financing document signed between the Borrower and the Lender (This option should be selected should a Credit Facility has not been signed previously between the Borrower and the Lender);

☒ The purpose of the loan under this Contract is for renewal of existing loan, for which the Guarantor(s) is/are known. The name of the original contract: **[Blank]**
Date of signing: **[Blank]** Serial number: **[Blank]** (This option should be selected should the purpose of the loan is for the renewal of existing loan).

Part I: Commercial Terms

1. Type of loan: ☑ Short term working capital loan ☐ Medium to long term working capital loan
2. The loan amount under this Contract is **RMB** (currency) **Twenty million** (in words).
3. The specific purpose of the loan under this Contract is: **Replenishment of working capital**
4. The term of the loan under this Contract is: ("✓" for selected, and "x" for not selected)

☑ From **August 19, 2011** to **August 3, 2012**;

☒ **[Blank]** year (or **[Blank]** months) from the date of the first drawdown.

The actual drawdown and repayment date to be determined based on the date of the drawdown voucher produced by the Borrower and the Lender. The date of the last repayment shall not extend beyond the loan period as agreed in this Contract. The drawdown vouchers form an inseparable part of this Contract.

5. The interest rate for the loan under this Contract is ("✓" for selected, and "x" for not selected):

☑ (1) RMB interest rate:

☑ Calculated based on interest rate for similar class and types of lending announced by the People's Bank of China (☒ marking up ☒ marking down) of **[Blank]**%, which equals to **6.56%** per annum at the time of signing this Contract.

☒ Other arrangement: **[Blank]**

☒ (2) Foreign currency interest rate ("✓" for selected, and "x" for not selected):

☒ Calculated based on **[Blank]** months London Inter-Bank Offered Rate plus **[Blank]** (Also referred to as LIBOR + **[Blank]**), on the date of the loan granted by the Lender. "LIBOR" referred to the average (rounded to nearest four decimal points) of the related interest rate shown on the related screen page (if any) on Reuters. The abovementioned interest rate should be the interest rate quoted for the US dollar deposit with the same corresponding period of the loan at 11:00 am (London time) on the date of determining interest rate.

☒ Other arrangement: **[Blank]**

☑ (3) Interest settlement method ("✓" for selected, and "x" for not selected)

☒ Monthly, the interest settlement date is on the 20th of every month;

☑ Quarterly, the interest settlement date is on the 20th of the final month of each quarter;

☒ interest to be paid once upon maturity of the loan, together with repayment of principal of the loan;

☒ Other arrangement: **[Blank]**

For instalment repayment of principal or interest, the last interest payment shall be made at the time of repayment of the loan principal,

☒ (4) Adjustment of interest rate for RMB loans under this Contract

In the case where an adjustment to the benchmark lending interest rate is made by the People's Bank of China before the drawdown of the RMB loan under this Contract, the interest rate applicable to the loan under this Contract commencing from the date of the drawdown should be the interest rate for similar class and types of loans as published by the People's Bank of China at the time of the drawdown. In the case where benchmark lending interest rate is adjusted by the People's Bank of China during the term of the loan after the loan is drawn down, then ("✓" for selected, and "x" for not selected):

☒ Adjusted monthly, adjusted from the 21st of every month;

☒ Adjusted quarterly, adjusted from the 21st of the last month of each quarter;

☒ Adjusted annually, adjusted from **[Blank]** month **[Blank]** date of every year;

☑ Interest rate is not adjusted

☒ Other arrangement: **[Blank]**

☒ (5) Interest rate adjustment for foreign currency loan under this Contract ("✓" for selected, and "x" for not selected):

☐ From the date when the loan is granted, the interest rate is adjusted every **[Blank]** month(s) according to the latest foreign currency interest rate with the same period;

☐ Other arrangement: **[Blank]**

6. The interest rate for penalty interest under this Contract is:

   (1) The penalty interest rate for overdue payments under this Contract is determined at additional **30%** over the benchmark lending interest rate published at the time of overdue.

   (2) The penalty interest rate for use of the loan not according to the purpose stipulated in this Contract, is determined at additional **50%** over the benchmark interest rate published at the time of the loan misuse.

7. The drawdown period for the loan under this Contract is from **August 19, 2011** to **August 3, 2012**.

8. The drawdown schedule for the loan under this Contract is as follows ("✓" for selected, and "x" for not selected):

☑ The withdrawal plan is as follow:

Order	Drawn down before	Drawdown amount	
1	**August 19, 2011**	**RMB Twenty million**	(In words)

☒ Other drawn down arrangement: **[Blank]**

9. The repayment plan for the loan herein is as follows ("✓" for selected, and "x" for not selected):

☑ The repayment plan is as follow:

Order	Repayment before	Repayment amount	
1	**August 3, 2012**	**RMB Twenty million**	(In words)

☒ Other repayment arrangement: **[Blank]**

10. The penalty for early repayment of the loan: equal **[Blank]**% of the total amount of actual early repayment or **[Blank]**(Currency)**[Blank]** (In words).
11. The portion of the loan principal being early repaid shall not less than **[Blank]**(Currency)**[Blank]** (In words).
12. Set Up of Bank Account: ("✓" for selected, and "x" for not selected)

    (1) The Borrower's designated working capital loan account at the Lender's bank:

Bank:	Fangyuan Branch, Shanghai Pudong Development Bank Co. Ltd.
Account name:	China Northeast Logistics City Co., Ltd.
Account number:	**[Not disclosed in this translation]**

    (2) The Borrower's general settlement account at the Lender's bank:

Branch:	Fangyuan Branch, Shanghai Pudong Development Bank Co. Ltd.
Account Beneficiary:	China Northeast Logistics City Co., Ltd.
Account number:	**[Not disclosed in this translation]**

    (3) The Borrower's funds receiving account under this Contract:

Bank:	Fangyuan Branch, Shanghai Pudong Development Bank Co. Ltd.
Account name:	China Northeast Logistics City Co., Ltd.
Account number:	**[Not disclosed in this translation]**

13. The Lender's entrusted payment: Any single payment required from the Borrower which exceeds an amount of (currency and amount) **RMB Zero** shall entrust to the Lender for payment.
14. The Borrower agrees to pay the Lender an amount of (currency and amount) **[Blank]** as payment account supervision fee. Payment method:**[Blank]**.
15. The Borrower agrees to provide the following Guarantors and guarantee contracts for the loan secured under this Contract:

☒ Guarantors: **[Blank]**	Guarantee Contract No.: **[Blank]**
☑ Mortgagors: China Northeast Logistics City Co., Ltd.	Mortgage Contract No.: **[Not disclosed in this translation]**
☒ Pledge provider: **[Blank]**	Pledge Contract No.: **[Blank]**
☒ Other guarantee: **[Blank]**	

16. Default penalty: equivalent to **[Blank]** % of the loan principal or **[Blank]**
17. Appendices to this Contract include:

(1) Drawdown Application

(2) **[Blank]**

(3) **[Blank]**

(4) **[Blank]**

(5) **[Blank]**

18. Other matters agreed by both parties: **[Blank]**
19. There are **Two** copies of this Contract, **1** copy for the Borrower, **1** copy for the Lender, and **[Blank]** copies for **[Blank]**, all copies carry the same legal status.

Part II: General Terms

Section 1: The Loan

1. The Borrower hereby irrevocably agrees and undertakes: the Lender, at all times, has full discretion on the drawings of the loan obtained under this contract; the Lender has full discretion on the date for which regular or irregular inspection on the loan should be carry out, in order for the Lender to decide whether the Lender should continue to grant a loan of any form to the Borrower; notwithstanding of the provisions contained in this Contract or any other documents, the Lender shall have the right to call for the Borrow to repay all of the loan at any time. The Lender shall have the right to terminate or suspend all or part of the loan, or cancel any further usage of the loan without prior notification to the Borrower.
2. The loan under this Contract shall only be used for purpose as agreed in this Contract, the Borrower shall not misuse the loan for fixed asset investment, share transaction or similar investment, and productions and operations in area which are prohibited by the PRC or on activities that are not comply with the purpose of working capital loan.

Section 2: Loan interest rate and method of calculation

1. Unless otherwise specified in this Contract, the interest under this Contract shall be calculated based on the actual amount of loan drawn down and the number of days for which the loan is drawn down from the date of drawdown. The number of days in use includes the first day and excludes the last day. Daily interest rate equals to monthly interest rate divided by 30, monthly interest rate equals to annual interest divided by 12.
2. The Lender shall entitle to receive penalty interest from the Borrower on any outstanding principal which become overdue ("overdue", for the purpose of this Contract includes situation where early repayment is declared by the Lender), for period starting from the day when the outstanding principal of the loan become overdue, calculated in accordance with the actual number of days overdue and overdue interest rate agreed in this Contract, until the day the Borrower settles all of the principal and interest.
3. In the event the Borrower does not utilize the loan which does not comply with the purpose as agreed in this Contract, the Lender shall entitle to receive penalty interest, based on the portion of the loan being misused, calculated based on the penalty interest rate as agreed in this Contract, from the day when such misuse commence, for the number of days the portion of the loan being misused, until the Borrower settles all of the principal and interest.
4. The Lender shall entitle to receive from the Borrower for interest not settled on time (which include normal interest, overdue penalty interest and misuse penalty interest) an overdue interest, which shall be calculated based on the overdue interest rate as agreed in this Contract for period, from the day when such interest become overdue (which is the day of interest settlement date as agreed in this Contract), when such interests are overdue, on a compound interest basis.
5. Interest rate marketization or market immobilization
    (1) In the event that after the loan under this Contract has been granted and the People's Bank of China has implemented the policy of marketization of lending interest rate for RMB loan, the Borrower shall negotiate with the Lender for the determination of the interest rate standard. Should there be no mutual agreement reached within five (5) banking days after the commencement of the negotiation, the Borrower shall repay all of the principal and interest of the loan within thirty (30) banking days from the date on which no mutual agreement is affirmed. (This paragraph applies to RMB).

    (2) In the event that after the loan under this Contract has been granted, none of the relevant banks has offered any US Dollar interest rate quotation to major banks in the London Interbank Money Market at 11:00am (London time), and no interest rate could be obtained on the day of the interest rate adjustment as agreed in this Contract, the Borrower shall negotiate with the Lender for the determination of an alternative interest rate. if no relevant bank quotes the US Dollar deposit rate to the major banks in the London Interbank money market, by the hour of 11 am (London time) on the interest quote date of relevant interest period. Should there be no mutual agreement reached within five (5) banking days after the commencement of the negotiation, the Borrower shall repay all of the principal and interest of the loan within thirty (30) banking days from the date on which no mutual agreement is affirmed. (This paragraph applies to foreign currency)

Section 3: Drawdown of the loan

1. Prior to the first drawdown, the Borrower shall fulfill the following conditions, however the Lender is not obligated to verify the authenticity of the following documents or conditions:

   (1) The Borrower shall submit the drawdown application form (refer to Appendix 1 for format), the completed borrowing/lending voucher and other related documents at a time and method of submission as agreed in this Contract;

   (2) This Contract and related guarantee contract, if any, have been signed and remained valid, and the rights of the guarantee has been properly established;

   (3) The Borrower shall provide valid business license, company articles of association, most recent financial statements from the drawdown date (including but not limited to the audited financial statement for the preceding year and the management accounts for the current period);

   (4) The Borrower shall provide the resolution in respect of the loan approved by the board of directors or in shareholders' meeting or other entities with the same legal status, authorization letter from legal representatives to authorized representatives, and original copy of sample signatures for the legal representatives and authorized representatives;

   (5) The Borrower has opened general settlement, fund collection or any other accounts, if any, at the Lender's bank as requested by the Lender;

   (6) The Borrower has fulfilled the obligations agreed in this Contract, and no event of default as stipulated in this Contract has occurred.

   (7) Other documents or other conditions may be requested by the Lender from time to time.

2. Prior to each drawdown other than the first drawdown, the Borrower shall fulfill the following conditions, however the Lender is not obligated to verify the authenticity of the following documents or conditions:

   (1) The Borrower shall submit the drawdown application form (refer to Appendix 1 for format), the completed borrowing/lending voucher and other related document at a time and method of submission as agreed in this Contract;

   (2) The Borrower has fulfilled the obligations agreed under this Contract, and no event default as stipulated in this Contract has occurred.

   (3) Other documents or other conditions may be requested by the Lender from time to time.

3. Drawdown

   (1) The Borrower shall make one-time drawdown or instalments drawdown in accordance with the schedules as agreed under this Contract, and submit the drawdown application to the Lender three (3) banking days prior to the each drawdown date as agreed in this Contract for the processing of draw procedure (refer to Appendix 1 for format)

   (2) In the event that a change the drawdown date such as postponement is required by the Borrower, the Borrower shall obtain consent from the Lender three (3) banking days prior to the scheduled day, and shall pay the Lender loss of interest income as a result of such change (loss of interest income equals to interest the Lender should have earned from the loan deduct by the interest earned through savings over the same period).

   (3) In the event that the Borrow wishes to cancel all or part of the undrawn loan amount, the Borrower shall obtain the approval from the Lender by submitting an application to the Lender three (3) days prior to the scheduled drawdown day or expiry of the drawdown period. The Borrower confirms that in the event where all or part of the loan was not drawn down upon the expiry of the drawdown period, the Borrower shall pay an undertaking fees to the Lender (as detailed in Part I of this Contract).

   (4) In the event where the Borrower fails to lodge its application for the draw down or postponement of the drawdown upon the expiry of the scheduled drawdown date or drawdown period, the Lender may notify the Borrower to handle related procedure within three (3) banking days from the date of the expiry. Where the Borrower fails to complete either one of the applications, the Lender shall have the rights to cancel the undrawn loan amount.

(5) Notwithstanding the terms and conditions as agreed elsewhere in this Contract, the Lender shall have the rights to refuse the Borrower's drawdown application and cancel all or part of the loan agreed in this Contract, prior to any drawdown of the loan.

Section 4: Account set up and management

1. The Borrower should have opened general settlement account, fund collection account and any other accounts, is any, as agreed between both parties, at the Lender's bank at the time of when this Contract is signed. The Borrower agrees the Lender to monitor the abovementioned accounts.
2. The general settlement account is used to account for the draw down and drawings of the loan obtained from the Lender by the Borrower, and the account entitles to interest income at calculated based on current deposit savings rate.
3. The Borrower acknowledges fund collection account shall serve as the income account and loan repayment account, as agreed in this Contract. The cash inflow from sales or the overall cash flow of the Borrower shall be deposited in the funds receiving account.

   The Borrower undertakes that the balance of the funds receiving account shall not be less than the amount of principal and interest due within 3 days prior to the day of each settlement. The Borrower agrees the Lender shall have the rights to restrict or reject any payments to third parties, within 3 days prior to the day of each settlement, where such payment will result in the balance of the funds receiving account lower than the principal and interest falling due, to ensure sufficient funds in the funds receiving account for the repayment of the principal and interest falling due.

   The Lender shall have the right to monitor the funds receiving account. In the event of any irregular cash movements in the fund collection account, the Lender shall have the rights to request the Borrower for explanations and take necessary measures.

Section 5: Payment Monitoring

1. The Borrower agrees that the Lender shall entitle to manage and monitor the payment from the loan obtained through Lender entrusted payment or/and direct payment methods by the Borrower, in order to supervise the purpose of usage of the loan as agreed in this Contract.

   The Lender entrusted payments refers to the Lender, make payments on behalf of the Borrower, upon application from the Borrower, to third parties who qualifies the purpose of the usage of the loan as agreed in this Contract, from the Borrower's bank accounts.

   Direct payment by the Borrower refers to the Lender deposited the loan into the Borrower's bank account based on the draw down application, and payments being made to the qualified payee in accordance with the usage agreed in the respective contracts by the Borrower directly.
2. With the consent of the Borrower, should the borrower-lender relationship between the Borrower and the Lender is a newly established relationship and the credit rating the Borrower is average, or each single payment required by the Borrower exceeds the limit as agreed in this Contract (refer to Part I of this Contract), or other cases as specified by the Lender, the Lender entrusted payment method should be used.

   Where the Lender entrusted payment method is used, the Lender shall have the right to review and approve payees on the payment application as provided by the Borrower whether the names of payee, amount and other information on the payment application is in conformity with relevant business contracts and related documents, and in accordance with the purpose of usage of the loan as agreed in this Contract. Payments will be made by the Lender to the Borrower's payees through the Borrower's bank account where the loan is obtained.
3. The Borrower shall provide evidence as requested by the Lender when applying payments to external parties from the loan obtained, including but not limited to:

   (1) Documents and evidence which support the purpose of the payment is as agreed in this Contract;

   (2) Business contract and written documents which reflect the Borrower's payment obligations. In the event where fees and expenses for which a written contract is not required or available, the Borrower shall provide fee policy and standards from relevant authorities;

(3) The Borrower shall provide the corresponding invoices or receipts after the payment is made if the invoices or receipts thereof are available at the time of payment;

(4) Legally valid payment voucher;

(5) Other documents as required by the Lender.

4. In case where a working capital loan account is not opened, the Borrower shall submit the drawdown application form (refer to Appendix 1 for format) to the Lender three (3) banking days prior to the proposed drawdown day, and shall designate whether the Lender entrusted payment method or direct payment method the Borrower wishes to use. The Borrower confirms that the Lender shall have the rights to review and approve whether the relevant documents complies with the payment condition stipulated under this Contract, and have the right to decide which payment method the Borrower should entitle for the loan that is drawn down.

   In case where a working capital loan account is opened, and when the Lender entrusted payment method is used, the Borrower shall submit the Borrower pre-stamped working capital loan reserved stamp payment application form (refer to Appendix 2 for format) to the Lender three (3) banking days prior to the proposed payment day. The Lender shall have the rights to review and approve whether the relevant documents complies with the payment condition stipulated under this Contract, and have the right to decide which payment method the Borrower should entitle for the loan that is drawn down. When the direct payment method is used, the Borrower shall submit the payment application form (refer to Appendix 2 for format) and related information to the Lender three (3) banking days prior to the proposed payment day. The Lender shall have the rights to review and approve whether the relevant documents complies with the payment condition stipulated under this Contract. When reviewed and approved by the Lender, the Borrower is required to complete payment voucher (the amount of each summary payment voucher must not exceed the loan amount the Lender entrusted for payment under this Contract). When approved, the Lender will stamp on the summary payment voucher a working capital loan fund monitoring chop and the required fund will be transferred to the Borrower's general settlement account.

5. In the case that direct payment method is used, the Borrower shall report to the Lender the details of direct payments from the loan obtained on a monthly basis. The Lender shall have the right to verify whether the payments made by the Borrower complies with the purpose and payment method as agreed in this Contract, by ways of account analysis, voucher inspections and on-site investigations, etc.

6. The Borrower confirms that the Borrower shall pay to the Lender any clearing fees that may be incurred due to the drawdown of the loan. At the time when clearing fee become chargeable, the Lender has the right to deduct the actual clearing fee from the Borrower's bank account.

7. In the case of the following, the Lender shall have the right to request the Borrower, during the course of drawdown application and payment application, to provide additional condition for the drawdown and payment, to change the way of settlement or cease to granting and payment of the loan:

   (1) Deterioration of the credit status

   (2) Weak profitability of core business

   (3) Abnormal usage of the loan under this Contract

Section 6: Repayment

1. The Borrower shall settle in full the loan principal, interest outstanding and relevant costs thereof in accordance with the repayment plan as agreed under this Contract. The Borrower hereby irrevocably authorizes the Lender the right to deduct directly the abovementioned funds from the account set up by the Borrower with the Lender's bank, on the due date of the repayment or other arrangement as agreed in this Contract.

2. Should the Borrower request an early repayment of the loan, the Borrower shall notify the Lender ten (10) banking days prior to the anticipated repayment date in writing and written consent must be obtained from the Lender. Should the Borrower early repay the loan principal and interest without the prior written consent from the Lender, the Lender shall charge the Borrower a fixed amount of one off penalty (see Part I of this Contract).

   In the case where early repayment of the loan has been accepted by the Lender, the anticipated early repayment date shall be regarded as early maturity of the loan and the Lender shall have the right to request the Borrower for payment of a fixed amount of penalty as agreed in this Contract (see Part I of this Contract).

   Interest for early repayment of the loan shall be paid together with the principal, and calculated based on the actual number of days for which the loan is drawn, and the amounts of the principal of the early repayment shall not be less than the limit agreed under Part I of this Contract; the amount of principal repaid shall be offset, in reversing order of the loan repayment plan, against the total principal of the loan.

3. In the event that the Borrower is unable to settle the repayment on maturity with justified reasons, the Borrower shall submit an application for extension of the term of the loan thirty (30) banking days prior to the original maturity of the loan, and prepare the required documents for the processing of relevant loan extension procedures. In the event that the loans under this Contract that is guaranteed, mortgaged or pledged, written consents should be received from the guarantor, mortgagor or pledge provider. The Lender shall has the final decision on granting of the loan extension, the loan will be transferred to as overdue loan on the following day upon maturity when no application for loan extension is submitted by the Borrower or when loan extension is not approved by the Lender.

Section 7: Representations and undertakings

The following representations and undertakings are made by the Borrower to the Lender at the time when this Contract is signed remain valid during the tenure of this Contract.

1. The Borrower is an independent legal entity, possesses the capability to assume rights and obligations, and has the ability to carry out obligations under this Contract and assume civil responsibility.
2. The Borrower has the right to execute this Contract and has signed this Contract and exercised all necessary duties under this Contract to obtained authorizations and approvals from the shareholders, board of directors and other authorities. The terms and conditions contained in this Contract represented the Borrower's true intent and legally binding on the Borrower.
3. The signing and execution of this Contract by the Borrower will not be in breach of the laws of which the Borrower is subjected to (the laws referred herein and hereunder include laws, rules, regulations, local laws, and judicial interpretation, etc). Relevant documents, judgments and adjudications from relevant authorities do have contradict to the Borrower's articles of association or contract and agreements signed by the Borrower, or any other obligations undertook by the Borrower.
4. The Borrower undertakes that all financial reports, if any, presented are in compliance with the laws of the People's Republic of China. (For the purpose of this Contract, do not include laws in Hong Kong and Macau Special Administrative Regions and Taiwan region). The financial reports are true, complete and fairly reflect the Borrower's financial status. The Borrower guarantee that all materials, information and documents, including both the Borrower and the Guarantor, provided to the Lender by the Borrower in the course of signing and execution of this Contract are true, valid, accurate and complete without any concealment of facts.
5. The Borrower guarantee that all materials, information and documents, including both the Borrower and the Guarantor, provided to the Lender by the Borrower in the course of signing and execution of this Contract are true, valid, accurate and complete without any concealment of facts, and the Borrower has complied with the principles of honesty and integrity.
6. The Borrower undertakes to complete all filings, registrations or any other procedures, and to bear all related costs and expenses, that are necessary for this Contract to remain valid and can be legally executed.
7. Subsequent to the date of latest audited financial statements, there have been no significant negative changes on the Borrower's operations and financial status.
8. Business activities are carried out in strict compliance with laws and regulations, and strictly adhere to the operating scope as stated in business license or laws; timely renewal of annual inspection; and that the operations are legal and qualified and has the ability to sustain its operations, and possesses legitimate source of financing for the repayment of the loan.
9. Shall not forfeit any matured claims on debts, and shall not dispose of existing substantial assets at no cost or any other inappropriate method.
10. The Borrower has already disclosed to the Lender important facts and circumstances known or should have known to the Borrower, which are essential for the Lender to determine whether the loan should be granted under this Contract.
11. The Borrower undertakes that, it has not and will not be any delay in payments by the Borrower, including but not limited to salaries, medical expenses, disability subsidies, compassionate payments and compensation of employees, on the date of signing of this Contract and during the tenure of this Contract.
12. The Borrower undertakes that it is of sound credit status and there ware no significant adverse records.
13. The Borrower undertakes that situations or events which will or may have a material and adverse impact on the ability of the Borrower in execution of this Contract do not exist.

Section 8: Agreed matters

The Borrower and the Lender agreed on the following matters:

1. The Borrower undertakes that its business activities be operated under legal regulations and the loan obtained under this Contract will be used for purpose as agreed in this Contract and not for other purpose. The Borrower shall, at the requirements of the Lender, provide regular financial information to Lender, which include monthly and annual financial information of varies types, and to actively cooperate with the Lender in monitoring the usage of the loan and the operational status of business activities. The Lender shall, at any time, have the right to carry out inspection and monitoring of the any kinds on the usage of the loan.
2. The Borrower shall repay of the principal and interest obtained under this Contract, based on the timing, amount, currency and interest rate stipulated under this Contract, drawdown application form and borrowing/lending voucher. The actual timing, amount, currency and interest rate for the repayment shall be based on the borrowing/lending voucher.
3. The Borrower undertakes that, in case of any events which will or may have a significant and negative impact on the financial status of the Guarantor which may affect the Guarantor's capacity as a guarantor under this Contract, it shall provide other new guarantees that are recognized by the Lender immediately,.
4. The Borrower represents that, prior to receipt of written consent from the Lender, none of the following actions will be taken:
   (1) Selling, gifting, leasing, lending, transferring, mortgaging, pledging or otherwise disposing of all or part of its substantial assets.
   (2) Contracting, leasing, joint operations, external investment, share capital reform, merger and acquisition, joint venture/cooperation, sub-division, transfer of shares, practically increase in debt financing, set up of subsidiary, transfer of property rights, deduction in capital, suspension of operation, dissolution, file for bankruptcy, reorganization and other actions that has potential impact on the repayment ability of the Borrower.
   (3) Amendments to the articles of association or alteration of scope of business or core business.
   (4) Provide guarantees to third parties and, as a consequence thereof, having a significant and negative impact on financial status of the Borrower or its ability to fulfill the obligations under this Contract.
   (5) Early settlement of other long term debts.
   (6) Signing of contracts or agreements which have a significant and negative impact on the ability of the Borrower to fulfill the obligations herein or assuming relevant obligations with same implications.
5. The Borrower undertakes that, in the event of the following circumstances, the Borrower shall notify the Lender immediately on the day when such event occurred and ensure that the original copy of the relevant notice (stamped with company seal) reach the Lender within five (5) banking days after the event occurred:
   (1) The occurrence of events which result in untruth, inaccuracy and invalidation on the representations and undertakings made by the Borrower under this Contract.
   (2) The Borrower or its controlling shareholders, de facto controller or its related parties are involved in litigation or arbitration, or their assets are subject to seizure, attachment, freezing, forcible execution or other measures of the same effect, or their legal representatives/persons in charge, directors, supervisors, or senior management are involved in litigation, arbitration or subject to other forcible measures.
   (3) Changes of legal representative or authorized representative, person in charge, person in charge of financial affairs, or correspondence address, name of the entity, and place of business of the Borrower.
   (4) Petition for restructuring or bankruptcy is filed by other creditors or revocation by higher-level authorities.
   (5) Occurrence of other significant and negative events that may have negative impact on the repayment ability of the Borrower.
6. The Borrower undertakes that it shall not in breach of normal repayment order to settle full and early repayment of other loans, and shall not enter into any contract or agreement, present and in the future, that would result in the subordination of the loan obtained under this Contract.

7. The Borrower shall make every effort to settle the principal and interest with the same currency of the loan obtained under this Contract. Under the circumstance where the principal and interest are settled in different currency, the Borrower shall voluntarily or authorize the Lender to convert the principal and interest repaid, which denominated in different currency, to the currency of the loan obtained under this Contract according to the exchange method specified under the "Stipulations on transfers of funds", with all the expenses and costs arising thereof to be borne by the Borrower. Under the circumstance where the Guarantor settle the repayment of the loan on behalf of the Borrower in different currency, all cost expenses arising thereof shall be borne by the Borrower, in accordance with the "Stipulations on transfers of funds" under the Guarantor Contract.

8. In the event where specific circumstances has resulted in a specific changes in the status of the guarantee under this Contract, the Borrower shall, at the request of Lender, provide other guarantees that is recognized the Lender. The specific circumstances or specific changes abovementioned include but not limited to suspension of production, termination of business, dissolution, suspension of business for internal rectification, revocation or deregistration of business license, applying or being applied for restructuring, bankruptcy, significant changes in operating or financial status, involved in material litigation or arbitration, involvement in litigations by legal representative, director, supervisor and key management, the decrease or possible decrease in the value of the assets pledged or being imposed of the property preservation measures, breaches under the Guarantee Contract and request for lifting of the Guarantee Contract, by the Guarantor.

9. The Lender shall entitle to carry out onsite or offsite due diligence on the Borrower, and carry out inspection on the operating and financial conditions, usage and repayment status of the loan, etc, after the loan has been drawn down by the Borrower. The borrower has the obligation to actively cooperate with the Lender in monitoring payment management, post-drawn down management and relevant inspection.

10. The Lender shall entitle to early withdraw the loan from the Borrower in view of the funds receiving status of the Borrower.

11. Specific terms for group corporate clients (applicable to group corporate clients).

    If the Borrower under this Contract is a part of a group corporate client, the Borrower hereby represents:

    (1) The Borrower shall report related party transactions over 10% of the net asset of the facility grantee on timely manner, including: i) relationships among the transacting parties; ii) types and nature of transactions; iii) transaction amounts or proportion; iv) pricing policy (including non-monetary or nominal value transactions).

    (2) Any of the following events by the actual facility grantee shall be regarded as breaches of this Contract by the Borrower, where the Lender shall have the right to unitarily cancel any unutilized credit facility of the client, and withdraw part or all of the utilized credit facility, or request from the client for additional security deposit with coverage of up to 100%: i) provision of false information or conceal material facts of operations and financial status; ii) change of the original purpose of use of the credit facility without authorization from the Lender, misappropriation of the credit facility or use of the bank credit facility for illegal and unlawful trading; iii) using fictitious contracts between related parties, creating notes receivable, accounts receivable and other claims which have no real business background to substantiate, and taken to the bank to endorsed or for pledge in order to obtain funds or facilities; iv) refusal of the monitoring and inspection request by the Lender on the usage of the funds and relevant operating and financial activities; v) the occurrence of major merger, acquisition and reorganization, etc, that the Lender believes may have an impact on the credit facility; vi) intentional evasion of bank debts through related party transactions.

Section 9: Stipulations on transfers of funds

1. The Borrower agrees that the Lender shall have the right to directly deduct and collect the funds from the general settlement account and/or funds receiving account opened by the Borrower with Shanghai Pudong Development Bank Co., Ltd, upon the due date of any outstanding debts under this Contract. In the event where there is insufficient balance in the general settlement account and/or funds receiving account for the repayment of the debts, the Lender shall have the right to deduct the funds from any accounts opened by the Borrower with the Shanghai Pudong Development Bank Co., Ltd.

2. Unless otherwise published by relevant national regulators or laws, the proceeds deducted from the Borrower's accounts shall be applied in the following order: settlement of outstanding expenses, settlement of outstanding interest and settlement of the outstanding principal, due from the Borrower.

3. The following ways shall be applied when the currency obtained from deduction from the Borrower's accounts differ from the currency of amount required settlement:

   (i) In the case the currency of the loan is RMB, the amount deducted from the Borrower's bank accounts will be converted into RMB from their original currencies at the bidding price of relevant exchange rates published on the day of the fund deduction by the Lender and settle the outstanding principal and interest.

   (ii) In the case that the currency of the loan is non-RMB, and the fund deducted from the Borrower's bank accounts is RMB, the fund deducted will be converted from RMB to the currency in which the loan is denominated at the asking price of relevant exchange rates published on the day of the fund reduction by the Lender and settle the outstanding principal and interest.

   (iii) In the case that the currency of the loan and the fund deducted from the Borrower's bank account are different and not denominated in RMB, the fund deducted will be first converted into RMB at the bidding price of relevant exchange rates published on the date of the fund deduction, then converted to the currency in which the loan is denominated at the asking price of relevant exchange rates published on the same date and settle the outstanding principal and interest.

Section 10: Proof of Claims

The Lender, in accordance with its usual business practice, maintains accounting ledgers for all the business activities related to this Contract on its accounting records for proof of the loan amount due to the Lender. The Borrower confirms that the accounting documents compiled and recorded by the Lender according to its business practices constitute valid proof of its loan obligations under this Contract.

Section 11: Notice and Delivery

1. Any notice given by either party under this Contract to the other party shall be sent to the addresses shown on the signing page of this Contract, unless either one party is notified in writing by the other party of a change of address. Once the notice is sent to the above address, it is deemed to have been delivered on following dates: For letters, the seventh (7) banking day after the dispatch of registered mail to the principal business address; For delivery by courier, the day on which the recipient signs to acknowledge receipt; For facsimile or emails, the day on which the facsimile or email is sent. However, all notices, requests or other correspondence sent or delivered to the Lender shall only be deemed to have been delivered when the Lender actually receives them. In addition, the originals (affixed with the company seal) of all notices and requests sent to the Lender via facsimile or email shall be delivered by hand or mailed to the Lender afterwards for confirmation purposes.
2. The Borrower agrees that any subpoena or notices issued to the Borrower as a result of litigation brought against it shall be deemed to have been delivered if they are dispatched to the principal business address as shown on the signing page of this Contract. Any change to the above address will not take effect unless a written notice of the same has been given to the Lender in advance.

Section 12: Validity, modification and rescission

1. This Contract shall become effective after both the Borrower and Lender have affixed their seals and signed/sealed by their respective legal representatives (responsible persons) or authorized persons, and shall be terminated when all the debts under this Contract are fully settled.
2. When this Contract become effective, neither party to this Contract is permitted to modify or rescind this Contract before its intended term. Where modification or rescission is required for this Contract, both parties shall reach unanimity through negotiation and evidenced by written agreement.

Section 13: Events of Default and Handling

1 Events of default

Any of the following events shall constitute a default on part of the Borrower to the Lender:

(1) Any representations and undertakings made by the Borrower in this Contract, or any notice, authorization, approval, consent, certificate and other documents provided by the Borrower in connection with this Contract are inaccurate or misleading, or are proved to be inaccurate or misleading, or are proved to be void or rescinded or have no legal effect, at the time of being made by the Borrower.

(2) Any breach of the “Other matters agreed by both parties”, if any, in Part I of this Contract or any agreed matter in Section 8 in Part II of this Contract by the Borrower.

(3) Any major cross-default events on part of the Borrower, including but not limited to breaches of other loan contracts/agreements entered into by the Borrower; or default in repayment of matured debts under other loan contracts/agreements entered into by the Borrower.

(4) Embezzlement of funds, transfer of assets or sale of share holdings by investors of the Borrower.

(5) The Guarantor fails or shall fail to act in the capacity of a guarantor for the loan, or in breach of the signed guarantee document.

(6) The suspension of business, suspension of production, closure of business, suspension of business for internal rectification, restructuring, liquidation, being placed in receivership or conservatorship, dissolution, revocation or cancellation of business license, or bankruptcy of the Borrower.

(7) Deterioration of financial conditions of the Borrower and the Guarantor, encountering great difficulties in operations, or an event or situation which has adverse impact on their normal operations, financial conditions or solvency.

(8) The Borrower or its controlling shareholders, de facto controller or its related parties are involved in litigation or arbitration, or their assets are subject to seizure, attachment, freezing, forcible execution or other measures of the same effect, or their legal representatives/persons in charge, directors, supervisors, or senior management are involved in litigation, arbitration or subject to other forcible measures, which may have adverse impact on the solvency of the Borrower.

(9) Failure to utilize the loan for purposes agreed in this Contract or failure to make payments with agreed methods.

(10) Provision of false and misleading documents and information for the application of the loan.

(11) Fail to meet with the minimum requirements on relevant financial covenants agreed under this Contract.

(12) Unusual movements of fund flows in the general settlement account/fund collection account.

(13) The Borrower engages in activities which in breach of this Contract and will hinder the execution of this Contract or other actions which will impair the normal interests of the Lender to this Contract.

2. Treatment of default

(1) If any one or more of the above events of default occurs, the Lender shall entitle to take one or more of the following measures as the Lender may deemed appropriate:

i) Request the Borrower to rectify within defined period of time.

ii) Cancelation of any undrawn credit of the loan facility, stop granting or making payments from unused loan balance granted to the Borrower.

iii) Declare all or part of the loan principal granted become due immediately, and request immediate repayment of all or part of the loan, settlement of outstanding interest, and seek for recourse from the Guarantor or Borrower with all necessary means.

iv) Collect penalty interest on overdue loan principal and/or misappropriated loan portion, at compound interest rate.

v) Directly deducts funds at any bank accounts opened by the Borrower at various branches of the Shanghai Pudong Development Bank Co., Ltd.

vi) Request for the Borrower to supplement additional conditions on drawdown of the loan or modification on the payment method for utilization of the loan.

vii) Request the Borrower to provide other guarantees recognized by the Lender.

viii) Other necessary measures as regulated by the laws.

(2) Other than the above measures, the Lender may further request the Borrower for default liability and for payment of default penalty (refer to Part I of this Contract for calculation of default penalty). Where the default penalty is insufficient to cover losses suffered by the Lender, the Borrower shall indemnify the Lender against all resulting losses.

(3) The Borrower shall bear all expenses incurred by the Lender in connection with the Lender's realization of debts and guarantee rights, including but not limited to debt chasing expenses, litigation charges, notary fees, announcement fees, lawyers remuneration, travelling expenses, translation fees and all other fees payable.

Section 14: Other provisions

1. Definitions

i) "All the debts" under this Contract refers to the principal, interest, default penalty and various expenses for the realization of the debts.

ii) "Interest" under this Contract includes interest, penalty interest and compound interest.

iii) "Banking day" under this Contract refers to the general open day for public business at the Lender's place of residence, not including Saturdays and Sundays (except for business day open to the public due to holiday adjustment) or other public holiday by laws.

2. Applicable laws

The Laws of the People's Republic of China (for the purpose of this Contract, excluding the laws of Hong Kong and Macau Special Administrative Regions and Taiwan regions) are applicable to this Contract, and their interpretations.

3. Dispute Resolution

All disputes arising from this Contract shall be resolved through friendly negotiations. In the case that an agreement cannot be reached, the People's Court of the People's Republic of China where the Lender is located has exclusive jurisdiction over the dispute matter. During the period of dispute, the parties shall continue to comply with the undisputed provisions of this Contract.

4. Miscellaneous

(i) The parties hereto may revise the terms and conditions of this Contract through negotiation for matters not discussed herein and set out those additional terms and conditions in Part I of this Contract or in a separate agreement which will become a supplement to this Contract. Appendices and supplements to this Contract (detailed in Part I of this Contract) are inseparable constituent part of this Contract and have the same legal effect as the main text of this Contract.

(ii) During the tenure of this Contract, the Lender's tolerance of extension or delay in action in connection to any events of default or other actions by the Borrower, shall not damage, influence or restrict the Lender from enjoying all the rights and benefits in accordance with laws or with regards to this Contract, neither can be taken as the Lender's recognition of such events of default by the Borrower, nor can be treated as the Lender's forfeiture of the Lender's rights on taking action against the Borrower's present or future events of default.

(iii) Invalidity of any terms in this Contract shall not affect the validity of other terms. The Borrower shall bear the obligation for the repayment of all the debts owing to the Lender, regardless of reasons resulting in the invalidity of this Contract. In case of the aforesaid event, the Lender shall entitle to terminate the execution of this Contract immediately and may seek for repayment all the outstanding debts under this Contract from the Borrower.

(iv) The Lender may transfer all or part of the rights and/or obligations under this Contract, and under this circumstance, the transferee shall entitle to enjoy the same rights and/or obligations as being a party of the Lender to this Contract. The Borrower shall bind to the transferee as agreed in this Contract, after receiving notice from the Lender with regards to the transfer of debts.

(v) Unless otherwise stated herein, the relevant terms and expressions in the Appendices to this Contract have the same meaning as those contained in this Contract.

(vi) The headings in this Contract are for ease of reference only and shall not be regarded as the basis of interpretation of the content under that heading.

(No main text below on this page)

(This is the signing page with no main text)

This Contract is signed by the Borrower and the Lender (as below) on **August 19, 2011**. The Borrower acknowledges that, at the time of signing this Contract, both parties have explained and discussed all the terms and conditions in details. Both parties have no disagreement toward any of the terms and conditions herein and have an accurate understanding of the legal implications of the terms and conditions with respect to the rights and obligations, restrictions of responsibility or exclusion provisions of the subject persons.

Borrower (company seal)
[sealed] China Northeast Logistics City Co, Ltd

Legal representative or authorized
person (signature or seal)
Cheng Chung Hing

Principal business address:
[Not disclosed in this translation]

Postal code: **[Not disclosed in this translation]**

Telephone No: **[Not disclosed in this translation]**

Fax No.: **[Not disclosed in this translation]**

Email: **[Not disclosed in this translation]**

Contact person: **[Not disclosed in this translation]**

Lender (company seal)
[Sealed] Pudong Development, Bank Co., Ltd., Shenyang Branch

Responsible person or authorized
person (signature or seal)
[Not disclosed in this translation]

Principal business address:
[Not disclosed in this translation]

Postal code: **[Not disclosed in this translation]**

Telephone No: **[Not disclosed in this translation]**

Fax No.: **[Not disclosed in this translation]**

Email: **[Not disclosed in this translation]**

Contact person: **[Not disclosed in this translation]**

Appendix 1

Under "Working Capital Loan Contract"

Drawdown Application Form
(Applicable to cases where designated working capital loan account is used)

No:

Shanghai Pudong Development Bank Co., Ltd. **Shenyang** Branch

Whereas the Company signed Working Capital Loan Contract (referred to as "loan contract" hereunder) with contract number **[Not disclosed in this translation]** with the Bank on **August 19, 2011**, according to the drawdown plan agreed in the loan contract, the Company plans to take its **1st** drawdown with an amount of **RMB** (currency) **Twenty million** (In words) on **August 19, 2011**.

In accordance with the terms of the loan contract, this amount shall be made to the general settlement bank account opened by the Borrower at Shanghai Pudong Development Co., Ltd., the bank account name is **China Northeast Logistics City Co., Ltd.**, bank account number is: **[Not disclosed in this translation]**.

The Company hereby confirms, as at the date of this application form, there is no occurrence of any event or situation that would constitute events of default under the loan contract. The Company further confirms, all the representations and undertakings and guarantees are executed accordingly and all the applicable prerequisites are satisfied as agreed under the loan contract.

Applicant: (seal): **China Northeast Logistics City Co., Ltd.**
Legal representative or authorized agent: (signature or seal) **Cheng Chung Hing**

August 19, 2011

Appendix 2

Under "Working Capital Loan Contract"

Drawdown Application Form
(Applicable to cases where designated working capital loan account is used)

No:

Shanghai Pudong Development Bank Co., Ltd. **[Blank]** Branch

Whereas the Company signed Working Capital Loan Contract (referred to as "loan contract" hereunder) with contract number **[Blank]** with the Bank on **[Blank]**, according to the drawdown plan agreed in the loan contract, the Company plans to take its **[Blank]** drawdown with an amount of **[Blank]** (currency) **[Blank]** (In words) on **[Blank]**.

In accordance with the terms of the loan contract, this amount shall be made to the general settlement bank account opened by the Borrower at Shanghai Pudong Development Co., Ltd., the bank account name is **[Blank]**, bank account number is: **[Blank]**.

The Company hereby confirms, as at the date of this application form, there is no occurrence of any event or situation that would constitute events of default under the loan contract. The Company further confirms, all the representations and undertakings and guarantees are executed accordingly and all the applicable prerequisites are satisfied as agreed under the loan contract.

For the amount to be drawn down this time, the Company hereby makes specific application for the below **[Blank]** method of making external payment from the loan obtained:

(1) The Lender entrusted payment method for all payments:

i) The Company has provided the following documents to the Bank in compliance with the loan contract:

- ☐ Business Contract and written documents truthfully reflecting the Borrower's payment obligation and related written documents relating to usage of the loan;
- ☐ Relevant invoices or receipts, the Borrower shall submit relevant invoices or receipts for the payment timely after payment has been completed, if such invoices and receipts are not available at the time of payment;
- ☐ legally valid payment voucher;
- ☐ Others: **[Blank]**

(ii) Please transfer the loan principal requested to the following bank account of the transacting party, on **[Blank]**, upon verification and approval by the Bank as agreed in the loan contract:

BranchName: **[Blank]**

AccountName: **[Blank]**

AccountNumber: **[Blank]**

(2) The Borrower's direct payment method for all payments:

i) The Company has provided the following documents to the Bank in compliance with the loan contract:

- ☐ Business Contract and written documents truthfully reflecting the Borrower's payment obligation and written document relating to loan usage:
- ☐ Others: **[Blank]**

(ii) Please transfer the loan principal requested to our general settlement account upon verification and approval by the Bank as agreed in the loan contract:

Applicant: (seal): **[Blank]**
Legal representative or authorized agent: (signature or seal) **[Blank]**

Exhibit 4.16

Dated the 25th day of August 2011

China Metro-Rural Exchange Limited
中國城鄉交易所有限公司

AND

Ho Min Sang
何棉生

SERVICE AGREEMENT

CONTENT

THIS AGREEMENT is made on the 25th day of August, 2011.

BETWEEN:

(1) China Metro-Rural Exchange Limited (中國城鄉交易所有限公司), a company incorporated under the laws of Hong Kong and having its principal place of business in Hong Kong at Suite 2204, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong; and

(2) Ho Min Sang (何棉生) of Flat F, 42/F, Tower 1, Union Square, The Waterfront, 1 Austin Road West, Kowloon, Hong Kong (the "Executive").

WHEREBY IT IS AGREED as follows:

1. INTERPRETATION

1.01 In this Agreement, unless the context requires otherwise:

"Board" means the board of directors for the time being of the Company;

"Group" means the Company and its subsidiaries from time to time and "member of the Group" shall be construed accordingly;

"HK$" means Hong Kong dollars;

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China;

"Listing Rules" means the Rules Governing the Listing of Securities on NYSE Amex (as the same may be amended from time to time);

"Month" means calendar month;

And

"Secretary" means the company secretary for the time being of the Company.

1.02 References herein to Clauses are to clauses in the Agreement unless the context requires otherwise.

1.03 The headings are inserted for convenience only and shall not affect the construction of this Agreement.

1.04 Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing a gender include every gender.

2. APPOINTMENT

It has been resolved by the respective Boards of Directors of the Company and its holding companies to appoint the Executive as the director of the Company, its holding companies and any other companies within the same group as assigned by the holding companies of the Company, upon the terms and subject to the conditions hereinafter appearing.

3. DURATION

Subject to termination as hereinafter provided, the Company will engage the Executive with effect from the September 1, 2011 (hereinafter called the "Commencement Date") until terminated by either party giving to the other a) not less than one (1) month's notice in writing.

4. EXECUTIVE'S DUTIES

The Executive shall, during the continuance of his engagement hereunder:

(a) serve the Company as a director and, in such capacity, perform the duties and exercise the powers from time to time assigned to or vested in him by the Board (including, without further remuneration unless otherwise agreed, serving on the board of directors, or in any other office, of any member(s) of the Group and the Group's holding companies, as the Board may require) and he will perform those duties at such place or places in Hong Kong or elsewhere as the Board may from time to time determine;

(b) comply with and conform to any lawful instructions or directions from time to time given or made by the Board, or with the authority of the Board, and shall comply with the Company's rules, regulations, policies and procedures from time to time in force;

(c) faithfully and diligently serve the Group and use his best endeavours to promote the business and interests thereof;

(d) devote himself exclusively and diligently to the business and interests of the Group and personally attend thereto at all times during usual business hours and during such other times as the Company may reasonably require except in case of i) incapacity through illness or accident in which case he shall forthwith notify the Secretary of the Company of such incapacity and shall furnish to the Board such evidence thereof as it may require and ii) prior approval having been obtained from the Company in respect of his engagement in any personal business not competing with any of the Group's business and which he shall have furnished to the Company such information relating to the said business as the Company may require to be informed of from time to time;

(e) keep the Board promptly and fully informed (in writing if so requested) of his conduct of the business or affairs of the Group and provide such explanations as the Board may require in connection therewith;

(f) carry out his duties and exercise his powers jointly with any other director or executive of any member of the Group as shall from time to time be appointed by the Board to act jointly with the Executive and the Board may at any time require the Executive to cease performing or exercising any of his duties or powers under this Agreement; and

(g) comply with the relevant requirements of all applicable laws, regulations, codes of practice and rules (including but not limited to the Rules Governing the Listing of Securities on NYSE Amex and US Securities and Exchange Commission and the rules of any other stock exchange, market or dealing system on which the securities of any member of the Group is traded and the applicable laws, regulations, codes of practice in that jurisdiction).

5. REMUNERATION

The remuneration of the Executive shall be:

(a) an annual package of HKD3,600,000.00, such package to include any sum receivable as director's fees or other remuneration from any other member of the Group (if any). This package will be reviewed by the Board each year at the time of the annual remuneration reviews for senior executives provided that the Executive shall abstain from voting and shall not be counted in the quorum in respect of any resolution regarding the amount payable to himself in relation to his engagement under this Agreement which is proposed at any meeting of the Board;

(b) in respect of every financial year of the Company (which expression shall include any other financial period in respect of which the Company's accounts are made up), a discretionary bonus of such amount as shall be determined by the Board (provided that the aggregate of such amount and all discretionary bonuses payable by the Company to its executive directors in any financial year shall not exceed ten per cent. of the net profits (after tax and after extraordinary of items) of the Group for such year as shown in its audited accounts), provided that such discretionary bonus shall be paid only on a pro-rata basis in respect of any financial year of the Company during a portion only of which the Executive has served the Company hereunder, unless his engagement shall have been terminated pursuant to Clause 10.02, in which case no discretionary bonus is payable;

(c) a landing bonus of HKD600,000.00 to be payable to the Executive upon the starting of Commencement Date (ie. September 1, 2011) of this Agreement.

6. OTHER BENEFITS

(a) The Executive shall also be entitled to such other benefits under any applicable employee benefit plan and employee share option scheme adopted by the Company and any member of the Group of which the Executive is a director or holds office for their respective employees (including the Executive) as the Board shall from time to time determine.

7. EXPENSES

The Company shall reimburse the Executive (against receipts or such other reasonable evidence of expenditure as the Board may require) for all reasonable expenses properly incurred in the course of his engagement hereunder or in promoting or otherwise in connection with the business of the Company.

8. DEDUCTIONS

The Company shall be entitled, subject to any laws or agreements to the contrary, at any time to deduct from the Executive's remuneration hereunder any monies due from him to any member of the Group including, but not limited to, any outstanding loans, advances, the cost of repairing any damage to or loss of the Company's property caused by him (and of recovering the same) and any other monies owed by him to the Company or any of its subsidiaries.

9. LEAVE

The Executive shall be entitled after completion of each year of service with the Company to fifteen (15) days' leave (in addition to public holidays) with full pay, which leave shall be taken at such time or times as may be convenient to the Board having regard to the exigencies of the Group's business provided that:

(a) if the engagement of the Executive hereunder is to cease on the completion of any year of service, the Executive shall be entitled to take his said leave immediately prior to the end of such year of service notwithstanding that at that time such year of service shall not have been completed;

(b) if the engagement of the Executive hereunder is to cease (for any reason other than termination pursuant to Clause 10.02) during any year of service, the Executive shall be entitled to an amount of leave proportionate to the part of the year during which he has been engaged by the Company, such leave to be taken immediately prior to the termination of his engagement; and

(c) if for any reason the Executive shall not have taken him full entitlement of leave in any particular year he shall not have any claim against the Company in respect thereof nor, unless the reason is the exigencies of the Company's business (of which the Board shall be the sole judge), shall he be entitled to additional leave in any year in respect of leave not taken in previous years.

10. TERMINATION

10.01 If the Executive is at any time incapacitated by illness, injury or accident from performing his duties hereunder and (if so required) furnishes the Board with evidence satisfactory to it of such incapacity and the cause thereof he shall be entitled to receive his full salary for the first three (3) months or any shorter period during which such incapacity continues and if he continues so incapacitated for a longer period than three (3) consecutive months or if he is so incapacitated at different times for more than ninety (90) days in any one period of fifty-two (52) consecutive weeks then and in either of such cases his engagement may be terminated by the Company by one (1) month's notice in writing.

10.02 If at any time during the term of his engagement hereunder the Executive shall be guilty of or commit any serious misconduct which in the absolute opinion of the Board is in any way detrimental to the interests of any member of the Group, or shall be in breach of any of the terms of this Agreement, or shall commit any act of bankruptcy or become insolvent, or make any arrangements or composition with his creditors generally, or become through mental disorder incapable of managing his own affairs, or fail to pay his personal debts or shall be guilty of persistent insobriety or be convicted to any criminal offense involving his integrity or honesty, the Company may terminate the Executive's engagement hereunder forthwith without any notice or payment in lieu of notice and upon such termination, the Executive shall not be entitled to any bonus or any payment whatsoever (other than his remuneration package actually accrued due and payable pursuant to Clause 5(a)) for or in respect of the then current year of service or to claim any compensation or damages for or in respect of or by reason of such termination.

10.03 In the event that: (a) the Executive is lawfully removed from his office as a director of the Company by virtue of a resolution passed by the members of the Company; or (b) the Executive, having retired from the office of director of the Company in accordance with the Bye-laws of the Company or any other applicable regulation or law, is not re-elected as a director of the Company by the shareholders of the Company at an annual general meeting of the Company, the Company may within seven (7) days of the date of such vacation from office by the Executive, terminate this Agreement forthwith by written notice to the Executive.

10.04 In the event of termination of the Executive's engagement for whatever reason, the Executive shall:

(a) (if not already vacated from such office(s)) forthwith resign as a director of the Company and from all directorships or other offices held by him in any member of the Group (and the Executive irrevocably authorizes the Company in his name and on his behalf to execute all documents and do all things necessary to effect such resignation in the event of his failure to do so); and

(b) shall cease to be entitled to any benefits under this Agreement;

and the Executive shall not be entitled to claim any other compensation whatsoever from the Company in respect of such termination except where the Board otherwise agrees or as expressly provided for under this Agreement.

10.05 Any delay or forbearance by the Company in exercising any right to terminate this Agreement shall not constitute a waiver of such right.

10.06 If notice is served by either party pursuant to Clause 3, then for up to a maximum period of one (1) months, the Company shall not be obliged, at any time after the notice of termination is served, to provide any work for the Executive or to assign to or vest in the Executive any powers, duties or functions and may in its absolute discretion suspend the Executive from work, and suspend the contractual benefits of the Executive set out in Clause 5(b) and 6 and to require the Executive to refrain from entering any premises of any member(s) of the Group and to refrain from contacting any customers, clients, employees or suppliers of any member(s) of the Group.

11. EXECUTIVE'S UNDERTAKING

11.01 The Executive shall not either during the continuance of his engagement hereunder or at any time thereafter divulge to any person whomsoever or to any body corporate or unincorporated (except to those officers of the Group whose province it is to know the same) or use for his own purpose or for any purposes other than those of the Group and shall use his best endeavours to prevent the unauthorized publication or disclosure of any trade secret or any confidential information concerning the business or finances of any member of the Group or any of its dealings, transactions or affairs or those of its customers, suppliers, management and shareholders which may come to his knowledge during or in the course of his engagement. Confidential information shall include, without limitation, lists or details of customers and suppliers, information relating to the working of any process of invention carried on or used by any member of the Group, information relating to research and other projects, prices, discounts, mark-ups, future business strategy and development, marketing, price-sensitive information and any other information which is not generally available to the public.

11.02 Forthwith upon the termination of the engagement of the Executive hereunder, and/or at any other time if the Company shall so request:

(a) the Executive shall not, directly or indirectly, disseminate, disclose, divulge, reveal, report, publish, transfer or use, for any purpose whatsoever, any information which has been obtained by or disclosed to the Executive as a result of or in relation to the Executive's engagement by the Company, including without limitation any confidential information (which includes without limitation all lists of customers and clients, specific customer names and data, business plans, marketing plans, business contracts, distribution and sales and marketing networks, designs, specifications, processes, formulas, trade secrets, business secrets, sales information, systems, programs, procedures, manuals, financial and personnel information, and any other proprietary information or data which the Company has received in confidence from others) and any of the terms and conditions of this Agreement; *provided, however*, that disclosure of any confidential information shall not be prohibited if (i) such disclosure is directly pursuant to a valid and existing order of a court of competent jurisdiction or other governmental body or agency, (ii) the Executive shall first have given prompt notice to the Company of any such possible or prospective order (or proceeding pursuant to which any such order may result), and (iii) the Company shall have been afforded a reasonable opportunity to respond to (and if so advised by counsel, to challenge) such order; *provided further*, that each party may disclose terms and conditions of this Agreement to his or its attorneys and accountants to the extent such disclosure is necessary to enable such attorneys and accountants to render professional services to such party;

(b) the Executive, his representatives, heirs, successors and assigns shall completely release and forever discharge the Company, its present, former or future parent, subsidiary, affiliated, associated and other related companies, and any of their present, former and future shareholders, directors, officers, employees, agents, partners consultants, representatives and attorneys, and each of their successors and assigns from all claims, demands, rights, causes of action, obligations, liabilities and/or attorneys' fee claims, of any and every kind, nature and character whatsoever wheresoever, known or unknown, which the Executive may now have or has ever had against the Group, including without limitation those arising from or in any way connected with the engagement of the Executive by the Company or the resignation or termination thereof, whether base on tort, express or implied contract, law, rule, regulation, or ordinance; and

(c) the Executive shall preserve the good name of, and shall not make any disparaging comments about the Group and any of the Company's present, former and future shareholders, directors, officers, employees, agents, partners, consultants, representatives and attorneys, and each of their successors and assigns.

11.03 The Executive shall not file, or cause to be filed, in any court or with any governmental or quasi-governmental agency, any action, claim or charge against the Company, its present, former or future parent, subsidiary, affiliated, associated and other related companies and any of their present, former and future shareholders, directors, officers and employees and each of their successors and assigns.

11.04 The Executive shall not at any time during the continuance of his engagement hereunder or for a period of twelve (12) months thereafter, in any country or place where any member of the Group has carried on business, carry on or be engaged or employed or interested directly or indirectly in (whether as shareholder, director, partner, agent or otherwise and whether alone or jointly with others) any business carried on by any member of the Group during the continuance of the said engagement in competition with any member of the Group (other than as a holder of not more than five (5) per cent of the issued shares, debentures or other securities of any company listed on any recognized stock exchange) provided that the provisions of this Clause 11.04 shall only apply in respect of business activities or services with which the Executive was personally concerned or for which he was responsible during his said engagement.

11.05 The Executive shall not at any time during the continuance of his engagement hereunder or for a period of twelve (12) months thereafter either on his own account or in conjunction with or on behalf of any other person or body corporate or unincorporated in competition with any member of the Group directly or indirectly solicit or entice away from any member of the Group, any person or body corporate or unincorporated who now is or at any time during or at the date of the termination of the said engagement may have been or become a customer or supplier or prospective customer or supplier of any member of the Group and with whom the Executive had personal contact or dealings during his said engagement.

11.06 The Executive shall not at any time during the continuance of his engagement hereunder or for a period of twelve (12) months thereafter solicit or entice away from any member of the Group or employ or otherwise engage any person who now is or at any time during or at the date of the termination of the said engagement may have become an employee of any member of the Group and with whom the Executive had contact during his said engagement, whether or not such person would commit any breach of his contract of employment by reason of leaving the service of the relevant member of the Group.

11.07 The Executive shall not at any time or for any purpose after termination of this engagement hereunder use either the English or Chinese name of the Company or any name similar thereto in connection with his own or any other name in any way calculated to suggest that he is or has been connected with the Company's business, nor in any way hold himself out as having had any such connection.

11.08 While the restrictions contained in Clauses 11.01 to 11.08 are considered by the parties to be reasonable for the protection of the business and interest of the Group and in all the circumstances and do not work harshly upon the Executive it is recognized that restrictions of the nature in question may fail for technical reasons unforeseen and accordingly it is hereby agreed and declared that if any such restrictions shall be adjudged to be void as going beyond what is reasonable in all the circumstances for the protection of the interests of the member(s) of the Group but would be valid if part of the working thereof were deleted or the periods (if any) thereof were reduced or the range of products or area dealt with thereby were reduced in scope, the said restriction shall apply with such modifications as may be necessary to make it valid and effective.

12. INTELLECTUAL PROPERTY RIGHTS

12.01 The Company (or any other member of the Group as the case may be) shall be entitled free of charge to the sole ownership and exclusive use of any invention or improvement made or discovered by the Executive and of any copyright, design right, trade mark, service mark or trade name created or used by the Executive (hereinafter referred to as the "intellectual property rights") in the course of or for the purpose of providing services hereunder to the Company or any other member of the Group.

12.02 The Executive shall forthwith and from time to time both during ad after the term of this Agreement and at the request and costs of the Company, insofar as it is within his power, do such acts and things and execute such documents, as may in the opinion of the Company be reasonably necessary for obtaining letters patent; registration or other protection for any such intellectual property rights in any part of the world and shall effect such registration and vest such letters patent or other protection in the Company (or any other member of the Group as the case may be) or its nominees. The Executive irrevocably authorizes the Company for the purposes aforesaid in the name of the Executive and execute any document or do anything on his behalf. The Executive shall at the cost and request of the Company render all reasonable assistance to the Company (or any other member of the Group as the case may be) for and in connection with the purposes aforesaid.

12.03 The Executive shall not during or after the termination of the Agreement use to the detriment or prejudice of the Group or divulge to any person any confidential information concerning the intellectual property rights of the Group which may have come to his knowledge.

13. MISCELLANEOUS

13.01 This Agreement shall be in substitution for any subsisting agreement or arrangement (oral or otherwise) made between the Company and the Executive which shall be deemed to have been terminated by mutual consent as from the date on which the Executive's engagement under this Agreement commences.

13.02 The expiration or termination of this Agreement howsoever arising shall not operate to affect such of the provisions hereof as in accordance with their terms are expressed to operate or have effect thereafter.

13.03 In the event of any variation of the remuneration payable to the Executive hereunder being made by consent of the parties hereto, such variation shall not constitute a new agreement but (subject to any express agreement to the contrary) the engagement of the Executive hereunder shall continue subject in all respects to the terms and conditions of this Agreement with such variation as aforesaid.

13.04 Each notice, demand or other communication given or made under this Agreement shall be in writing and delivered or sent to the relevant party at its address or facsimile number set out below (or such other address or facsimile number as the addressee has by five (5) days' prior written notice specified to the other parties):

To the Company: Suite 2204, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong

Fax number: 852-2111 1890
Attention: Mr. Sio Kam Seng

To the Executive: Flat F, 42/F, Tower 1, Union Square, The Waterfront, 1 Austin Road West, Kowloon, Hong Kong

Attention: Mr. Ho Min Sang (何棉生)

Any notice, demand or other communication so address to the relevant party shall be deemed to have been delivered (a) if given or made by letter, by post, clear business days after the date of posting, or by recorded delivery, when actually delivered to the relevant address; and (b) if given or made by facsimile, when dispatched subject to receipt of machine-printed confirmation of error-free despatch of the whole of the notice, demand or communication to the facsimile number of the intended addressee.

13.05 If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect, the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected or impaired thereby.

13.06 No failure or delay by the Company in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy. Without limiting the foregoing, no waiver by the Company of any breach by the Executive of any provision in this Agreement shall be deemed to be a waiver of any subsequent breach of that or any other provision in this Agreement.

13.07 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong and the parties hereby irrevocably submit to the non-exclusive jurisdiction of the Hong Kong courts.

IN WITNESS WHEREOF this Agreement has been executed on the day and year first above written.

Signed by Sio Kam Seng	)
For and on behalf of	)
China Metro-Rural Exchange Limited	)
	)
	)
In the presence of:-	)

Signed by Ho Min Sang (何棉生)	)
	)
	)
	)
	)
In the presence of:-	)

Exhibit 4.17

Dated the 25th day of August 2011

CHINA METRO-RURAL EXCHANGE LIMITED
中國城鄉交易所有限公司

AND

SU SHAOBIN
(蘇少彬)

SERVICE AGREEMENT

CONTENT

THIS AGREEMENT is made on the 25th day of August, 2011.

BETWEEN:

(1) China Metro-Rural Exchange Limited (中國城鄉交易所有限公司), a company incorporated under the laws of Hong Kong and having its principal place of business in Hong Kong at Suite 2204, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong; and

(2) Su Shaobin (蘇少彬) of 33/F, Apartment No.19, Celestial Heights, 80 Sheung Shing ST, Kowloon, Hong Kong (the "Executive").

WHEREBY IT IS AGREED as follows:

1. INTERPRETATION

1.01 In this Agreement, unless the context requires otherwise:

"Board" means the board of directors for the time being of the Company;

"Group" means the Company and its subsidiaries from time to time and "member of the Group" shall be construed accordingly;

"HK$" means Hong Kong dollars;

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China;

"Listing Rules" means the Rules Governing the Listing of Securities on NYSE Amex (as the same may be amended from time to time);

"Month" means calendar month;

And

"Secretary" means the company secretary for the time being of the Company.

1.02 References herein to Clauses are to clauses in the Agreement unless the context requires otherwise.

1.03 The headings are inserted for convenience only and shall not affect the construction of this Agreement.

1.04 Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing a gender include every gender.

2. APPOINTMENT

It has been resolved by the respective Boards of Directors of the Company and its holding companies to appoint the Executive as the director of the Company, its holding companies and any other companies within the same group as assigned by the holding companies of the Company, upon the terms and subject to the conditions hereinafter appearing.

3. DURATION

Subject to termination as hereinafter provided, the Company will engage the Executive with effect from the September 1, 2011 (hereinafter called the "Commencement Date") until terminated by either party giving to the other a) not less than one (1) month's notice in writing.

4. EXECUTIVE'S DUTIES

The Executive shall, during the continuance of his engagement hereunder:

(a) serve the Company as a director and, in such capacity, perform the duties and exercise the powers from time to time assigned to or vested in him by the Board (including, without further remuneration unless otherwise agreed, serving on the board of directors, or in any other office, of any member(s) of the Group and the Group's holding companies, as the Board may require) and he will perform those duties at such place or places in Hong Kong or elsewhere as the Board may from time to time determine;

(b) comply with and conform to any lawful instructions or directions from time to time given or made by the Board, or with the authority of the Board, and shall comply with the Company's rules, regulations, policies and procedures from time to time in force;

(c) faithfully and diligently serve the Group and use his best endeavours to promote the business and interests thereof;

(d) devote himself exclusively and diligently to the business and interests of the Group and personally attend thereto at all times during usual business hours and during such other times as the Company may reasonably require except in case of i) incapacity through illness or accident in which case he shall forthwith notify the Secretary of the Company of such incapacity and shall furnish to the Board such evidence thereof as it may require and ii) prior approval having been obtained from the Company in respect of his engagement in any personal business not competing with any of the Group's business and which he shall have furnished to the Company such information relating to the said business as the Company may require to be informed of from time to time;

(e) keep the Board promptly and fully informed (in writing if so requested) of his conduct of the business or affairs of the Group and provide such explanations as the Board may require in connection therewith;

(f) carry out his duties and exercise his powers jointly with any other director or executive of any member of the Group as shall from time to time be appointed by the Board to act jointly with the Executive and the Board may at any time require the Executive to cease performing or exercising any of his duties or powers under this Agreement; and

(g) comply with the relevant requirements of all applicable laws, regulations, codes of practice and rules (including but not limited to the Rules Governing the Listing of Securities on NYSE Amex and US Securities and Exchange Commission and the rules of any other stock exchange, market or dealing system on which the securities of any member of the Group is traded and the applicable laws, regulations, codes of practice in that jurisdiction).

5. REMUNERATION

The remuneration of the Executive shall be:

(a) an annual package of HKD3,600,000.00, such package to include any sum receivable as director's fees or other remuneration from any other member of the Group (if any). This package will be reviewed by the Board each year at the time of the annual remuneration reviews for senior executives provided that the Executive shall abstain from voting and shall not be counted in the quorum in respect of any resolution regarding the amount payable to himself in relation to his engagement under this Agreement which is proposed at any meeting of the Board;

(b) in respect of every financial year of the Company (which expression shall include any other financial period in respect of which the Company's accounts are made up), a discretionary bonus of such amount as shall be determined by the Board (provided that the aggregate of such amount and all discretionary bonuses payable by the Company to its executive directors in any financial year shall not exceed ten per cent. of the net profits (after tax and after extraordinary of items) of the Group for such year as shown in its audited accounts), provided that such discretionary bonus shall be paid only on a pro-rata basis in respect of any financial year of the Company during a portion only of which the Executive has served the Company hereunder, unless his engagement shall have been terminated pursuant to Clause 10.02, in which case no discretionary bonus is payable;

(c) a landing bonus of HKD600,000.00 to be payable to the Executive upon the starting of Commencement Date (ie. September 1, 2011) of this Agreement.

6. OTHER BENEFITS

(a) The Executive shall also be entitled to such other benefits under any applicable employee benefit plan and employee share option scheme adopted by the Company and any member of the Group of which the Executive is a director or holds office for their respective employees (including the Executive) as the Board shall from time to time determine.

7. EXPENSES

The Company shall reimburse the Executive (against receipts or such other reasonable evidence of expenditure as the Board may require) for all reasonable expenses properly incurred in the course of his engagement hereunder or in promoting or otherwise in connection with the business of the Company.

8. DEDUCTIONS

The Company shall be entitled, subject to any laws or agreements to the contrary, at any time to deduct from the Executive's remuneration hereunder any monies due from him to any member of the Group including, but not limited to, any outstanding loans, advances, the cost of repairing any damage to or loss of the Company's property caused by him (and of recovering the same) and any other monies owed by him to the Company or any of its subsidiaries.

9. LEAVE

The Executive shall be entitled after completion of each year of service with the Company to fifteen (15) days' leave (in addition to public holidays) with full pay, which leave shall be taken at such time or times as may be convenient to the Board having regard to the exigencies of the Group's business provided that:

(a) if the engagement of the Executive hereunder is to cease on the completion of any year of service, the Executive shall be entitled to take his said leave immediately prior to the end of such year of service notwithstanding that at that time such year of service shall not have been completed;

(b) if the engagement of the Executive hereunder is to cease (for any reason other than termination pursuant to Clause 10.02) during any year of service, the Executive shall be entitled to an amount of leave proportionate to the part of the year during which he has been engaged by the Company, such leave to be taken immediately prior to the termination of his engagement; and

(c) if for any reason the Executive shall not have taken him full entitlement of leave in any particular year he shall not have any claim against the Company in respect thereof nor, unless the reason is the exigencies of the Company's business (of which the Board shall be the sole judge), shall he be entitled to additional leave in any year in respect of leave not taken in previous years.

10. TERMINATION

10.01 If the Executive is at any time incapacitated by illness, injury or accident from performing his duties hereunder and (if so required) furnishes the Board with evidence satisfactory to it of such incapacity and the cause thereof he shall be entitled to receive his full salary for the first three (3) months or any shorter period during which such incapacity continues and if he continues so incapacitated for a longer period than three (3) consecutive months or if he is so incapacitated at different times for more than ninety (90) days in any one period of fifty-two (52) consecutive weeks then and in either of such cases his engagement may be terminated by the Company by one (1) month's notice in writing.

10.02 If at any time during the term of his engagement hereunder the Executive shall be guilty of or commit any serious misconduct which in the absolute opinion of the Board is in any way detrimental to the interests of any member of the Group, or shall be in breach of any of the terms of this Agreement, or shall commit any act of bankruptcy or become insolvent, or make any arrangements or composition with his creditors generally, or become through mental disorder incapable of managing his own affairs, or fail to pay his personal debts or shall be guilty of persistent insobriety or be convicted to any criminal offense involving his integrity or honesty, the Company may terminate the Executive's engagement hereunder forthwith without any notice or payment in lieu of notice and upon such termination, the Executive shall not be entitled to any bonus or any payment whatsoever (other than his remuneration package actually accrued due and payable pursuant to Clause 5(a)) for or in respect of the then current year of service or to claim any compensation or damages for or in respect of or by reason of such termination.

10.03 In the event that: (a) the Executive is lawfully removed from his office as a director of the Company by virtue of a resolution passed by the members of the Company; or (b) the Executive, having retired from the office of director of the Company in accordance with the Bye-laws of the Company or any other applicable regulation or law, is not re-elected as a director of the Company by the shareholders of the Company at an annual general meeting of the Company, the Company may within seven (7) days of the date of such vacation from office by the Executive, terminate this Agreement forthwith by written notice to the Executive.

10.04 In the event of termination of the Executive's engagement for whatever reason, the Executive shall:

(a) (if not already vacated from such office(s)) forthwith resign as a director of the Company and from all directorships or other offices held by him in any member of the Group (and the Executive irrevocably authorizes the Company in his name and on his behalf to execute all documents and do all things necessary to effect such resignation in the event of his failure to do so); and

(b) shall cease to be entitled to any benefits under this Agreement;

and the Executive shall not be entitled to claim any other compensation whatsoever from the Company in respect of such termination except where the Board otherwise agrees or as expressly provided for under this Agreement.

10.05 Any delay or forbearance by the Company in exercising any right to terminate this Agreement shall not constitute a waiver of such right.

10.06 If notice is served by either party pursuant to Clause 3, then for up to a maximum period of one (1) months, the Company shall not be obliged, at any time after the notice of termination is served, to provide any work for the Executive or to assign to or vest in the Executive any powers, duties or functions and may in its absolute discretion suspend the Executive from work, and suspend the contractual benefits of the Executive set out in Clause 5(b) and 6 and to require the Executive to refrain from entering any premises of any member(s) of the Group and to refrain from contacting any customers, clients, employees or suppliers of any member(s) of the Group.

11. EXECUTIVE'S UNDERTAKING

11.01 The Executive shall not either during the continuance of his engagement hereunder or at any time thereafter divulge to any person whomsoever or to any body corporate or unincorporated (except to those officers of the Group whose province it is to know the same) or use for his own purpose or for any purposes other than those of the Group and shall use his best endeavours to prevent the unauthorized publication or disclosure of any trade secret or any confidential information concerning the business or finances of any member of the Group or any of its dealings, transactions or affairs or those of its customers, suppliers, management and shareholders which may come to his knowledge during or in the course of his engagement. Confidential information shall include, without limitation, lists or details of customers and suppliers, information relating to the working of any process of invention carried on or used by any member of the Group, information relating to research and other projects, prices, discounts, mark-ups, future business strategy and development, marketing, price-sensitive information and any other information which is not generally available to the public.

11.02 Forthwith upon the termination of the engagement of the Executive hereunder, and/or at any other time if the Company shall so request:

(a) the Executive shall not, directly or indirectly, disseminate, disclose, divulge, reveal, report, publish, transfer or use, for any purpose whatsoever, any information which has been obtained by or disclosed to the Executive as a result of or in relation to the Executive's engagement by the Company, including without limitation any confidential information (which includes without limitation all lists of customers and clients, specific customer names and data, business plans, marketing plans, business contracts, distribution and sales and marketing networks, designs, specifications, processes, formulas, trade secrets, business secrets, sales information, systems, programs, procedures, manuals, financial and personnel information, and any other proprietary information or data which the Company has received in confidence from others) and any of the terms and conditions of this Agreement; *provided, however*, that disclosure of any confidential information shall not be prohibited if (i) such disclosure is directly pursuant to a valid and existing order of a court of competent jurisdiction or other governmental body or agency, (ii) the Executive shall first have given prompt notice to the Company of any such possible or prospective order (or proceeding pursuant to which any such order may result), and (iii) the Company shall have been afforded a reasonable opportunity to respond to (and if so advised by counsel, to challenge) such order; *provided further*, that each party may disclose terms and conditions of this Agreement to his or its attorneys and accountants to the extent such disclosure is necessary to enable such attorneys and accountants to render professional services to such party;

(b) the Executive, his representatives, heirs, successors and assigns shall completely release and forever discharge the Company, its present, former or future parent, subsidiary, affiliated, associated and other related companies, and any of their present, former and future shareholders, directors, officers, employees, agents, partners consultants, representatives and attorneys, and each of their successors and assigns from all claims, demands, rights, causes of action, obligations, liabilities and/or attorneys' fee claims, of any and every kind, nature and character whatsoever wheresoever, known or unknown, which the Executive may now have or has ever had against the Group, including without limitation those arising from or in any way connected with the engagement of the Executive by the Company or the resignation or termination thereof, whether base on tort, express or implied contract, law, rule, regulation, or ordinance; and

(c) the Executive shall preserve the good name of, and shall not make any disparaging comments about the Group and any of the Company's present, former and future shareholders, directors, officers, employees, agents, partners, consultants, representatives and attorneys, and each of their successors and assigns.

11.03 The Executive shall not file, or cause to be filed, in any court or with any governmental or quasi-governmental agency, any action, claim or charge against the Company, its present, former or future parent, subsidiary, affiliated, associated and other related companies and any of their present, former and future shareholders, directors, officers and employees and each of their successors and assigns.

11.04 The Executive shall not at any time during the continuance of his engagement hereunder or for a period of twelve (12) months thereafter, in any country or place where any member of the Group has carried on business, carry on or be engaged or employed or interested directly or indirectly in (whether as shareholder, director, partner, agent or otherwise and whether alone or jointly with others) any business carried on by any member of the Group during the continuance of the said engagement in competition with any member of the Group (other than as a holder of not more than five (5) per cent of the issued shares, debentures or other securities of any company listed on any recognized stock exchange) provided that the provisions of this Clause 11.04 shall only apply in respect of business activities or services with which the Executive was personally concerned or for which he was responsible during his said engagement.

11.05 The Executive shall not at any time during the continuance of his engagement hereunder or for a period of twelve (12) months thereafter either on his own account or in conjunction with or on behalf of any other person or body corporate or unincorporated in competition with any member of the Group directly or indirectly solicit or entice away from any member of the Group, any person or body corporate or unincorporated who now is or at any time during or at the date of the termination of the said engagement may have been or become a customer or supplier or prospective customer or supplier of any member of the Group and with whom the Executive had personal contact or dealings during his said engagement.

11.06 The Executive shall not at any time during the continuance of his engagement hereunder or for a period of twelve (12) months thereafter solicit or entice away from any member of the Group or employ or otherwise engage any person who now is or at any time during or at the date of the termination of the said engagement may have become an employee of any member of the Group and with whom the Executive had contact during his said engagement, whether or not such person would commit any breach of his contract of employment by reason of leaving the service of the relevant member of the Group.

11.07 The Executive shall not at any time or for any purpose after termination of this engagement hereunder use either the English or Chinese name of the Company or any name similar thereto in connection with his own or any other name in any way calculated to suggest that he is or has been connected with the Company's business, nor in any way hold himself out as having had any such connection.

11.08 While the restrictions contained in Clauses 11.01 to 11.08 are considered by the parties to be reasonable for the protection of the business and interest of the Group and in all the circumstances and do not work harshly upon the Executive it is recognized that restrictions of the nature in question may fail for technical reasons unforeseen and accordingly it is hereby agreed and declared that if any such restrictions shall be adjudged to be void as going beyond what is reasonable in all the circumstances for the protection of the interests of the member(s) of the Group but would be valid if part of the working thereof were deleted or the periods (if any) thereof were reduced or the range of products or area dealt with thereby were reduced in scope, the said restriction shall apply with such modifications as may be necessary to make it valid and effective.

12. INTELLECTUAL PROPERTY RIGHTS

12.01 The Company (or any other member of the Group as the case may be) shall be entitled free of charge to the sole ownership and exclusive use of any invention or improvement made or discovered by the Executive and of any copyright, design right, trade mark, service mark or trade name created or used by the Executive (hereinafter referred to as the "intellectual property rights") in the course of or for the purpose of providing services hereunder to the Company or any other member of the Group.

12.02 The Executive shall forthwith and from time to time both during ad after the term of this Agreement and at the request and costs of the Company, insofar as it is within his power, do such acts and things and execute such documents, as may in the opinion of the Company be reasonably necessary for obtaining letters patent; registration or other protection for any such intellectual property rights in any part of the world and shall effect such registration and vest such letters patent or other protection in the Company (or any other member of the Group as the case may be) or its nominees. The Executive irrevocably authorizes the Company for the purposes aforesaid in the name of the Executive and execute any document or do anything on his behalf. The Executive shall at the cost and request of the Company render all reasonable assistance to the Company (or any other member of the Group as the case may be) for and in connection with the purposes aforesaid.

12.03 The Executive shall not during or after the termination of the Agreement use to the detriment or prejudice of the Group or divulge to any person any confidential information concerning the intellectual property rights of the Group which may have come to his knowledge.

13. MISCELLANEOUS

13.01 This Agreement shall be in substitution for any subsisting agreement or arrangement (oral or otherwise) made between the Company and the Executive which shall be deemed to have been terminated by mutual consent as from the date on which the Executive's engagement under this Agreement commences.

13.02 The expiration or termination of this Agreement howsoever arising shall not operate to affect such of the provisions hereof as in accordance with their terms are expressed to operate or have effect thereafter.

13.03 In the event of any variation of the remuneration payable to the Executive hereunder being made by consent of the parties hereto, such variation shall not constitute a new agreement but (subject to any express agreement to the contrary) the engagement of the Executive hereunder shall continue subject in all respects to the terms and conditions of this Agreement with such variation as aforesaid.

13.04 Each notice, demand or other communication given or made under this Agreement shall be in writing and delivered or sent to the relevant party at its address or facsimile number set out below (or such other address or facsimile number as the addressee has by five (5) days' prior written notice specified to the other parties):

To the Company: Suite 2204, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong

Fax number: 852-2111 1890
Attention: Mr. Sio Kam Seng

To the Executive: 33/F, Apartment No.19, Celestial Heights, 80 Sheung Shing ST, Kowloon, Hong Kong

Attention: Mr. Su Shaobin (蘇少彬)

Any notice, demand or other communication so address to the relevant party shall be deemed to have been delivered (a) if given or made by letter, by post, clear business days after the date of posting, or by recorded delivery, when actually delivered to the relevant address; and (b) if given or made by facsimile, when dispatched subject to receipt of machine-printed confirmation of error-free despatch of the whole of the notice, demand or communication to the facsimile number of the intended addressee.

13.05 If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect, the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected or impaired thereby.

13.06 No failure or delay by the Company in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy. Without limiting the foregoing, no waiver by the Company of any breach by the Executive of any provision in this Agreement shall be deemed to be a waiver of any subsequent breach of that or any other provision in this Agreement.

13.07 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong and the parties hereby irrevocably submit to the non-exclusive jurisdiction of the Hong Kong courts.

IN WITNESS WHEREOF this Agreement has been executed on the day and year first above written.

Signed by Sio Kam Seng	)
For and on behalf of	)
China Metro-Rural Exchange Limited	)
	)
	)
In the presence of:-	)
Signed by Su Shaobin (蘇少彬)	)
	)
	)
	)
	)
In the presence of:-	)

Exhibit 4.18

SPD Bank **Working Capital Loan Contract**

Contract Number: **[Not disclosed in this translation]**

The Borrower: China Northeast Logistics City Co., Ltd.

The Lender:_Shanghai Pudong Development Bank Co., Ltd. Shenyang Branch

Whereas:

For funding needs, the Borrower applies for working capital loan from the Lender:After review, the Lender agrees to grant the loan in accordance with the terms and conditions stipulated under this Contract. In order to clarify the rights and obligations of both parties, this contract is entered into upon mutual agreement, based on relevant laws, regulations and rules of the People' s Republic of China, and shall be binding on both parties.

At the same time, the Borrower and Lender ascertain the following prerequisites ("✓" for selected, and "x" for not selected):

☑ This Contract is signed as the supplemental financing agreement to the Credit Facility Agreement (hereunder referred to as the Credit Facility) with serial number: **[Not disclosed in this translation]**. After this Contract became effective, all the terms and conditions contained herein are incorporated into and form part of the Credit Facility (This option should be selected should an Credit Facility has been signed previously and the serial number of the Credit Facility should be recorded here);

☒ This Contract is an independent financing document signed between the Borrower and the Lender (This option should be selected should a Credit Facility has not been signed previously between the Borrower and the Lender);

☒ The purpose of the loan under this Contract is for renewal of existing loan, for which the Guarantor(s) is/are known.
The name of the original contract: **[Blank]**
Date of signing: **[Blank]** Serial number: **[Blank]** (This option should be selected should the purpose of the loan is for the renewal of existing loan).

Part I: Commercial Terms

1. Type of loan: ☑ Short term working capital loan ☐Medium to long term working capital loan

2. The loan amount under this Contract is **<u>RMB</u>** (currency) **Twenty million** (in words).

3. The specific purpose of the loan under this Contract is: **<u>Replenishment of working capital</u>**

4. The term of the loan under this Contract is: ("✓" for selected, and "x" for not selected)

☑ From **<u>August 30, 2011</u>** to **<u>August 3, 2012</u>**;

☒ **[Blank]** year (or **[Blank]** months) from the date of the first drawdown.

The actual drawdown and repayment date to be determined based on the date of the drawdown voucher produced by the Borrower and the Lender. The date of the last repayment shall not extend beyond the loan period as agreed in this Contract. The drawdown vouchers form an inseparable part of this Contract.

5. The interest rate for the loan under this Contract is ("✓" for selected, and "x" for not selected):

☑ (1) RMB interest rate:

☑ Calculated based on interest rate for similar class and types of lending announced by the People's Bank of China (☒ marking up ☒ marking down) of **[Blank]**%, which equals to **<u>6.56 %</u>** per annum at the time of signing this Contract.

☒ Other arrangement: **[Blank]**

☒ (2) Foreign currency interest rate ("✓" for selected, and "x" for not selected):

☒ Calculated based on **[Blank]** months London Inter-Bank Offered Rate plus **[Blank]** (Also referred to as LIBOR + **[Blank]**), on the date of the loan granted by the Lender. "LIBOR" referred to the average (rounded to nearest four decimal points) of the related interest rate shown on the related screen page (if any) on Reuters . The abovementioned interest rate should be the interest rate quoted for the US dollar deposit with the same corresponding period of the loan at 11:00 am (London time) on the date of determining interest rate.

☒ Other arrangement: **[Blank]**

☑ (3) Interest settlement method ("✓" for selected, and "x" for not selected)

☒ Monthly, the interest settlement date is on the 20th of every month;

☑ Quarterly, the interest settlement date is on the 20th of the final month of each quarter;

☒ interest to be paid once upon maturity of the loan, together with repayment of principal of the loan;

☒ Other arrangement: **[Blank]**

For instalment repayment of principal or interest, the last interest payment shall be made at the time of repayment of the loan principal,

☒ (4) Adjustment of interest rate for RMB loans under this Contract

In the case where an adjustment to the benchmark lending interest rate is made by the People's Bank of China before the drawdown of the RMB loan under this Contract, the interest rate applicable to the loan under this Contract commencing from the date of the drawdown should be the interest rate for similar class and types of loans as published by the People's Bank of China at the time of the drawdown . In the case where benchmark lending interest rate is adjusted by the People' s Bank of China during the term of the loan after the loan is drawn down, then ("✓" for selected, and "x" for not selected):

☒ Adjusted monthly, adjusted from the 21st of every month;

☒ Adjusted quarterly, adjusted from the 21st of the last month of each quarter;

☒ Adjusted annually, adjusted from **[Blank]** month **[Blank]** date of every year;

☑ Interest rate is not adjusted

☒ Other arrangement: **[Blank]**

☒ (5) Interest rate adjustment for foreign currency loan under this Contract ("✓" for selected, and "x" for not selected):

☐ From the date when the loan is granted, the interest rate is adjusted every **[Blank]** month(s) according to the latest foreign currency interest rate with the same period;

☐ Other arrangement: **[Blank]**

6. The interest rate for penalty interest under this Contract is:

(1) The penalty interest rate for overdue payments under this Contract is determined at additional **30%** over the benchmark lending interest rate published at the time of overdue.

(2) The penalty interest rate for use of the loan not according to the purpose stipulated in this Contract, is determined at additional **50%** over the benchmark interest rate published at the time of the loan misuse.

7. The drawdown period for the loan under this Contract is from **August 30, 2011** to **August 3, 2012**.

8. The drawdown schedule for the loan under this Contract is as follows ("✓" for selected, and "x" for not selected):

☑ The withdrawal plan is as follow:

Order	Drawn down before	Drawdown amount	
1	**August 30, 2011**	**RMB Twenty million**	(In words)

☒ Other drawn down arrangement: **[Blank]**

9. The repayment plan for the loan herein is as follows ("✓" for selected, and "x" for not selected):

☑ The repayment plan is as follow:

Order	Repayment before	Repayment amount	
1	**August 3, 2012**	**RMB Twenty million**	(In words)

☒ Other repayment arrangement: **[Blank]**

10. The penalty for early repayment of the loan: equal **[Blank]**% of the total amount of actual early repayment or **[Blank]** (Currency)**[Blank]** (In words).

11. The portion of the loan principal being early repaid shall not less than **[Blank]**(Currency)**[Blank]** (In words).

12. Set Up of Bank Account: ("✓" for selected, and "x" for not selected)

    (1) The Borrower's designated working capital loan account at the Lender's bank:

Bank:	Fangyuan Branch, Shanghai Pudong Development Bank Co. Ltd.
Account name:	China Northeast Logistics City Co., Ltd.
Account number:	**[Not disclosed in this translation]**

    (2) The Borrower's general settlement account at the Lender's bank:

Branch:	Fangyuan Branch, Shanghai Pudong Development Bank Co. Ltd.
Account Beneficiary:	China Northeast Logistics City Co., Ltd.
Account number:	**[Not disclosed in this translation]**

    (3) The Borrower's funds receiving account under this Contract:

Bank:	Fangyuan Branch, Shanghai Pudong Development Bank Co. Ltd.
Account name:	China Northeast Logistics City Co., Ltd.
Account number:	**[Not disclosed in this translation]**

13. The Lender's entrusted payment: Any single payment required from the Borrower which exceeds an amount of (currency and amount) **RMB Zero** shall entrust to the Lender for payment.

14. The Borrower agrees to pay the Lender an amount of (currency and amount) **[Blank]** as payment account supervision fee. Payment method:**[Blank]**.

15. The Borrower agrees to provide the following Guarantors and guarantee contracts for the loan secured under this Contract:

☒	Guarantors: **[Blank]**	Guarantee Contract No.: **[Blank]**
☑	Mortgagors: China Northeast Logistics City Co., Ltd.	Mortgage Contract No.: **[Not disclosed in this translation]**
☒	Pledge provider: **[Blank]**	Pledge Contract No.: **[Blank]**
☒	Other guarantee: **[Blank]**	

16. Default penalty: equivalent to **[Blank]** % of the loan principal or **[Blank]**

17. Appendices to this Contract include:

(1) Drawdown Application

(2) **[Blank]**

(3) **[Blank]**

(4) **[Blank]**

(5) **[Blank]**

18. Other matters agreed by both parties: **[Blank]**

19. There are **Two** copies of this Contract, **1** copy for the Borrower, **1** copy for the Lender, and **[Blank]** copies for **[Blank]**, all copies carry the same legal status.

Part II: General Terms

Section 1: The Loan

1. The Borrower hereby irrevocably agrees and undertakes: the Lender, at all times, has full discretion on the drawings of the loan obtained under this contract; the Lender has full discretion on the date for which regular or irregular inspection on the loan should be carry out, in order for the Lender to decide whether the Lender should continue to grant a loan of any form to the Borrower; notwithstanding of the provisions contained in this Contract or any other documents, the Lender shall have the right to call for the Borrow to repay all of the loan at any time. The Lender shall have the right to terminate or suspend all or part of the loan, or cancel any further usage of the loan without prior notification to the Borrower.
2. The loan under this Contract shall only be used for purpose as agreed in this Contract, the Borrower shall not misuse the loan for fixed asset investment, share transaction or similar investment, and productions and operations in area which are prohibited by the PRC or on activities that are not comply with the purpose of working capital loan.

Section 2: Loan interest rate and method of calculation

1. Unless otherwise specified in this Contract, the interest under this Contract shall be calculated based on the actual amount of loan drawn down and the number of days for which the loan is drawn down from the date of drawdown. The number of days in use includes the first day and excludes the last day. Daily interest rate equals to monthly interest rate divided by 30, monthly interest rate equals to annual interest divided by 12.
2. The Lender shall entitle to receive penalty interest from the Borrower on any outstanding principal which become overdue ("overdue", for the purpose of this Contract includes situation where early repayment is declared by the Lender), for period starting from the day when the outstanding principal of the loan become overdue, calculated in accordance with the actual number of days overdue and overdue interest rate agreed in this Contract, until the day the Borrower settles all of the principal and interest.
3. In the event the Borrower does not utilize the loan which does not comply with the purpose as agreed in this Contract, the Lender shall entitle to receive penalty interest, based on the portion of the loan being misused, calculated based on the penalty interest rate as agreed in this Contract, from the day when such misuse commence, for the number of days the portion of the loan being misused, until the Borrower settles all of the principal and interest.
4. The Lender shall entitle to receive from the Borrower for interest not settled on time (which include normal interest, overdue penalty interest and misuse penalty interest) an overdue interest, which shall be calculated based on the overdue interest rate as agreed in this Contract for period, from the day when such interest become overdue (which is the day of interest settlement date as agreed in this Contract), when such interests are overdue, on a compound interest basis.
5. Interest rate marketization or market immobilization
   (1) In the event that after the loan under this Contract has been granted and the People's Bank of China has implemented the policy of marketization of lending interest rate for RMB loan, the Borrower shall negotiate with the Lender for the determination of the interest rate standard. Should there be no mutual agreement reached within five (5) banking days after the commencement of the negotiation, the Borrower shall repay all of the principal and interest of the loan within thirty (30) banking days from the date on which no mutual agreement is affirmed. (This paragraph applies to RMB).
   (2) In the event that after the loan under this Contract has been granted, none of the relevant banks has offered any US Dollar interest rate quotation to major banks in the London Interbank Money Market at 11:00am (London time), and no interest rate could be obtained on the day of the interest rate adjustment as agreed in this Contract, the Borrower shall negotiate with the Lender for the determination of an alternative interest rate. if no relevant bank quotes the US Dollar deposit rate to the major banks in the London Interbank money market, by the hour of 11 am (London time) on the interest quote date of relevant interest period. Should there be no mutual agreement reached within five (5) banking days after the commencement of the negotiation, the Borrower shall repay all of the principal and interest of the loan within thirty (30) banking days from the date on which no mutual agreement is affirmed. (This paragraph applies to foreign currency)

Section 3: Drawdown of the loan

1. Prior to the first drawdown, the Borrower shall fulfill the following conditions, however the Lender is not obligated to verify the authenticity of the following documents or conditions:
   (1) The Borrower shall submit the drawdown application form (refer to Appendix 1 for format), the completed borrowing/lending voucher and other related documents at a time and method of submission as agreed in this Contract;
   (2) This Contract and related guarantee contract, if any, have been signed and remained valid, and the rights of the guarantee has been properly established;
   (3) The Borrower shall provide valid business license, company articles of association, most recent financial statements from the drawdown date (including but not limited to the audited financial statement for the preceding year and the management accounts for the current period);
   (4) The Borrower shall provide the resolution in respect of the loan approved by the board of directors or in shareholders' meeting or other entities with the same legal status, authorization letter from legal representatives to authorized representatives, and original copy of sample signatures for the legal representatives and authorized representatives;
   (5) The Borrower has opened general settlement, fund collection or any other accounts, if any, at the Lender's bank as requested by the Lender;
   (6) The Borrower has fulfilled the obligations agreed in this Contract, and no event of default as stipulated in this Contract has occurred.
   (7) Other documents or other conditions may be requested by the Lender from time to time.
2. Prior to each drawdown other than the first drawdown, the Borrower shall fulfill the following conditions, however the Lender is not obligated to verify the authenticity of the following documents or conditions:
   (1) The Borrower shall submit the drawdown application form (refer to Appendix 1 for format), the completed borrowing/lending voucher and other related document at a time and method of submission as agreed in this Contract;
   (2) The Borrower has fulfilled the obligations agreed under this Contract, and no event default as stipulated in this Contract has occurred.
   (3) Other documents or other conditions may be requested by the Lender from time to time.
3. Drawdown
   (1) The Borrower shall make one-time drawdown or instalments drawdown in accordance with the schedules as agreed under this Contract, and submit the drawdown application to the Lender three (3) banking days prior to the each drawdown date as agreed in this Contract for the processing of draw procedure (refer to Appendix 1 for format)
   (2) In the event that a change the drawdown date such as postponement is required by the Borrower, the Borrower shall obtain consent from the Lender three (3) banking days prior to the scheduled day, and shall pay the Lender loss of interest income as a result of such change (loss of interest income equals to interest the Lender should have earned from the loan deduct by the interest earned through savings over the same period).
   (3) In the event that the Borrow wishes to cancel all or part of the undrawn loan amount, the Borrower shall obtain the approval from the Lender by submitting an application to the Lender three (3) days prior to the scheduled drawdown day or expiry of the drawdown period. The Borrower confirms that in the event where all or part of the loan was not drawn down upon the expiry of the drawdown period, the Borrower shall pay an undertaking fees to the Lender (as detailed in Part I of this Contract).
   (4) In the event where the Borrower fails to lodge its application for the draw down or postponement of the drawdown upon the expiry of the scheduled drawdown date or drawdown period, the Lender may notify the Borrower to handle related procedure within three (3) banking days from the date of the expiry. Where the Borrower fails to complete either one of the applications, the Lender shall have the rights to cancel the undrawn loan amount.

(5) Notwithstanding the terms and conditions as agreed elsewhere in this Contract, the Lender shall have the rights to refuse the Borrower's drawdown application and cancel all or part of the loan agreed in this Contract, prior to any drawdown of the loan.

Section 4: Account set up and management

1. The Borrower should have opened general settlement account, fund collection account and any other accounts, is any, as agreed between both parties, at the Lender's bank at the time of when this Contract is signed. The Borrower agrees the Lender to monitor the abovementioned accounts.
2. The general settlement account is used to account for the draw down and drawings of the loan obtained from the Lender by the Borrower, and the account entitles to interest income at calculated based on current deposit savings rate.
3. The Borrower acknowledges fund collection account shall serve as the income account and loan repayment account, as agreed in this Contract. The cash inflow from sales or the overall cash flow of the Borrower shall be deposited in the funds receiving account.

   The Borrower undertakes that the balance of the funds receiving account shall not be less than the amount of principal and interest due within 3 days prior to the day of each settlement. The Borrower agrees the Lender shall have the rights to restrict or reject any payments to third parties, within 3 days prior to the day of each settlement, where such payment will result in the balance of the funds receiving account lower than the principal and interest falling due, to ensure sufficient funds in the funds receiving account for the repayment of the principal and interest falling due.

   The Lender shall have the right to monitor the funds receiving account. In the event of any irregular cash movements in the fund collection account, the Lender shall have the rights to request the Borrower for explanations and take necessary measures.

Section 5: Payment Monitoring

1. The Borrower agrees that the Lender shall entitle to manage and monitor the payment from the loan obtained through Lender entrusted payment or/and direct payment methods by the Borrower, in order to supervise the purpose of usage of the loan as agreed in this Contract.

   The Lender entrusted payments refers to the Lender, make payments on behalf of the Borrower, upon application from the Borrower, to third parties who qualifies the purpose of the usage of the loan as agreed in this Contract, from the Borrower's bank accounts.

   Direct payment by the Borrower refers to the Lender deposited the loan into the Borrower's bank account based on the draw down application, and payments being made to the qualified payee in accordance with the usage agreed in the respective contracts by the Borrower directly.
2. With the consent of the Borrower, should the borrower-lender relationship between the Borrower and the Lender is a newly established relationship and the credit rating the Borrower is average, or each single payment required by the Borrower exceeds the limit as agreed in this Contract (refer to Part I of this Contract), or other cases as specified by the Lender, the Lender entrusted payment method should be used.

   Where the Lender entrusted payment method is used, the Lender shall have the right to review and approve payees on the payment application as provided by the Borrower whether the names of payee, amount and other information on the payment application is in conformity with relevant business contracts and related documents, and in accordance with the purpose of usage of the loan as agreed in this Contract. Payments will be made by the Lender to the Borrower's payees through the Borrower's bank account where the loan is obtained.
3. The Borrower shall provide evidence as requested by the Lender when applying payments to external parties from the loan obtained, including but not limited to:

   (1) Documents and evidence which support the purpose of the payment is as agreed in this Contract;

   (2) Business contract and written documents which reflect the Borrower's payment obligations. In the event where fees and expenses for which a written contract is not required or available, the Borrower shall provide fee policy and standards from relevant authorities;

(3) The Borrower shall provide the corresponding invoices or receipts after the payment is made if the invoices or receipts thereof are available at the time of payment;

(4) Legally valid payment voucher;

(5) Other documents as required by the Lender.

4. In case where a working capital loan account is not opened, the Borrower shall submit the drawdown application form (refer to Appendix 1 for format) to the Lender three (3) banking days prior to the proposed drawdown day, and shall designate whether the Lender entrusted payment method or direct payment method the Borrower wishes to use. The Borrower confirms that the Lender shall have the rights to review and approve whether the relevant documents complies with the payment condition stipulated under this Contract, and have the right to decide which payment method the Borrower should entitle for the loan that is drawn down.

   In case where a working capital loan account is opened, and when the Lender entrusted payment method is used, the Borrower shall submit the Borrower pre-stamped working capital loan reserved stamp payment application form (refer to Appendix 2 for format) to the Lender three (3) banking days prior to the proposed payment day. The Lender shall have the rights to review and approve whether the relevant documents complies with the payment condition stipulated under this Contract, and have the right to decide which payment method the Borrower should entitle for the loan that is drawn down. When the direct payment method is used, the Borrower shall submit the payment application form (refer to Appendix 2 for format) and related information to the Lender three (3) banking days prior to the proposed payment day. The Lender shall have the rights to review and approve whether the relevant documents complies with the payment condition stipulated under this Contract. When reviewed and approved by the Lender, the Borrower is required to complete payment voucher (the amount of each summary payment voucher must not exceed the loan amount the Lender entrusted for payment under this Contract). When approved, the Lender will stamp on the summary payment voucher a working capital loan fund monitoring chop and the required fund will be transferred to the Borrower's general settlement account.

5. In the case that direct payment method is used, the Borrower shall report to the Lender the details of direct payments from the loan obtained on a monthly basis. The Lender shall have the right to verify whether the payments made by the Borrower complies with the purpose and payment method as agreed in this Contract, by ways of account analysis, voucher inspections and on-site investigations, etc.

6. The Borrower confirms that the Borrower shall pay to the Lender any clearing fees that may be incurred due to the drawdown of the loan. At the time when clearing fee become chargeable, the Lender has the right to deduct the actual clearing fee from the Borrower's bank account.

7. In the case of the following, the Lender shall have the right to request the Borrower, during the course of drawdown application and payment application, to provide additional condition for the drawdown and payment, to change the way of settlement or cease to granting and payment of the loan:

   (1) Deterioration of the credit status

   (2) Weak profitability of core business

   (3) Abnormal usage of the loan under this Contract

Section 6: Repayment

1. The Borrower shall settle in full the loan principal, interest outstanding and relevant costs thereof in accordance with the repayment plan as agreed under this Contract. The Borrower hereby irrevocably authorizes the Lender the right to deduct directly the abovementioned funds from the account set up by the Borrower with the Lender's bank, on the due date of the repayment or other arrangement as agreed in this Contract.

2. Should the Borrower request an early repayment of the loan, the Borrower shall notify the Lender ten (10) banking days prior to the anticipated repayment date in writing and written consent must be obtained from the Lender. Should the Borrower early repay the loan principal and interest without the prior written consent from the Lender, the Lender shall charge the Borrower a fixed amount of one off penalty (see Part I of this Contract).

   In the case where early repayment of the loan has been accepted by the Lender, the anticipated early repayment date shall be regarded as early maturity of the loan and the Lender shall have the right to request the Borrower for payment of a fixed amount of penalty as agreed in this Contract (see Part I of this Contract).

   Interest for early repayment of the loan shall be paid together with the principal, and calculated based on the actual number of days for which the loan is drawn, and the amounts of the principal of the early repayment shall not be less than the limit agreed under Part I of this Contract; the amount of principal repaid shall be offset, in reversing order of the loan repayment plan, against the total principal of the loan.

3. In the event that the Borrower is unable to settle the repayment on maturity with justified reasons, the Borrower shall submit an application for extension of the term of the loan thirty (30) banking days prior to the original maturity of the loan, and prepare the required documents for the processing of relevant loan extension procedures. In the event that the loans under this Contract that is guaranteed, mortgaged or pledged, written consents should be received from the guarantor, mortgagor or pledge provider. The Lender shall has the final decision on granting of the loan extension, the loan will be transferred to as overdue loan on the following day upon maturity when no application for loan extension is submitted by the Borrower or when loan extension is not approved by the Lender.

Section 7: Representations and undertakings

The following representations and undertakings are made by the Borrower to the Lender at the time when this Contract is signed remain valid during the tenure of this Contract.

1. The Borrower is an independent legal entity, possesses the capability to assume rights and obligations, and has the ability to carry out obligations under this Contract and assume civil responsibility.
2. The Borrower has the right to execute this Contract and has signed this Contract and exercised all necessary duties under this Contract to obtained authorizations and approvals from the shareholders, board of directors and other authorities. The terms and conditions contained in this Contract represented the Borrower's true intent and legally binding on the Borrower.
3. The signing and execution of this Contract by the Borrower will not be in breach of the laws of which the Borrower is subjected to (the laws referred herein and hereunder include laws, rules, regulations, local laws, and judicial interpretation, etc). Relevant documents, judgments and adjudications from relevant authorities do have contradict to the Borrower's articles of association or contract and agreements signed by the Borrower, or any other obligations undertook by the Borrower.
4. The Borrower undertakes that all financial reports, if any, presented are in compliance with the laws of the People's Republic of China. (For the purpose of this Contract, do not include laws in Hong Kong and Macau Special Administrative Regions and Taiwan region). The financial reports are true, complete and fairly reflect the Borrower's financial status. The Borrower guarantee that all materials, information and documents, including both the Borrower and the Guarantor, provided to the Lender by the Borrower in the course of signing and execution of this Contract are true, valid, accurate and complete without any concealment of facts.
5. The Borrower guarantee that all materials, information and documents, including both the Borrower and the Guarantor, provided to the Lender by the Borrower in the course of signing and execution of this Contract are true, valid, accurate and complete without any concealment of facts, and the Borrower has complied with the principles of honesty and integrity.
6. The Borrower undertakes to complete all filings, registrations or any other procedures, and to bear all related costs and expenses, that are necessary for this Contract to remain valid and can be legally executed.
7. Subsequent to the date of latest audited financial statements, there have been no significant negative changes on the Borrower's operations and financial status.
8. Business activities are carried out in strict compliance with laws and regulations, and strictly adhere to the operating scope as stated in business license or laws; timely renewal of annual inspection; and that the operations are legal and qualified and has the ability to sustain its operations, and possesses legitimate source of financing for the repayment of the loan.
9. Shall not forfeit any matured claims on debts, and shall not dispose of existing substantial assets at no cost or any other inappropriate method.
10. The Borrower has already disclosed to the Lender important facts and circumstances known or should have known to the Borrower, which are essential for the Lender to determine whether the loan should be granted under this Contract.
11. The Borrower undertakes that, it has not and will not be any delay in payments by the Borrower, including but not limited to salaries, medical expenses, disability subsidies, compassionate payments and compensation of employees, on the date of signing of this Contract and during the tenure of this Contract.
12. The Borrower undertakes that it is of sound credit status and there ware no significant adverse records.
13. The Borrower undertakes that situations or events which will or may have a material and adverse impact on the ability of the Borrower in execution of this Contract do not exist.

Section 8: Agreed matters

The Borrower and the Lender agreed on the following matters:

1. The Borrower undertakes that its business activities be operated under legal regulations and the loan obtained under this Contract will be used for purpose as agreed in this Contract and not for other purpose. The Borrower shall, at the requirements of the Lender, provide regular financial information to Lender, which include monthly and annual financial information of varies types, and to actively cooperate with the Lender in monitoring the usage of the loan and the operational status of business activities. The Lender shall, at any time, have the right to carry out inspection and monitoring of the any kinds on the usage of the loan.

2. The Borrower shall repay of the principal and interest obtained under this Contract, based on the timing, amount, currency and interest rate stipulated under this Contract, drawdown application form and borrowing/lending voucher. The actual timing, amount, currency and interest rate for the repayment shall be based on the borrowing/lending voucher.

3. The Borrower undertakes that, in case of any events which will or may have a significant and negative impact on the financial status of the Guarantor which may affect the Guarantor’s capacity as a guarantor under this Contract, it shall provide other new guarantees that are recognized by the Lender immediately,.

4. The Borrower represents that, prior to receipt of written consent from the Lender, none of the following actions will be taken:

   (1) Selling, gifting, leasing, lending, transferring, mortgaging, pledging or otherwise disposing of all or part of its substantial assets.

   (2) Contracting, leasing, joint operations, external investment, share capital reform, merger and acquisition, joint venture/cooperation, sub-division, transfer of shares, practically increase in debt financing, set up of subsidiary, transfer of property rights, deduction in capital, suspension of operation, dissolution, file for bankruptcy, reorganization and other actions that has potential impact on the repayment ability of the Borrower.

   (3) Amendments to the articles of association or alteration of scope of business or core business.

   (4) Provide guarantees to third parties and, as a consequence thereof, having a significant and negative impact on financial status of the Borrower or its ability to fulfill the obligations under this Contract.

   (5) Early settlement of other long term debts.

   (6) Signing of contracts or agreements which have a significant and negative impact on the ability of the Borrower to fulfill the obligations herein or assuming relevant obligations with same implications.

5. The Borrower undertakes that, in the event of the following circumstances, the Borrower shall notify the Lender immediately on the day when such event occurred and ensure that the original copy of the relevant notice (stamped with company seal) reach the Lender within five (5) banking days after the event occured:

   (1) The occurrence of events which result in untruth, inaccuracy and invalidation on the representations and undertakings made by the Borrower under this Contract.

   (2) The Borrower or its controlling shareholders, de facto controller or its related parties are involved in litigation or arbitration, or their assets are subject to seizure, attachment, freezing, forcible execution or other measures of the same effect, or their legal representatives/persons in charge, directors, supervisors, or senior management are involved in litigation, arbitration or subject to other forcible measures.

   (3) Changes of legal representative or authorized representative, person in charge, person in charge of financial affairs, or correspondence address, name of the entity, and place of business of the Borrower.

   (4) Petition for restructuring or bankruptcy is filed by other creditors or revocation by higher-level authorities.

   (5) Occurrence of other significant and negative events that may have negative impact on the repayment ability of the Borrower.

6. The Borrower undertakes that it shall not in breach of normal repayment order to settle full and early repayment of other loans, and shall not enter into any contract or agreement, present and in the future, that would result in the subordination of the loan obtained under this Contract.

7. The Borrower shall make every effort to settle the principal and interest with the same currency of the loan obtained under this Contract. Under the circumstance where the principal and interest are settled in different currency, the Borrower shall voluntarily or authorize the Lender to convert the principal and interest repaid, which denominated in different currency, to the currency of the loan obtained under this Contract according to the exchange method specified under the "Stipulations on transfers of funds", with all the expenses and costs arising thereof to be borne by the Borrower. Under the circumstance where the Guarantor settle the repayment of the loan on behalf of the Borrower in different currency, all cost expenses arising thereof shall be borne by the Borrower, in accordance with the "Stipulations on transfers of funds" under the Guarantor Contract.
8. In the event where specific circumstances has resulted in a specific changes in the status of the guarantee under this Contract, the Borrower shall, at the request of Lender, provide other guarantees that is recognized the Lender. The specific circumstances or specific changes abovementioned include but not limited to suspension of production, termination of business, dissolution, suspension of business for internal rectification, revocation or deregistration of business license, applying or being applied for restructuring, bankruptcy, significant changes in operating or financial status, involved in material litigation or arbitration, involvement in litigations by legal representative, director, supervisor and key management, the decrease or possible decrease in the value of the assets pledged or being imposed of the property preservation measures, breaches under the Guarantee Contract and request for lifting of the Guarantee Contract, by the Guarantor.
9. The Lender shall entitle to carry out onsite or offsite due diligence on the Borrower, and carry out inspection on the operating and financial conditions, usage and repayment status of the loan, etc, after the loan has been drawn down by the Borrower. The borrower has the obligation to actively cooperate with the Lender in monitoring payment management, post-drawn down management and relevant inspection.
10. The Lender shall entitle to early withdraw the loan from the Borrower in view of the funds receiving status of the Borrower.
11. Specific terms for group corporate clients (applicable to group corporate clients).

    If the Borrower under this Contract is a part of a group corporate client, the Borrower hereby represents:

    (1) The Borrower shall report related party transactions over 10% of the net asset of the facility grantee on timely manner, including: i) relationships among the transacting parties; ii) types and nature of transactions; iii) transaction amounts or proportion; iv) pricing policy (including non-monetary or nominal value transactions).

    (2) Any of the following events by the actual facility grantee shall be regarded as breaches of this Contract by the Borrower, where the Lender shall have the right to unitarily cancel any unutilized credit facility of the client, and withdraw part or all of the utilized credit facility, or request from the client for additional security deposit with coverage of up to 100%: i) provision of false information or conceal material facts of operations and financial status; ii) change of the original purpose of use of the credit facility without authorization from the Lender, misappropriation of the credit facility or use of the bank credit facility for illegal and unlawful trading; iii) using fictitious contracts between related parties, creating notes receivable, accounts receivable and other claims which have no real business background to substantiate, and taken to the bank to endorsed or for pledge in order to obtain funds or facilities; iv) refusal of the monitoring and inspection request by the Lender on the usage of the funds and relevant operating and financial activities; v) the occurrence of major merger, acquisition and reorganization, etc, that the Lender believes may have an impact on the credit facility; vi) intentional evasion of bank debts through related party transactions.

Section 9: Stipulations on transfers of funds

1. The Borrower agrees that the Lender shall have the right to directly deduct and collect the funds from the general settlement account and/or funds receiving account opened by the Borrower with Shanghai Pudong Development Bank Co., Ltd, upon the due date of any outstanding debts under this Contract. In the event where there is insufficient balance in the general settlement account and/or funds receiving account for the repayment of the debts, the Lender shall have the right to deduct the funds from any accounts opened by the Borrower with the Shanghai Pudong Development Bank Co., Ltd.
2. Unless otherwise published by relevant national regulators or laws, the proceeds deducted from the Borrower's accounts shall be applied in the following order: settlement of outstanding expenses, settlement of outstanding interest and settlement of the outstanding principal, due from the Borrower.

3. The following ways shall be applied when the currency obtained from deduction from the Borrower's accounts differ from the currency of amount required settlement:

   (i) In the case the currency of the loan is RMB, the amount deducted from the Borrower's bank accounts will be converted into RMB from their original currencies at the bidding price of relevant exchange rates published on the day of the fund deduction by the Lender and settle the outstanding principal and interest.

   (ii) In the case that the currency of the loan is non-RMB, and the fund deducted from the Borrower's bank accounts is RMB, the fund deducted will be converted from RMB to the currency in which the loan is denominated at the asking price of relevant exchange rates published on the day of the fund reduction by the Lender and settle the outstanding principal and interest.

   (iii) In the case that the currency of the loan and the fund deducted from the Borrower's bank account are different and not denominated in RMB, the fund deducted will be first converted into RMB at the bidding price of relevant exchange rates published on the date of the fund deduction, then converted to the currency in which the loan is denominated at the asking price of relevant exchange rates published on the same date and settle the outstanding principal and interest.

Section 10: Proof of Claims

The Lender, in accordance with its usual business practice, maintains accounting ledgers for all the business activities related to this Contract on its accounting records for proof of the loan amount due to the Lender. The Borrower confirms that the accounting documents compiled and recorded by the Lender according to its business practices constitute valid proof of its loan obligations under this Contract.

Section 11: Notice and Delivery

1. Any notice given by either party under this Contract to the other party shall be sent to the addresses shown on the signing page of this Contract, unless either one party is notified in writing by the other party of a change of address. Once the notice is sent to the above address, it is deemed to have been delivered on following dates: For letters, the seventh (7) banking day after the dispatch of registered mail to the principal business address; For delivery by courier, the day on which the recipient signs to acknowledge receipt; For facsimile or emails, the day on which the facsimile or email is sent. However, all notices, requests or other correspondence sent or delivered to the Lender shall only be deemed to have been delivered when the Lender actually receives them. In addition, the originals (affixed with the company seal) of all notices and requests sent to the Lender via facsimile or email shall be delivered by hand or mailed to the Lender afterwards for confirmation purposes.

2. The Borrower agrees that any subpoena or notices issued to the Borrower as a result of litigation brought against it shall be deemed to have been delivered if they are dispatched to the principal business address as shown on the signing page of this Contract. Any change to the above address will not take effect unless a written notice of the same has been given to the Lender in advance.

Section 12: Validity, modification and rescission

1. This Contract shall become effective after both the Borrower and Lender have affixed their seals and signed/sealed by their respective legal representatives (responsible persons) or authorized persons, and shall be terminated when all the debts under this Contract are fully settled.

2. When this Contract become effective, neither party to this Contract is permitted to modify or rescind this Contract before its intended term. Where modification or rescission is required for this Contract, both parties shall reach unanimity through negotiation and evidenced by written agreement.

Section 13: Events of Default and Handling

1 Events of default

Any of the following events shall constitute a default on part of the Borrower to the Lender:

(1) Any representations and undertakings made by the Borrower in this Contract, or any notice, authorization, approval, consent, certificate and other documents provided by the Borrower in connection with this Contract are inaccurate or misleading, or are proved to be inaccurate or misleading, or are proved to be void or rescinded or have no legal effect, at the time of being made by the Borrower.

(2) Any breach of the “Other matters agreed by both parties”, if any, in Part I of this Contract or any agreed matter in Section 8 in Part II of this Contract by the Borrower.

(3) Any major cross-default events on part of the Borrower, including but not limited to breaches of other loan contracts/agreements entered into by the Borrower; or default in repayment of matured debts under other loan contracts/agreements entered into by the Borrower.

(4) Embezzlement of funds, transfer of assets or sale of share holdings by investors of the Borrower.

(5) The Guarantor fails or shall fail to act in the capacity of a guarantor for the loan, or in breach of the signed guarantee document.

(6) The suspension of business, suspension of production, closure of business, suspension of business for internal rectification, restructuring, liquidation, being placed in receivership or conservatorship, dissolution, revocation or cancellation of business license, or bankruptcy of the Borrower.

(7) Deterioration of financial conditions of the Borrower and the Guarantor, encountering great difficulties in operations, or an event or situation which has adverse impact on their normal operations, financial conditions or solvency.

(8) The Borrower or its controlling shareholders, de facto controller or its related parties are involved in litigation or arbitration, or their assets are subject to seizure, attachment, freezing, forcible execution or other measures of the same effect, or their legal representatives/persons in charge, directors, supervisors, or senior management are involved in litigation, arbitration or subject to other forcible measures, which may have adverse impact on the solvency of the Borrower.

(9) Failure to utilize the loan for purposes agreed in this Contract or failure to make payments with agreed methods.

(10) Provision of false and misleading documents and information for the application of the loan.

(11) Fail to meet with the minimum requirements on relevant financial covenants agreed under this Contract.

(12) Unusual movements of fund flows in the general settlement account/fund collection account.

(13) The Borrower engages in activities which in breach of this Contract and will hinder the execution of this Contract or other actions which will impair the normal interests of the Lender to this Contract.

2. Treatment of default

(1) If any one or more of the above events of default occurs, the Lender shall entitle to take one or more of the following measures as the Lender may deemed appropriate:

i) Request the Borrower to rectify within defined period of time.

ii) Cancelation of any undrawn credit of the loan facility, stop granting or making payments from unused loan balance granted to the Borrower.

iii) Declare all or part of the loan principal granted become due immediately, and request immediate repayment of all or part of the loan, settlement of outstanding interest, and seek for recourse from the Guarantor or Borrower with all necessary means.

iv) Collect penalty interest on overdue loan principal and/or misappropriated loan portion, at compound interest rate.

v) Directly deducts funds at any bank accounts opened by the Borrower at various branches of the Shanghai Pudong Development Bank Co., Ltd.

vi) Request for the Borrower to supplement additional conditions on drawdown of the loan or modification on the payment method for utilization of the loan.

vii) Request the Borrower to provide other guarantees recognized by the Lender.

viii) Other necessary measures as regulated by the laws.

(2) Other than the above measures, the Lender may further request the Borrower for default liability and for payment of default penalty (refer to Part I of this Contract for calculation of default penalty). Where the default penalty is insufficient to cover losses suffered by the Lender, the Borrower shall indemnify the Lender against all resulting losses.

(3) The Borrower shall bear all expenses incurred by the Lender in connection with the Lender's realization of debts and guarantee rights, including but not limited to debt chasing expenses, litigation charges, notary fees, announcement fees, lawyers remuneration, travelling expenses, translation fees and all other fees payable.

Section 14: Other provisions

1. Definitions

i) "All the debts" under this Contract refers to the principal, interest, default penalty and various expenses for the realization of the debts.

ii) "Interest" under this Contract includes interest, penalty interest and compound interest.

iii) "Banking day" under this Contract refers to the general open day for public business at the Lender's place of residence, not including Saturdays and Sundays (except for business day open to the public due to holiday adjustment) or other public holiday by laws.

2. Applicable laws

The Laws of the People's Republic of China (for the purpose of this Contract, excluding the laws of Hong Kong and Macau Special Administrative Regions and Taiwan regions) are applicable to this Contract, and their interpretations.

3. Dispute Resolution

All disputes arising from this Contract shall be resolved through friendly negotiations. In the case that an agreement cannot be reached, the People's Court of the People's Republic of China where the Lender is located has exclusive jurisdiction over the dispute matter. During the period of dispute, the parties shall continue to comply with the undisputed provisions of this Contract.

4. Miscellaneous

(i) The parties hereto may revise the terms and conditions of this Contract through negotiation for matters not discussed herein and set out those additional terms and conditions in Part I of this Contract or in a separate agreement which will become a supplement to this Contract. Appendices and supplements to this Contract (detailed in Part I of this Contract) are inseparable constituent part of this Contract and have the same legal effect as the main text of this Contract.

(ii) During the tenure of this Contract, the Lender's tolerance of extension or delay in action in connection to any events of default or other actions by the Borrower, shall not damage, influence or restrict the Lender from enjoying all the rights and benefits in accordance with laws or with regards to this Contract, neither can be taken as the Lender's recognition of such events of default by the Borrower, nor can be treated as the Lender's forfeiture of the Lender's rights on taking action against the Borrower's present or future events of default.

(iii) Invalidity of any terms in this Contract shall not affect the validity of other terms. The Borrower shall bear the obligation for the repayment of all the debts owing to the Lender, regardless of reasons resulting in the invalidity of this Contract. In case of the aforesaid event, the Lender shall entitle to terminate the execution of this Contract immediately and may seek for repayment all the outstanding debts under this Contract from the Borrower.

(iv) The Lender may transfer all or part of the rights and/or obligations under this Contract, and under this circumstance, the transferee shall entitle to enjoy the same rights and/or obligations as being a party of the Lender to this Contract. The Borrower shall bind to the transferee as agreed in this Contract, after receiving notice from the Lender with regards to the transfer of debts.

(v) Unless otherwise stated herein, the relevant terms and expressions in the Appendices to this Contract have the same meaning as those contained in this Contract.

(vi) The headings in this Contract are for ease of reference only and shall not be regarded as the basis of interpretation of the content under that heading.

(No main text below on this page)

(This is the signing page with no main text)

This Contract is signed by the Borrower and the Lender (as below) on **August 30, 2011**. The Borrower acknowledges that, at the time of signing this Contract, both parties have explained and discussed all the terms and conditions in details. Both parties have no disagreement toward any of the terms and conditions herein and have an accurate understanding of the legal implications of the terms and conditions with respect to the rights and obligations, restrictions of responsibility or exclusion provisions of the subject persons.

Borrower (company seal)
[sealed] China Northeast Logistics City Co, Ltd

Legal representative or authorized person (signature or seal)
Cheng Chung Hing

Principal business address:
[Not disclosed in this translation]

Postal code: **[Not disclosed in this translation]**

Telephone No: **[Not disclosed in this translation]**

Fax No.: **[Not disclosed in this translation]**

Email: **[Not disclosed in this translation]**

Contact person: **[Not disclosed in this translation]**

Lender (company seal)
[Sealed] Pudong Development, Bank Co., Ltd., Shenyang Branch

Responsible person or authorized person (signature or seal)
[Not disclosed in this translation]

Principal business address:
[Not disclosed in this translation]

Postal code: **[Not disclosed in this translation]**

Telephone No: **[Not disclosed in this translation]**

Fax No.: **[Not disclosed in this translation]**

Email: **[Not disclosed in this translation]**

Contact person: **[Not disclosed in this translation]**

Appendix 1

Under "Working Capital Loan Contract"

Drawdown Application Form

(Applicable to cases where designated working capital loan account is used)

No:

Shanghai Pudong Development Bank Co., Ltd. **Shenyang** Branch

Whereas the Company signed Working Capital Loan Contract (referred to as "loan contract" hereunder) with contract number **[Not disclosed in this translation]** with the Bank on **August 30, 2011**, according to the drawdown plan agreed in the loan contract, the Company plans to take its **1st** drawdown with an amount of **RMB** (currency) **Twenty million** (In words) on **August 30, 2011**.

In accordance with the terms of the loan contract, this amount shall be made to the general settlement bank account opened by the Borrower at Shanghai Pudong Development Co., Ltd., the bank account name is **China Northeast Logistics City Co., Ltd.**, bank account number is: **[Not disclosed in this translation]**.

The Company hereby confirms, as at the date of this application form, there is no occurrence of any event or situation that would constitute events of default under the loan contract. The Company further confirms, all the representations and undertakings and guarantees are executed accordingly and all the applicable prerequisites are satisfied as agreed under the loan contract.

Applicant: (seal): **China Northeast Logistics City Co., Ltd.**
Legal representative or authorized agent: (signature or seal) **Cheng Chung Hing**

August 30, 2011

Appendix 2

Under "Working Capital Loan Contract"

Drawdown Application Form

(Applicable to cases where designated working capital loan account is used)

No:

Shanghai Pudong Development Bank Co., Ltd. **[Blank]** Branch

Whereas the Company signed Working Capital Loan Contract (referred to as "loan contract" hereunder) with contract number **[Blank]** with the Bank on **[Blank]**, according to the drawdown plan agreed in the loan contract, the Company plans to take its **[Blank]**drawdown with an amount of **[Blank]** (currency) **[Blank]** (In words) on **[Blank]**.

In accordance with the terms of the loan contract, this amount shall be made to the general settlement bank account opened by the Borrower at Shanghai Pudong Development Co., Ltd., the bank account name is **[Blank]**, bank account number is: **[Blank]**.

The Company hereby confirms, as at the date of this application form, there is no occurrence of any event or situation that would constitute events of default under the loan contract. The Company further confirms, all the representations and undertakings and guarantees are executed accordingly and all the applicable prerequisites are satisfied as agreed under the loan contract.

For the amount to be drawn down this time, the Company hereby makes specific application for the below **[Blank]** method of making external payment from the loan obtained:

(1) The Lender entrusted payment method for all payments:

i) The Company has provided the following documents to the Bank in compliance with the loan contract:

☐ Business Contract and written documents truthfully reflecting the Borrower's payment obligation and related written documents relating to usage of the loan;

☐ Relevant invoices or receipts, the Borrower shall submit relevant invoices or receipts for the payment timely after payment has been completed, if such invoices and receipts are not available at the time of payment;

☐ legally valid payment voucher;

☐ Others: **[Blank]**

(ii) Please transfer the loan principal requested to the following bank account of the transacting party, on **[Blank]**, upon verification and approval by the Bank as agreed in the loan contract:

Branch Name: **[Blank]**
Account Name: **[Blank]**
Account Number: **[Blank]**

(2) The Borrower's direct payment method for all payments:

i) The Company has provided the following documents to the Bank in compliance with the loan contract:

☐ Business Contract and written documents truthfully reflecting the Borrower's payment obligation and written document relating to loan usage:

☐ Others: **[Blank]**

(ii) Please transfer the loan principal requested to our general settlement account upon verification and approval by the Bank as agreed in the loan contract:

Applicant: (seal): **[Blank]**
Legal representative or authorized agent: (signature or seal) **[Blank]**

Exhibit 4.19

Xi'an International Trust Co., Ltd. **Trust Loan Contract**

Contract Number: **[Not disclosed in this translation]**

Borrower: China Northeast Logistics City Co, Ltd (the "Borrower")
Address: **[Not disclosed in this translation]**
Legal representative: Cheng Chung Hing
Postal code: **[Not disclosed in this translation]**
Telephone No: **[Not disclosed in this translation]**
Fax No.: [Not disclosed in this translation]
Bank Name and bank account number: **[Not disclosed in this translation]**

Lender: Xi'an International Trust Co., Ltd. (the "Lender")
Address: **[Not disclosed in this translation]**
Legal representative: **[Not disclosed in this translation]**
Postal code: **[Not disclosed in this translation]**
Telephone No: **[Not disclosed in this translation]**
Fax No.: **[Not disclosed in this translation]**
Bank Name and bank account number: **[Blank]**

Whereas:

1. The Borrower applies for trust loan from the Lender. After review, the Lender agrees to grant the trust loan (the "Loan") to the Borrower.
2. The source of funds for the Loan under this Contract is from and managed by one of the Lender's trusts (the "Trust").

   The Borrower and the Lender has entered into this Contract based on relevant laws, regulations and rules of the People' s Republic of China, upon mutual agreement.

Section 1: Types of loan

The Lender agrees to, under this Contract, offer the Loan to the Borrower under type **1** of the following:

1. Short-term loan 2. Medium-term loan 3. Long-term loan

Section 2: Loan amount and term

The Loan amount under this Contract is RMB (in words) **One hundred million**
(in number) **RMB100,000,000**

The term of the Loan under this Contract shall **not exceed 12 months**, from **August 30, 2011** to before **August 30, 2012**.

Should the Loan amount, commencement date and maturity date under this Contract be inconsistent with the drawdown voucher, the date recorded on the drawdown voucher shall prevail. The drawdown voucher form an inseparable part of this Contract and shall have the same legal status of this Contract.

Section 3: Purpose of use of the Loan

The Borrower shall use the Loan obtained under this Contract to repay outstanding loan from Tieling Commercial Bank that has fall due.

The Lender shall have to rights, but not obligations to monitor and verify the purpose of usage of the Loan obtained under this Contract.

Section 4: Loan interest rate and interest

1. The Loan under this Contract shall bear an annual interest rate of **13%**, with daily interest rate equals to annual interest rate divided by 360, calculated from the date of drawdown.
2. During the tenure of this Contract, in the case where national benchmark lending interest rate is adjusted, the following method **(1)** to reset interest rate:

   (1) Interest rate under this Contract is not adjusted.
3. During the tenure of this Contract, in the case where relevant rules and regulations, which do not include adjustment in interest rate and term of the Loan, are amended by the People's Bank of China which are applicable to the Loan under this Contract, the Lender, without required to notify the Borrower, could execute this Contract according to the amended rules and regulations.

Section 5: Drawdown

1. Pre-requisites for granting the Loan

   Unless waived or forfeited by the Lender in full or in part, the Lender would only be obligated to grant the Loan to the Borrower when the following re-requisites are satisfied:

   (1) The Borrower has completed the relevant approval, registration, delivery and other mandatory procedures as agreed under this Contract;

   (2) The Borrower is in any event of default as stipulated under this Contract;

   (3) The Trust to be created for the Loan has been established and the trust money is fully paid up by trustee.

2. When the trust money is fully paid up, the Loan is drawn down by the Borrower according to the following drawdown date, where the drawdown date must be a bank business day:

Order	Drawdown date	Drawdown amount
1	**August 30, 2011**	**RMB100,000,000**

3. The Borrower shall drawdown the Loan on the date as agreed under this Contract, any changes in the drawdown date and/or drawdown amount shall be notified to the Lender in writing three (3) days prior to the drawdown date as agreed under this Contract. The Lender agrees to grant the Borrower a grace period of three (3) bank business days for the drawdown of the Loan. The Loan under this Contract will be cancelled automatically should the drawdown has not be made when the grace period is due, and the Borrower shall no longer be able to make any drawdown of the Loan.

4. The Borrower shall submit to the Lender a irrevocable drawdown notice or a loan voucher or other drawdown notice three (3) bank business days prior to a proposed drawdown. The Lender shall make payment of the Loan to the Borrower after approval and such drawdown notice will be used as evidence of the drawdown.

Section 6: Method of repayment

1. Principle of repayment

   Any repayment of the Loan under this Contract shall be repaid in the order of interest then principal.

2. The Borrower shall pay interest according to the following plan:

   The Borrower shall pre-pay interest of RMB One million and fifty thousand (RMb1,500,000) to the Lender at the time of the drawdown of the Loan into a bank account designated by the Lender. The Borrower shall pay the Lender another RMB One million and fifty thousand into a bank account designated bank account within fifteen (15) business days six (6) months after the drawdown. The remaining interest shall be repaid together with principal of the Loan at maturity.

3. The Borrower shall repay the Loan principal according to the following plan:

Order	Drawdown date	Drawdown amount
1	**August 29, 2012**	**RMB100,000,000**

4. The Loan principal and interest to be repaid by the Borrower shall be deposited to a bank account designated by the Lender:

   Bank account name: Xi'an International Trust Co., Ltd.

   Bank account number: **[Not disclosed in this translation]**

   Bank name: Shanghai Pudong Development Bank Shenzhen Longgang branch

5. Should the Borrower wishes to early repay the loan six (6) months after drawdown of the Loan, the Borrow shall notify the Lender in writing twenty (20) days before the proposed early repayment date (which is irrevocable) and written consent must be obtained by the Lender. The Lender has the right to receive interest from the Borrower calculated based on the interest rate as agreed under this Contract and the actual number of days where the Loan principal remained outstanding. The basis for interest calculation shall be actual number of day the Loan remained outstanding divided by 360 days.

Section7: Extension of the Loan

In case where the Borrower is unable to repay the Loan under this Contract according to timetable as agreed under this Contract and require to apply for an extension of the Loan, the Borrower shall submit its written application to the Lender thirty (30) bank business days prior to the maturity date of the Loan. Should the Lender agree for the extension of the Loan after review, a contract for the extension of the Loan shall be signed by the Borrower and the Lender. Should the Lender disagree for the extension of the Loan, this Contract shall remain valid.

Section 8: Security of the Loan

There is no security for the Loan under this Contract, the Loan is unsecured loan.

Section 9: Representations and Undertakings by the Borrower

1. The Borrower is hereby represents and undertakes the following:
   - i) the Borrower is a legal entity registered and existed in compliance with the laws and regulations of the People’s Republic of China, and the Borrower possess the rights and authority to execute this Contract in its own name;
   - ii) the Borrower has entered into and executed this Contract voluntarily and the terms contained in this Contract represented the true intent of the Borrower, and has completed all necessary legitimate authorizations. The aforesaid authorizations and authorized signatory and execution of the this Contract has not be in breach of the Borrower’s articles of association, or laws, regulations, judicial decisions or contract with third parties to which the Borrower is subjected to. The Borrower has completed all legitimate procedures, which has legal effect, necessary for the signing and execution of this Contract;
   - iii) all documents, information, reports and vouchers provided by the Borrower are accurate, true, complete and valid;
   - iv) the Borrower has not conceal any matters occurred or about to occur from the Lender which may result in the Lender disagree to grant the Loan under this Contract to the Borrower, including but not limited to:
     - a) Disputes from litigations, arbitrations, etc;
     - b) guarantees provided and liabilities assumed by the Borrower;
     - c) other matters which may affect the Borrower’s financial position and its ability of repaying debts.
   - v) the Loan obtained will be used for purpose as agreed under this Contract, not for other purpose. The Borrower guarantees not to use the Loan for equity investment, trading of marketable securities, futures and realty, lending between entities and other activities that are prohibited by the People’s Republic of China. The Borrower will not diverted and misappropriate the Loan. The Lender shall not be liable in anyway whatsoever for Borrower’s usage of the Loan.
2. the representations and undertakings made by the Borrower is effective in continuity and is deemed to have been repeated by the Borrower when this Contract is amended, supplemented or altered.
3. the Borrower acknowledges that this Contract is signed and executed by the Lender based its reliance on the above representations and undertakings.

Section 10: The Borrower’s rights and obligations

1. The Borrower has the rights to drawdown and use the Loan for term as agreed under this Contract.
2. The Borrower shall repay the principal and interest of the Loan as agreed under this Contract.
3. The Borrower shall periodically or from time to time, at the request of the Lender, to provide the Lender reports and other documents which truly reflect the Borrower’s operational and financial status.
4. During the tenure of the Loan, major changes in operational decisions of the Borrower (which include and not limited to transfer of shares, reoganization, merger, sub-division, share capital reform, joint-venture, cooperation, association, contract of leasing, business scope and change of registered capital, etc) which may affect the Lender’s decision on its interest, shall notify the Lender in writing by the Borrower with at least thirty (30) days in advance and prior written consent must be obtained from Lender, and to implement repayment responsibility of the Loan or early repay the Loan or provide form of guarantee which is acceptable by the Lender.
5. The Borrower shall actively accommodate the Lender’s investigation, understanding and monitoring on the Borrower’s operation status and the Loan usage status. The Borrower shall bear all costs and expenses incurred by the Lender as a result of any obstruction of the Lender’s investigation, understanding and monitoring.

6. Without the Lender's prior written consent, no actions shall be taken by the Borrower to transfer or effective transfer the Borrower's responsibility on the Loan under this Contract.
7. In case where the Borrower transfer or sub-lease all or part of the Borrower's substantial portion of assets, business or business income, or setup of guarantee for indebtedness other than the Loan using all or part of the Borrower's substantial portion of assets, business or business income, the Borrower shall notify the Lender in writing with no less than thirty (30) days prior to such transfer, sub-lease or setup of guarantee and prior written consent must be obtained from the Lender.
8. In case where an event has occurred to the Borrower, its associates or controlling shareholders which may has a material adverse effect to the Borrower's ability to fulfil this Contract, including but not limited to economic disputes, suspension of business, being declared bankrupt, dissolution, revocation of business licence or registration, deterioration of financial status, illegal activities by legal representative or actual controller, or in breach of other contracts, the Borrower shall notify the Lender in writing immediately.
9. In case where the guarantor has encountered event of suspension of business, being declared bankruptcy, dismissal, revocation of business licence or registration or suffering loss from operation, and the guarantor has partially or completely lost its ability to fulfil its ability as guarantor for the Loan under this Contract, or in case where the value of collateral, pledges or pledge rights provided under this Contract has decreased, the Borrower shall provide new form of guarantee which is acceptable by the Lender.
10. During the tenure of the Loan, in case where the Borrower has changed its address, name or legal representative, the Borrower shall notify the Lender in writing three (3) days prior and seven (7) days after to such change, and to submit to Lender business registration document reflecting such change. Otherwise, the Lender shall deliver relevant documents to original name, address and legal representative and deemed they have reached the Borrower.

Section 11: The Lender's rights and obligations

1. The Lender has the rights to inspect and understand the Borrower's status of operation, financial activities and usage of the Loan, and has the right to demand relevant information to be provided by the Borrower.
2. Where the Borrower has fulfilled the obligations and satisfied drawdown conditions as agreed under this Contract, the Lender shall grant the Loan to the Borrower according to the terms agreed.
3. The Lender shall keep information, documents and data that are provided by the Borrower confidential except in case where required by laws and regulations.

Section12: Responsibility of default

1. Upon the effectiveness of this Contract, the Borrower and the Lender shall fulfil their respectively obligations under this Contract, any party's non-performance on all or part of its obligations under this Contract shall be liable for responsibility of default.
2. In case where the Borrower did not drawdown the Loan on the date as agreed under this Contract, the Lender has the right to charge the Borrower a penalty calculated based on the number of days for which the drawdown is delayed and interest rate as agreed under this Contract.
3. In case the Lender did not grant the Loan to the Borrower under this Contract, the Borrower has the rights to demand the Lender for penalty calculated based on the number of days for which the drawdown is delayed and interest rate as agreed under this Contract.
4. In the event of any one of the following circumstances, the Lender has the rights to terminate any drawdown of unutilised portion of the Loan under this Contract and to demand the Borrower for an immediate repayment of the portion of the Loan that has been drawn down, interest payable and other fees and to demand for any damages that the Borrower has caused the Lender, and the date on which the Lender demand the Borrower for repayment shall be the early maturity date of the Loan under this Contract. The Lender has the right to deduct the amounts directly from the Borrower's monitoring bank account designated by the Lender.
   (i) The Borrower fails to repay principal and interest of the Loan under this Contract on date as agreed under this Contract;
   (ii) the Borrower fails to fulfil any one of the requirements from Sections 10(3) to 10(9) as agreed under this Contract;
   (iii) certificates and documents, and presentations and undertakings under Section 9 of this Contract provided by the Borrower to the Lender for the purpose of the Loan are proved to be untrue, inaccurate, incomplete and misleading with wilful intent;
   (iv) the Borrower ceased to repay its debts, or unable or expressed to be unable to repay its debts that are fall due;

(v) mergers, sub-division, suspension of business being declared bankrupt, dissolution, revocation of business licence or registration, deterioration of financial status, illegal activities by legal representative or actual controller, in breach of other contracts, etc, by the Borrower, its related parties or controlling shareholders;

(vi) changes in the registration of the Borrower's place of business, scope of business, legal representative, etc, or occurrence of material external investment which possesses major impact on or treat to the Lender's claims to the Loan;

(vii) event by the Borrower which has or may has endanger and jeopardize the Lender's interest;

(viii) the Borrower fails to truthfully provide information regarding the Borrower's bank, bank account number, balance and details of transactions to the Lender;

(ix) during the tenure of the Loan as agreed under this Contract, in breach of other loan contracts or contracts with similar nature by the Borrower and its associates, that are entered into with other financial institutions.

5. In case where the Borrower did not use the Loan for purpose as agreed under this Contract, the Lender, in addition to its rights as stipulated in Section 12(4), has the rights to charge the Borrower a penalty interest which is calculated based on the portion of the Loan being misused and an interest rate that is 100% above the agreed interest rate, which is 24% per annum, over the period for which the portion of the Loan is being misused.
6. In case where the Borrower fails to pay interest when fall due, the Lender, in addition to its rights as stipulated in Section 12(4), has the rights to charge the Borrower interest on overdue interest on compound basis. In respect of overdue principal of the Loan, the Lender has the rights to charge the Borrower a penalty interest, which is calculated based on the Loan and an interest rate that is 100% above the agreed interest rate, which is 24% per annum, over the period for which the Loan is remained overdue, and to charge any overdue interest and penalty interest at compound rate.
7. Expenses, including but not limited to litigation expenses, travelling expenses and lawyer's remuneration, incurred by the Lender in the course of realizing its claims to the Loan shall be borne by the Borrower.

Section 13: Continuity of obligations

All of the obligations by the Borrower shall have the continuity where it shall have the binding effect on the Borrower's successor, agent, executor, buyer or the entity that the Borrower has become after merger, reorganization, change of name, etc.

Section 14: Notarization

Should a notarization is requested by any one of the party to this Contract, this Contract shall be notarized at authority that is designated by the Government of People's Republic of China and the Borrower shall bear the costs incurred.

Section 15: Other agreed matters

The actual drawdown date and the amount of the Loan is based on the date and amount as stated in the loan voucher.

Section 16: Applicable laws

This Contract shall be construed under the jurisdiction of laws of the People's Republic of China and its binding to both the Borrower and the Lender.

Section 17: Dispute resolution

Any disputes arising from this Contract shall be resolved through negotiation between the Borrower and the Lender, and in case where negotiation fails, the dispute shall resort to the local People's Court at where the Lender is located.

Section 18: The Lender's rights cumulative

The Lender's rights under this Contract are cumulative, and will not affect or exclude the Lender's rights to the Borrower under laws and other contracts. Unless expressed in writing by the Lender, the non-exercise, partial exercise or delay in exercise of any of the Lender's rights, shall not be constitute a waiver in full or in part by the Lender, nor shall it affect, prevent or hinder the Lender's continue exercise of these rights or any other rights.

Section 19: Validity, modification and rescission of contract

1. This Contract become effective upon the signatory and company seal of representative and authorised agent of the Borrower and the Lender. In case of a secured loan, the contract shall become effective upon the execution of guarantee contract.

2. Upon the effective of this Contract, unless otherwise agreed in this Contract, none of the parties to this Contract shall have the right to change or terminate this Contract unilaterally without permission. In case there is need for change or termination of this Contract, the Borrower and the Lender shall enter into a written agreement unanimously through negotiation.

Section 20: Others

1. Loan application form and other material provided by the Borrower to the Lender shall form part of this Contract.
2. The Borrower and the Lender may reach written agreement on matters not discussed in this Contract as attachment to this Contract. All attachments, amendment or supplements to this Contract agreement shall form an inseparable part of this Contract and shall bear the same legal effect.
3. In case where certain sections or certain contents of a section under this Contract is or will become invalid, such invalidation of those sections or contents of that section shall not affect the effectiveness of other sections or other contents of that section in this Contract.
4. Any notice, request or other communications given by the Lender to the Borrower, including but not limited teletext, telegraph, fax, etc, are deemed as received by the Borrower. Registered mails deemed as received by the Borrower on the third day of mailing.
5. There are **Four** copies of this Contract, **2** copies for the Borrower, **2** copies for the Lender, all copies carry the same legal effect.

Section 21: Declaration clause

The Borrower has read all the terms and conditions contained in this Contract. At the request of the Borrower, the Lender has explained all the terms and conditions contained in this Contract. There Borrower understood the meaning of all the terms and conditions and is aware of the related legal consequences.

(This is the Trust Loan Contract signed between Tieling North Asia development Co., Ltd. and Xi'an International Trust Co., Ltd.)

Borrower (company seal)
[sealed] Tieling North Asia Development Co, Ltd

Legal representative or authorized
person (signature or seal)
Zheng Guina

Lender (company seal)
[Sealed] Xi'an International Trust Co., Ltd.

Responsible person or authorized
person (signature or seal)
[Not disclosed in this translation]

Exhibit 4.20

Xi'an International Trust Co., Ltd. **Trust Loan Contract**

Contract Number: **[Not disclosed in this translation]**

Borrower: China North Asia Development Co, Ltd (the "Borrower")
Address: **[Not disclosed in this translation]**
Legal representative: Cheng Chung Hing
Postal code: **[Not disclosed in this translation]**
Telephone No: **[Not disclosed in this translation]**
Fax No.: [Not disclosed in this translation]
Bank Name and bank account number: **[Not disclosed in this translation]**

Lender: Xi'an International Trust Co., Ltd. (the "Lender")
Address: **[Not disclosed in this translation]**
Legal representative: **[Not disclosed in this translation]**
Postal code: **[Not disclosed in this translation]**
Telephone No: **[Not disclosed in this translation]**
Fax No.: **[Not disclosed in this translation]**
Bank Name and bank account number: **[Blank]**

Whereas:

1. The Borrower applies for trust loan from the Lender. After review, the Lender agrees to grant the trust loan (the "Loan") to the Borrower.
2. The source of funds for the Loan under this Contract is from and managed by one of the Lender's trusts (the "Trust").

   The Borrower and the Lender has entered into this Contract based on relevant laws, regulations and rules of the People' s Republic of China, upon mutual agreement.

Section 1: Types of loan

The Lender agrees to, under this Contract, offer the Loan to the Borrower under type **1** of the following:

1. Short-term loan   2. Medium-term loan   3. Long-term loan

Section 2: Loan amount and term

The Loan amount under this Contract is RMB (in words) **One hundred million**
(in number) **RMB100,000,000**

The term of the Loan under this Contract shall **not exceed 12 months**, from **August 30, 2011** to before **August 30, 2012**.

Should the Loan amount, commencement date and maturity date under this Contract be inconsistent with the drawdown voucher, the date recorded on the drawdown voucher shall prevail. The drawdown voucher form an inseparable part of this Contract and shall have the same legal status of this Contract.

Section 3: Purpose of use of the Loan

The Borrower shall use the Loan obtained under this Contract to repay outstanding loan from Tieling Commercial Bank that has fall due.

The Lender shall have to rights, but not obligations to monitor and verify the purpose of usage of the Loan obtained under this Contract.

Section 4: Loan interest rate and interest

1. The Loan under this Contract shall bear an annual interest rate of **13%**, with daily interest rate equals to annual interest rate divided by 360, calculated from the date of drawdown.
2. During the tenure of this Contract, in the case where national benchmark lending interest rate is adjusted, the following method **(1)** to reset interest rate:

   (1) Interest rate under this Contract is not adjusted.
3. During the tenure of this Contract, in the case where relevant rules and regulations, which do not include adjustment in interest rate and term of the Loan, are amended by the People's Bank of China which are applicable to the Loan under this Contract, the Lender, without required to notify the Borrower, could execute this Contract according to the amended rules and regulations.

Section 5: Drawdown

1. Pre-requisites for granting the Loan

   Unless waived or forfeited by the Lender in full or in part, the Lender would only be obligated to grant the Loan to the Borrower when the following re-requisites are satisfied:

   (1) The Borrower has completed the relevant approval, registration, delivery and other mandatory procedures as agreed under this Contract;

   (2) The Borrower is in any event of default as stipulated under this Contract;

   (3) The Trust to be created for the Loan has been established and the trust money is fully paid up by trustee.

2. When the trust money is fully paid up, the Loan is drawn down by the Borrower according to the following drawdown date, where the drawdown date must be a bank business day:

Order	Drawdown date	Drawdown amount
1	**August 30, 2011**	**RMB100,000,000**

3. The Borrower shall drawdown the Loan on the date as agreed under this Contract, any changes in the drawdown date and/or drawdown amount shall be notified to the Lender in writing three (3) days prior to the drawdown date as agreed under this Contract. The Lender agrees to grant the Borrower a grace period of three (3) bank business days for the drawdown of the Loan. The Loan under this Contract will be cancelled automatically should the drawdown has not be made when the grace period is due, and the Borrower shall no longer be able to make any drawdown of the Loan.

4. The Borrower shall submit to the Lender a irrevocable drawdown notice or a loan voucher or other drawdown notice three (3) bank business days prior to a proposed drawdown. The Lender shall make payment of the Loan to the Borrower after approval and such drawdown notice will be used as evidence of the drawdown.

Section 6: Method of repayment

1. Principle of repayment

   Any repayment of the Loan under this Contract shall be repaid in the order of interest then principal.

2. The Borrower shall pay interest according to the following plan:

   The Borrower shall pre-pay interest of RMB One million and fifty thousand (RMb1,500,000) to the Lender at the time of the drawdown of the Loan into a bank account designated by the Lender. The Borrower shall pay the Lender another RMB One million and fifty thousand into a bank account designated bank account within fifteen (15) business days six (6) months after the drawdown. The remaining interest shall be repaid together with principal of the Loan at maturity.

3. The Borrower shall repay the Loan principal according to the following plan:

Order	Drawdown date	Drawdown amount
1	**August 29, 2012**	**RMB100,000,000**

4. The Loan principal and interest to be repaid by the Borrower shall be deposited to a bank account designated by the Lender:

   Bank account name: Xi’an International Trust Co., Ltd.

   Bank account number: **[Not disclosed in this translation]**

   Bank name: Shanghai Pudong Development Bank Shenzhen Longgang branch

5. Should the Borrower wishes to early repay the loan six (6) months after drawdown of the Loan, the Borrow shall notify the Lender in writing twenty (20) days before the proposed early repayment date (which is irrevocable) and written consent must be obtained by the Lender. The Lender has the right to receive interest from the Borrower calculated based on the interest rate as agreed under this Contract and the actual number of days where the Loan principal remained outstanding. The basis for interest calculation shall be actual number of day the Loan remained outstanding divided by 360 days.

Section7: Extension of the Loan

In case where the Borrower is unable to repay the Loan under this Contract according to timetable as agreed under this Contract and require to apply for an extension of the Loan, the Borrower shall submit its written application to the Lender thirty (30) bank business days prior to the maturity date of the Loan. Should the Lender agree for the extension of the Loan after review, a contract for the extension of the Loan shall be signed by the Borrower and the Lender. Should the Lender disagree for the extension of the Loan, this Contract shall remain valid.

Section 8: Security of the Loan

There is no security for the Loan under this Contract, the Loan is unsecured loan.

Section 9: Representations and Undertakings by the Borrower

1. The Borrower is hereby represents and undertakes the following:
   - i) the Borrower is a legal entity registered and existed in compliance with the laws and regulations of the People’s Republic of China, and the Borrower possess the rights and authority to execute this Contract in its own name;
   - ii) the Borrower has entered into and executed this Contract voluntarily and the terms contained in this Contract represented the true intent of the Borrower, and has completed all necessary legitimate authorizations. The aforesaid authorizations and authorized signatory and execution of the this Contract has not be in breach of the Borrower’s articles of association, or laws, regulations, judicial decisions or contract with third parties to which the Borrower is subjected to. The Borrower has completed all legitimate procedures, which has legal effect, necessary for the signing and execution of this Contract;
   - iii) all documents, information, reports and vouchers provided by the Borrower are accurate, true, complete and valid;
   - iv) the Borrower has not conceal any matters occurred or about to occur from the Lender which may result in the Lender disagree to grant the Loan under this Contract to the Borrower, including but not limited to:
     - a) Disputes from litigations, arbitrations, etc;
     - b) guarantees provided and liabilities assumed by the Borrower;
     - c) other matters which may affect the Borrower’s financial position and its ability of repaying debts.
   - v) the Loan obtained will be used for purpose as agreed under this Contract, not for other purpose. The Borrower guarantees not to use the Loan for equity investment, trading of marketable securities, futures and realty, lending between entities and other activities that are prohibited by the People’s Republic of China. The Borrower will not diverted and misappropriate the Loan. The Lender shall not be liable in anyway whatsoever for Borrower’s usage of the Loan.
2. the representations and undertakings made by the Borrower is effective in continuity and is deemed to have been repeated by the Borrower when this Contract is amended, supplemented or altered.
3. the Borrower acknowledges that this Contract is signed and executed by the Lender based its reliance on the above representations and undertakings.

Section 10: The Borrower’s rights and obligations

1. The Borrower has the rights to drawdown and use the Loan for term as agreed under this Contract.
2. The Borrower shall repay the principal and interest of the Loan as agreed under this Contract.
3. The Borrower shall periodically or from time to time, at the request of the Lender, to provide the Lender reports and other documents which truly reflect the Borrower’s operational and financial status.
4. During the tenure of the Loan, major changes in operational decisions of the Borrower (which include and not limited to transfer of shares, reoganization, merger, sub-division, share capital reform, joint-venture, cooperation, association, contract of leasing, business scope and change of registered capital, etc) which may affect the Lender’s decision on its interest, shall notify the Lender in writing by the Borrower with at least thirty (30) days in advance and prior written consent must be obtained from Lender, and to implement repayment responsibility of the Loan or early repay the Loan or provide form of guarantee which is acceptable by the Lender.
5. The Borrower shall actively accommodate the Lender’s investigation, understanding and monitoring on the Borrower’s operation status and the Loan usage status. The Borrower shall bear all costs and expenses incurred by the Lender as a result of any obstruction of the Lender’s investigation, understanding and monitoring.

6. Without the Lender's prior written consent, no actions shall be taken by the Borrower to transfer or effective transfer the Borrower's responsibility on the Loan under this Contract.
7. In case where the Borrower transfer or sub-lease all or part of the Borrower's substantial portion of assets, business or business income, or setup of guarantee for indebtedness other than the Loan using all or part of the Borrower's substantial portion of assets, business or business income, the Borrower shall notify the Lender in writing with no less than thirty (30) days prior to such transfer, sub-lease or setup of guarantee and prior written consent must be obtained from the Lender.
8. In case where an event has occurred to the Borrower, its associates or controlling shareholders which may has a material adverse effect to the Borrower's ability to fulfil this Contract, including but not limited to economic disputes, suspension of business, being declared bankrupt, dissolution, revocation of business licence or registration, deterioration of financial status, illegal activities by legal representative or actual controller, or in breach of other contracts, the Borrower shall notify the Lender in writing immediately.
9. In case where the guarantor has encountered event of suspension of business, being declared bankruptcy, dismissal, revocation of business licence or registration or suffering loss from operation, and the guarantor has partially or completely lost its ability to fulfil its ability as guarantor for the Loan under this Contract, or in case where the value of collateral, pledges or pledge rights provided under this Contract has decreased, the Borrower shall provide new form of guarantee which is acceptable by the Lender.
10. During the tenure of the Loan, in case where the Borrower has changed its address, name or legal representative, the Borrower shall notify the Lender in writing three (3) days prior and seven (7) days after to such change, and to submit to Lender business registration document reflecting such change. Otherwise, the Lender shall deliver relevant documents to original name, address and legal representative and deemed they have reached the Borrower.

Section 11: The Lender's rights and obligations

1. The Lender has the rights to inspect and understand the Borrower's status of operation, financial activities and usage of the Loan, and has the right to demand relevant information to be provided by the Borrower.
2. Where the Borrower has fulfilled the obligations and satisfied drawdown conditions as agreed under this Contract, the Lender shall grant the Loan to the Borrower according to the terms agreed.
3. The Lender shall keep information, documents and data that are provided by the Borrower confidential except in case where required by laws and regulations.

Section12: Responsibility of default

1. Upon the effectiveness of this Contract, the Borrower and the Lender shall fulfil their respectively obligations under this Contract, any party's non-performance on all or part of its obligations under this Contract shall be liable for responsibility of default.
2. In case where the Borrower did not drawdown the Loan on the date as agreed under this Contract, the Lender has the right to charge the Borrower a penalty calculated based on the number of days for which the drawdown is delayed and interest rate as agreed under this Contract.
3. In case the Lender did not grant the Loan to the Borrower under this Contract, the Borrower has the rights to demand the Lender for penalty calculated based on the number of days for which the drawdown is delayed and interest rate as agreed under this Contract.
4. In the event of any one of the following circumstances, the Lender has the rights to terminate any drawdown of unutilised portion of the Loan under this Contract and to demand the Borrower for an immediate repayment of the portion of the Loan that has been drawn down, interest payable and other fees and to demand for any damages that the Borrower has caused the Lender, and the date on which the Lender demand the Borrower for repayment shall be the early maturity date of the Loan under this Contract. The Lender has the right to deduct the amounts directly from the Borrower's monitoring bank account designated by the Lender.
   (i) The Borrower fails to repay principal and interest of the Loan under this Contract on date as agreed under this Contract;
   (ii) the Borrower fails to fulfil any one of the requirements from Sections 10(3) to 10(9) as agreed under this Contract;
   (iii) certificates and documents, and presentations and undertakings under Section 9 of this Contract provided by the Borrower to the Lender for the purpose of the Loan are proved to be untrue, inaccurate, incomplete and misleading with wilful intent;
   (iv) the Borrower ceased to repay its debts, or unable or expressed to be unable to repay its debts that are fall due;

(v) mergers, sub-division, suspension of business being declared bankrupt, dissolution, revocation of business licence or registration, deterioration of financial status, illegal activities by legal representative or actual controller, in breach of other contracts, etc, by the Borrower, its related parties or controlling shareholders;

(vi) changes in the registration of the Borrower’s place of business, scope of business, legal representative, etc, or occurrence of material external investment which possesses major impact on or treat to the Lender’s claims to the Loan;

(vii) event by the Borrower which has or may has endanger and jeopardize the Lender’s interest;

(viii) the Borrower fails to truthfully provide information regarding the Borrower’s bank, bank account number, balance and details of transactions to the Lender;

(ix) during the tenure of the Loan as agreed under this Contract, in breach of other loan contracts or contracts with similar nature by the Borrower and its associates, that are entered into with other financial institutions.

5. In case where the Borrower did not use the Loan for purpose as agreed under this Contract, the Lender, in addition to its rights as stipulated in Section 12(4), has the rights to charge the Borrower a penalty interest which is calculated based on the portion of the Loan being misused and an interest rate that is 100% above the agreed interest rate, which is 24% per annum, over the period for which the portion of the Loan is being misused.
6. In case where the Borrower fails to pay interest when fall due, the Lender, in addition to its rights as stipulated in Section 12(4), has the rights to charge the Borrower interest on overdue interest on compound basis. In respect of overdue principal of the Loan, the Lender has the rights to charge the Borrower a penalty interest, which is calculated based on the Loan and an interest rate that is 100% above the agreed interest rate, which is 24% per annum, over the period for which the Loan is remained overdue, and to charge any overdue interest and penalty interest at compound rate.
7. Expenses, including but not limited to litigation expenses, travelling expenses and lawyer’s remuneration, incurred by the Lender in the course of realizing its claims to the Loan shall be borne by the Borrower.

Section 13: Continuity of obligations

All of the obligations by the Borrower shall have the continuity where it shall have the binding effect on the Borrower’s successor, agent, executor, buyer or the entity that the Borrower has become after merger, reorganization, change of name, etc.

Section 14: Notarization

Should a notarization is requested by any one of the party to this Contract, this Contract shall be notarized at authority that is designated by the Government of People’s Republic of China and the Borrower shall bear the costs incurred.

Section 15: Other agreed matters

The actual drawdown date and the amount of the Loan is based on the date and amount as stated in the loan voucher.

Section 16: Applicable laws

This Contract shall be construed under the jurisdiction of laws of the People’s Republic of China and its binding to both the Borrower and the Lender.

Section 17: Dispute resolution

Any disputes arising from this Contract shall be resolved through negotiation between the Borrower and the Lender, and in case where negotiation fails, the dispute shall resort to the local People’s Court at where the Lender is located.

Section 18: The Lender’s rights cumulative

The Lender’s rights under this Contract are cumulative, and will not affect or exclude the Lender’s rights to the Borrower under laws and other contracts. Unless expressed in writing by the Lender, the non-exercise, partial exercise or delay in exercise of any of the Lender’s rights, shall not be constitute a waiver in full or in part by the Lender, nor shall it affect, prevent or hinder the Lender’s continue exercise of these rights or any other rights.

Section 19: Validity, modification and rescission of contract

1. This Contract become effective upon the signatory and company seal of representative and authorised agent of the Borrower and the Lender. In case of a secured loan, the contract shall become effective upon the execution of guarantee contract.

2. Upon the effective of this Contract, unless otherwise agreed in this Contract, none of the parties to this Contract shall have the right to change or terminate this Contract unilaterally without permission. In case there is need for change or termination of this Contract, the Borrower and the Lender shall enter into a written agreement unanimously through negotiation.

Section 20: Others

1. Loan application form and other material provided by the Borrower to the Lender shall form part of this Contract.
2. The Borrower and the Lender may reach written agreement on matters not discussed in this Contract as attachment to this Contract. All attachments, amendment or supplements to this Contract agreement shall form an inseparable part of this Contract and shall bear the same legal effect.
3. In case where certain sections or certain contents of a section under this Contract is or will become invalid, such invalidation of those sections or contents of that section shall not affect the effectiveness of other sections or other contents of that section in this Contract.
4. Any notice, request or other communications given by the Lender to the Borrower, including but not limited teletext, telegraph, fax, etc, are deemed as received by the Borrower. Registered mails deemed as received by the Borrower on the third day of mailing.
5. There are **Four** copies of this Contract, **2** copies for the Borrower, **2** copies for the Lender, all copies carry the same legal effect.

Section 21: Declaration clause

The Borrower has read all the terms and conditions contained in this Contract. At the request of the Borrower, the Lender has explained all the terms and conditions contained in this Contract. There Borrower understood the meaning of all the terms and conditions and is aware of the related legal consequences.

(This is the Trust Loan Contract signed between Tieling North Asia development Co., Ltd. and Xi'an International Trust Co., Ltd.)

Borrower (company seal)
[sealed] China Northeast Logistics City Co, Ltd

Legal representative or authorized
person (signature or seal)
Zheng Guina

Lender (company seal)
[Sealed] Xi'an International Trust Co., Ltd.

Responsible person or authorized
person (signature or seal)
[Not disclosed in this translation]

Exhibit 4.21

SPD Bank **Working Capital Loan Contract**

Contract Number: **[Not disclosed in this translation]**

The Borrower: China Northeast Logistics City Co., Ltd.

The Lender:_Shanghai Pudong Development Bank Co., Ltd. Shenyang Branch

Whereas:

For funding needs, the Borrower applies for working capital loan from the Lender: After review, the Lender agrees to grant the loan in accordance with the terms and conditions stipulated under this Contract. In order to clarify the rights and obligations of both parties, this contract is entered into upon mutual agreement, based on relevant laws, regulations and rules of the People' s Republic of China, and shall be binding on both parties.

At the same time, the Borrower and Lender ascertain the following prerequisites ("✓" for selected, and "x" for not selected):

☑ This Contract is signed as the supplemental financing agreement to the Credit Facility Agreement (hereunder referred to as the Credit Facility) with serial number: [**Not disclosed in this translation**]. After this Contract became effective, all the terms and conditions contained herein are incorporated into and form part of the Credit Facility (This option should be selected should an Credit Facility has been signed previously and the serial number of the Credit Facility should be recorded here);

☒ This Contract is an independent financing document signed between the Borrower and the Lender (This option should be selected should a Credit Facility has not been signed previously between the Borrower and the Lender);

☒ The purpose of the loan under this Contract is for renewal of existing loan, for which the Guarantor(s) is/are known.
The name of the original contract: **[Blank]**
Date of signing: **[Blank]** Serial number: **[Blank]** (This option should be selected should the purpose of the loan is for the renewal of existing loan).

Part I: Commercial Terms

1. Type of loan: ☑ Short term working capital loan ☐ Medium to long term working capital loan
2. The loan amount under this Contract is **<u>RMB</u>** (currency) **Ten million** (in words).
3. The specific purpose of the loan under this Contract is: **<u>Replenishment of working capital</u>**
4. The term of the loan under this Contract is: ("✓" for selected, and "x" for not selected)

☑ From **<u>September 27, 2011</u>** to **<u>August 3, 2012</u>**;

☒ **[Blank]** year (or **[Blank]** months) from the date of the first drawdown.

The actual drawdown and repayment date to be determined based on the date of the drawdown voucher produced by the Borrower and the Lender. The date of the last repayment shall not extend beyond the loan period as agreed in this Contract. The drawdown vouchers form an inseparable part of this Contract.

5. The interest rate for the loan under this Contract is ("✓" for selected, and "x" for not selected):

☑ (1) RMB interest rate:

☑ Calculated based on interest rate for similar class and types of lending announced by the People's Bank of China (☒ marking up ☒ marking down) of [**Blank**]%, which equals to **<u>6.56%</u>** per annum at the time of signing this Contract.

☒ Other arrangement: **[Blank]**

☒ (2) Foreign currency interest rate ("✓" for selected, and "x" for not selected):

☒ Calculated based on **[Blank]** months London Inter-Bank Offered Rate plus **[Blank]** (Also referred to as LIBOR + **[Blank]**), on the date of the loan granted by the Lender. "LIBOR" referred to the average (rounded to nearest four decimal points) of the related interest rate shown on the related screen page (if any) on Reuters. The abovementioned interest rate should be the interest rate quoted for the US dollar deposit with the same corresponding period of the loan at 11:00 am (London time) on the date of determining interest rate.

☒ Other arrangement: **[Blank]**

☑ (3) Interest settlement method ("✓" for selected, and "x" for not selected)

☒ Monthly, the interest settlement date is on the 20th of every month;

☑ Quarterly, the interest settlement date is on the 20th of the final month of each quarter;

☒ interest to be paid once upon maturity of the loan, together with repayment of principal of the loan;

☒ Other arrangement: **[Blank]**

For instalment repayment of principal or interest, the last interest payment shall be made at the time of repayment of the loan principal,

☒ (4) Adjustment of interest rate for RMB loans under this Contract

In the case where an adjustment to the benchmark lending interest rate is made by the People's Bank of China before the drawdown of the RMB loan under this Contract, the interest rate applicable to the loan under this Contract commencing from the date of the drawdown should be the interest rate for similar class and types of loans as published by the People's Bank of China at the time of the drawdown. In the case where benchmark lending interest rate is adjusted by the People' s Bank of China during the term of the loan after the loan is drawn down, then ("✓" for selected, and "x" for not selected):

☒ Adjusted monthly, adjusted from the 21st of every month;

☒ Adjusted quarterly, adjusted from the 21st of the last month of each quarter;

☒ Adjusted annually, adjusted from **[Blank]** month **[Blank]** date of every year;

☑ Interest rate is not adjusted

☒ Other arrangement: **[Blank]**

☒ (5) Interest rate adjustment for foreign currency loan under this Contract ("✓" for selected, and "x" for not selected):

☐ From the date when the loan is granted, the interest rate is adjusted every **[Blank]** month(s) according to the latest foreign currency interest rate with the same period;

☐ Other arrangement: **[Blank]**

6. The interest rate for penalty interest under this Contract is:

(1) The penalty interest rate for overdue payments under this Contract is determined at additional **30%** over the benchmark lending interest rate published at the time of overdue.

(2) The penalty interest rate for use of the loan not according to the purpose stipulated in this Contract, is determined at additional **50%** over the benchmark interest rate published at the time of the loan misuse.

7. The drawdown period for the loan under this Contract is from **September 27, 2011** to **August 3, 2012**.

8. The drawdown schedule for the loan under this Contract is as follows ("✓" for selected, and "x" for not selected):

☑ The withdrawal plan is as follow:

Order	Drawn down before	Drawdown amount	
1	**September 27, 2011**	**RMB Ten million**	(In words)

☒ Other drawn down arrangement: **[Blank]**

9. The repayment plan for the loan herein is as follows ("✓" for selected, and "x" for not selected):

☑ The repayment plan is as follow:

Order	Repayment before	Repayment amount	
1	**August 3, 2012**	**RMB Ten million**	(In words)

☒ Other repayment arrangement: **[Blank]**

10. The penalty for early repayment of the loan: equal **[Blank]**% of the total amount of actual early repayment or **[Blank]**(Currency) **[Blank]** (In words).
11. The portion of the loan principal being early repaid shall not less than **[Blank]**(Currency)**[Blank]** (In words).
12. Set Up of Bank Account: ("✓" for selected, and "x" for not selected)

(1) The Borrower's designated working capital loan account at the Lender's bank:

Bank: Fangyuan Branch, Shanghai Pudong Development Bank Co. Ltd.
Account name: China Northeast Logistics City Co., Ltd.
Account number: **[Not disclosed in this translation]**

(2) The Borrower's general settlement account at the Lender's bank:

Branch: Fangyuan Branch, Shanghai Pudong Development Bank Co. Ltd.
Account Beneficiary: China Northeast Logistics City Co., Ltd.
Account number: **[Not disclosed in this translation]**

(3) The Borrower's funds receiving account under this Contract:

Bank: Fangyuan Branch, Shanghai Pudong Development Bank Co. Ltd.
Account name: China Northeast Logistics City Co., Ltd.
Account number: **[Not disclosed in this translation]**

13. The Lender's entrusted payment: Any single payment required from the Borrower which exceeds an amount of (currency and amount) **RMB Zero** shall entrust to the Lender for payment.
14. The Borrower agrees to pay the Lender an amount of (currency and amount) **[Blank]** as payment account supervision fee.

    Payment method:**[Blank]**.
15. The Borrower agrees to provide the following Guarantors and guarantee contracts for the loan secured under this Contract:

☒ Guarantors: **[Blank]** Guarantee Contract No.: **[Blank]**

☑ Mortgagors: China Northeast Logistics City Co., Ltd. Mortgage Contract No.: **[Not disclosed in this translation]**

☒ Pledge provider: **[Blank]** Pledge Contract No.: **[Blank]**

☒ Other guarantee: **[Blank]**

16. Default penalty: equivalent to **[Blank]** % of the loan principal or **[Blank]**
17. Appendices to this Contract include:

(1) Drawdown Application

(2) **[Blank]**

(3) **[Blank]**

(4) **[Blank]**

(5) **[Blank]**

18. Other matters agreed by both parties: **[Blank]**
19. There are **Two** copies of this Contract, **1** copy for the Borrower, **1** copy for the Lender, and **[Blank]** copies for **[Blank]**, all copies carry the same legal status.

Part II: General Terms

Section 1: The Loan

1. The Borrower hereby irrevocably agrees and undertakes: the Lender, at all times, has full discretion on the drawings of the loan obtained under this contract; the Lender has full discretion on the date for which regular or irregular inspection on the loan should be carry out, in order for the Lender to decide whether the Lender should continue to grant a loan of any form to the Borrower; notwithstanding of the provisions contained in this Contract or any other documents, the Lender shall have the right to call for the Borrow to repay all of the loan at any time. The Lender shall have the right to terminate or suspend all or part of the loan, or cancel any further usage of the loan without prior notification to the Borrower.
2. The loan under this Contract shall only be used for purpose as agreed in this Contract, the Borrower shall not misuse the loan for fixed asset investment, share transaction or similar investment, and productions and operations in area which are prohibited by the PRC or on activities that are not comply with the purpose of working capital loan.

Section 2: Loan interest rate and method of calculation

1. Unless otherwise specified in this Contract, the interest under this Contract shall be calculated based on the actual amount of loan drawn down and the number of days for which the loan is drawn down from the date of drawdown. The number of days in use includes the first day and excludes the last day. Daily interest rate equals to monthly interest rate divided by 30, monthly interest rate equals to annual interest divided by 12.
2. The Lender shall entitle to receive penalty interest from the Borrower on any outstanding principal which become overdue ("overdue", for the purpose of this Contract includes situation where early repayment is declared by the Lender), for period starting from the day when the outstanding principal of the loan become overdue, calculated in accordance with the actual number of days overdue and overdue interest rate agreed in this Contract, until the day the Borrower settles all of the principal and interest.
3. In the event the Borrower does not utilize the loan which does not comply with the purpose as agreed in this Contract, the Lender shall entitle to receive penalty interest, based on the portion of the loan being misused, calculated based on the penalty interest rate as agreed in this Contract, from the day when such misuse commence, for the number of days the portion of the loan being misused, until the Borrower settles all of the principal and interest.
4. The Lender shall entitle to receive from the Borrower for interest not settled on time (which include normal interest, overdue penalty interest and misuse penalty interest) an overdue interest, which shall be calculated based on the overdue interest rate as agreed in this Contract for period, from the day when such interest become overdue (which is the day of interest settlement date as agreed in this Contract), when such interests are overdue, on a compound interest basis.
5. Interest rate marketization or market immobilization

    (1) In the event that after the loan under this Contract has been granted and the People's Bank of China has implemented the policy of marketization of lending interest rate for RMB loan, the Borrower shall negotiate with the Lender for the determination of the interest rate standard. Should there be no mutual agreement reached within five (5) banking days after the commencement of the negotiation, the Borrower shall repay all of the principal and interest of the loan within thirty (30) banking days from the date on which no mutual agreement is affirmed. (This paragraph applies to RMB).

    (2) In the event that after the loan under this Contract has been granted, none of the relevant banks has offered any US Dollar interest rate quotation to major banks in the London Interbank Money Market at 11:00am (London time), and no interest rate could be obtained on the day of the interest rate adjustment as agreed in this Contract, the Borrower shall negotiate with the Lender for the determination of an alternative interest rate. if no relevant bank quotes the US Dollar deposit rate to the major banks in the London Interbank money market, by the hour of 11 am (London time) on the interest quote date of relevant interest period. Should there be no mutual agreement reached within five (5) banking days after the commencement of the negotiation, the Borrower shall repay all of the principal and interest of the loan within thirty (30) banking days from the date on which no mutual agreement is affirmed. (This paragraph applies to foreign currency)

Section 3: Drawdown of the loan

1. Prior to the first drawdown, the Borrower shall fulfill the following conditions, however the Lender is not obligated to verify the authenticity of the following documents or conditions:

    (1) The Borrower shall submit the drawdown application form (refer to Appendix 1 for format), the completed borrowing/lending voucher and other related documents at a time and method of submission as agreed in this Contract;

    (2) This Contract and related guarantee contract, if any, have been signed and remained valid, and the rights of the guarantee has been properly established;

    (3) The Borrower shall provide valid business license, company articles of association, most recent financial statements from the drawdown date (including but not limited to the audited financial statement for the preceding year and the management accounts for the current period);

    (4) The Borrower shall provide the resolution in respect of the loan approved by the board of directors or in shareholders' meeting or other entities with the same legal status, authorization letter from legal representatives to authorized representatives, and original copy of sample signatures for the legal representatives and authorized representatives;

    (5) The Borrower has opened general settlement, fund collection or any other accounts, if any, at the Lender's bank as requested by the Lender;

    (6) The Borrower has fulfilled the obligations agreed in this Contract, and no event of default as stipulated in this Contract has occurred.

    (7) Other documents or other conditions may be requested by the Lender from time to time.

2. Prior to each drawdown other than the first drawdown, the Borrower shall fulfill the following conditions, however the Lender is not obligated to verify the authenticity of the following documents or conditions:

    (1) The Borrower shall submit the drawdown application form (refer to Appendix 1 for format), the completed borrowing/lending voucher and other related document at a time and method of submission as agreed in this Contract;

    (2) The Borrower has fulfilled the obligations agreed under this Contract, and no event default as stipulated in this Contract has occurred.

    (3) Other documents or other conditions may be requested by the Lender from time to time.

3. Drawdown

    (1) The Borrower shall make one-time drawdown or instalments drawdown in accordance with the schedules as agreed under this Contract, and submit the drawdown application to the Lender three (3) banking days prior to the each drawdown date as agreed in this Contract for the processing of draw procedure (refer to Appendix 1 for format)

    (2) In the event that a change the drawdown date such as postponement is required by the Borrower, the Borrower shall obtain consent from the Lender three (3) banking days prior to the scheduled day, and shall pay the Lender loss of interest income as a result of such change (loss of interest income equals to interest the Lender should have earned from the loan deduct by the interest earned through savings over the same period).

    (3) In the event that the Borrow wishes to cancel all or part of the undrawn loan amount, the Borrower shall obtain the approval from the Lender by submitting an application to the Lender three (3) days prior to the scheduled drawdown day or expiry of the drawdown period. The Borrower confirms that in the event where all or part of the loan was not drawn down upon the expiry of the drawdown period, the Borrower shall pay an undertaking fees to the Lender (as detailed in Part I of this Contract).

    (4) In the event where the Borrower fails to lodge its application for the draw down or postponement of the drawdown upon the expiry of the scheduled drawdown date or drawdown period, the Lender may notify the Borrower to handle related procedure within three (3) banking days from the date of the expiry. Where the Borrower fails to complete either one of the applications, the Lender shall have the rights to cancel the undrawn loan amount.

(5) Notwithstanding the terms and conditions as agreed elsewhere in this Contract, the Lender shall have the rights to refuse the Borrower's drawdown application and cancel all or part of the loan agreed in this Contract, prior to any drawdown of the loan.

Section 4: Account set up and management

1. The Borrower should have opened general settlement account, fund collection account and any other accounts, is any, as agreed between both parties, at the Lender's bank at the time of when this Contract is signed. The Borrower agrees the Lender to monitor the abovementioned accounts.

2. The general settlement account is used to account for the draw down and drawings of the loan obtained from the Lender by the Borrower, and the account entitles to interest income at calculated based on current deposit savings rate.

3. The Borrower acknowledges fund collection account shall serve as the income account and loan repayment account, as agreed in this Contract. The cash inflow from sales or the overall cash flow of the Borrower shall be deposited in the funds receiving account.

   The Borrower undertakes that the balance of the funds receiving account shall not be less than the amount of principal and interest due within 3 days prior to the day of each settlement. The Borrower agrees the Lender shall have the rights to restrict or reject any payments to third parties, within 3 days prior to the day of each settlement, where such payment will result in the balance of the funds receiving account lower than the principal and interest falling due, to ensure sufficient funds in the funds receiving account for the repayment of the principal and interest falling due.

   The Lender shall have the right to monitor the funds receiving account. In the event of any irregular cash movements in the fund collection account, the Lender shall have the rights to request the Borrower for explanations and take necessary measures.

Section 5: Payment Monitoring

1. The Borrower agrees that the Lender shall entitle to manage and monitor the payment from the loan obtained through Lender entrusted payment or/and direct payment methods by the Borrower, in order to supervise the purpose of usage of the loan as agreed in this Contract.

   The Lender entrusted payments refers to the Lender, make payments on behalf of the Borrower, upon application from the Borrower, to third parties who qualifies the purpose of the usage of the loan as agreed in this Contract, from the Borrower's bank accounts.

   Direct payment by the Borrower refers to the Lender deposited the loan into the Borrower's bank account based on the draw down application, and payments being made to the qualified payee in accordance with the usage agreed in the respective contracts by the Borrower directly.

2. With the consent of the Borrower, should the borrower-lender relationship between the Borrower and the Lender is a newly established relationship and the credit rating the Borrower is average, or each single payment required by the Borrower exceeds the limit as agreed in this Contract (refer to Part I of this Contract), or other cases as specified by the Lender, the Lender entrusted payment method should be used.

   Where the Lender entrusted payment method is used, the Lender shall have the right to review and approve payees on the payment application as provided by the Borrower whether the names of payee, amount and other information on the payment application is in conformity with relevant business contracts and related documents, and in accordance with the purpose of usage of the loan as agreed in this Contract. Payments will be made by the Lender to the Borrower's payees through the Borrower's bank account where the loan is obtained.

3. The Borrower shall provide evidence as requested by the Lender when applying payments to external parties from the loan obtained, including but not limited to:

   (1) Documents and evidence which support the purpose of the payment is as agreed in this Contract;

   (2) Business contract and written documents which reflect the Borrower's payment obligations. In the event where fees and expenses for which a written contract is not required or available, the Borrower shall provide fee policy and standards from relevant authorities;

(3) The Borrower shall provide the corresponding invoices or receipts after the payment is made if the invoices or receipts thereof are available at the time of payment;

(4) Legally valid payment voucher;

(5) Other documents as required by the Lender.

4. In case where a working capital loan account is not opened, the Borrower shall submit the drawdown application form (refer to Appendix 1 for format) to the Lender three (3) banking days prior to the proposed drawdown day, and shall designate whether the Lender entrusted payment method or direct payment method the Borrower wishes to use. The Borrower confirms that the Lender shall have the rights to review and approve whether the relevant documents complies with the payment condition stipulated under this Contract, and have the right to decide which payment method the Borrower should entitle for the loan that is drawn down.

   In case where a working capital loan account is opened, and when the Lender entrusted payment method is used, the Borrower shall submit the Borrower pre-stamped working capital loan reserved stamp payment application form (refer to Appendix 2 for format) to the Lender three (3) banking days prior to the proposed payment day. The Lender shall have the rights to review and approve whether the relevant documents complies with the payment condition stipulated under this Contract, and have the right to decide which payment method the Borrower should entitle for the loan that is drawn down. When the direct payment method is used, the Borrower shall submit the payment application form (refer to Appendix 2 for format) and related information to the Lender three (3) banking days prior to the proposed payment day. The Lender shall have the rights to review and approve whether the relevant documents complies with the payment condition stipulated under this Contract. When reviewed and approved by the Lender, the Borrower is required to complete payment voucher (the amount of each summary payment voucher must not exceed the loan amount the Lender entrusted for payment under this Contract). When approved, the Lender will stamp on the summary payment voucher a working capital loan fund monitoring chop and the required fund will be transferred to the Borrower’s general settlement account.

5. In the case that direct payment method is used, the Borrower shall report to the Lender the details of direct payments from the loan obtained on a monthly basis. The Lender shall have the right to verify whether the payments made by the Borrower complies with the purpose and payment method as agreed in this Contract, by ways of account analysis, voucher inspections and on-site investigations, etc.

6. The Borrower confirms that the Borrower shall pay to the Lender any clearing fees that may be incurred due to the drawdown of the loan. At the time when clearing fee become chargeable, the Lender has the right to deduct the actual clearing fee from the Borrower’s bank account.

7. In the case of the following, the Lender shall have the right to request the Borrower, during the course of drawdown application and payment application, to provide additional condition for the drawdown and payment, to change the way of settlement or cease to granting and payment of the loan:

   (1) Deterioration of the credit status

   (2) Weak profitability of core business

   (3) Abnormal usage of the loan under this Contract

Section 6: Repayment

1. The Borrower shall settle in full the loan principal, interest outstanding and relevant costs thereof in accordance with the repayment plan as agreed under this Contract. The Borrower hereby irrevocably authorizes the Lender the right to deduct directly the abovementioned funds from the account set up by the Borrower with the Lender’s bank, on the due date of the repayment or other arrangement as agreed in this Contract.

2. Should the Borrower request an early repayment of the loan, the Borrower shall notify the Lender ten (10) banking days prior to the anticipated repayment date in writing and written consent must be obtained from the Lender. Should the Borrower early repay the loan principal and interest without the prior written consent from the Lender, the Lender shall charge the Borrower a fixed amount of one off penalty (see Part I of this Contract).

   In the case where early repayment of the loan has been accepted by the Lender, the anticipated early repayment date shall be regarded as early maturity of the loan and the Lender shall have the right to request the Borrower for payment of a fixed amount of penalty as agreed in this Contract (see Part I of this Contract).

   Interest for early repayment of the loan shall be paid together with the principal, and calculated based on the actual number of days for which the loan is drawn, and the amounts of the principal of the early repayment shall not be less than the limit agreed under Part I of this Contract; the amount of principal repaid shall be offset, in reversing order of the loan repayment plan, against the total principal of the loan.

3. In the event that the Borrower is unable to settle the repayment on maturity with justified reasons, the Borrower shall submit an application for extension of the term of the loan thirty (30) banking days prior to the original maturity of the loan, and prepare the required documents for the processing of relevant loan extension procedures. In the event that the loans under this Contract that is guaranteed, mortgaged or pledged, written consents should be received from the guarantor, mortgagor or pledge provider. The Lender shall has the final decision on granting of the loan extension, the loan will be transferred to as overdue loan on the following day upon maturity when no application for loan extension is submitted by the Borrower or when loan extension is not approved by the Lender.

Section 7: Representations and undertakings

The following representations and undertakings are made by the Borrower to the Lender at the time when this Contract is signed remain valid during the tenure of this Contract.

1. The Borrower is an independent legal entity, possesses the capability to assume rights and obligations, and has the ability to carry out obligations under this Contract and assume civil responsibility.
2. The Borrower has the right to execute this Contract and has signed this Contract and exercised all necessary duties under this Contract to obtained authorizations and approvals from the shareholders, board of directors and other authorities. The terms and conditions contained in this Contract represented the Borrower's true intent and legally binding on the Borrower.
3. The signing and execution of this Contract by the Borrower will not be in breach of the laws of which the Borrower is subjected to (the laws referred herein and hereunder include laws, rules, regulations, local laws, and judicial interpretation, etc). Relevant documents, judgments and adjudications from relevant authorities do have contradict to the Borrower's articles of association or contract and agreements signed by the Borrower, or any other obligations undertook by the Borrower.
4. The Borrower undertakes that all financial reports, if any, presented are in compliance with the laws of the People's Republic of China. (For the purpose of this Contract, do not include laws in Hong Kong and Macau Special Administrative Regions and Taiwan region). The financial reports are true, complete and fairly reflect the Borrower's financial status. The Borrower guarantee that all materials, information and documents, including both the Borrower and the Guarantor, provided to the Lender by the Borrower in the course of signing and execution of this Contract are true, valid, accurate and complete without any concealment of facts.
5. The Borrower guarantee that all materials, information and documents, including both the Borrower and the Guarantor, provided to the Lender by the Borrower in the course of signing and execution of this Contract are true, valid, accurate and complete without any concealment of facts, and the Borrower has complied with the principles of honesty and integrity.
6. The Borrower undertakes to complete all filings, registrations or any other procedures, and to bear all related costs and expenses, that are necessary for this Contract to remain valid and can be legally executed.
7. Subsequent to the date of latest audited financial statements, there have been no significant negative changes on the Borrower's operations and financial status.
8. Business activities are carried out in strict compliance with laws and regulations, and strictly adhere to the operating scope as stated in business license or laws; timely renewal of annual inspection; and that the operations are legal and qualified and has the ability to sustain its operations, and possesses legitimate source of financing for the repayment of the loan.
9. Shall not forfeit any matured claims on debts, and shall not dispose of existing substantial assets at no cost or any other inappropriate method.
10. The Borrower has already disclosed to the Lender important facts and circumstances known or should have known to the Borrower, which are essential for the Lender to determine whether the loan should be granted under this Contract.
11. The Borrower undertakes that, it has not and will not be any delay in payments by the Borrower, including but not limited to salaries, medical expenses, disability subsidies, compassionate payments and compensation of employees, on the date of signing of this Contract and during the tenure of this Contract.
12. The Borrower undertakes that it is of sound credit status and there ware no significant adverse records.
13. The Borrower undertakes that situations or events which will or may have a material and adverse impact on the ability of the Borrower in execution of this Contract do not exist.

Section 8: Agreed matters

The Borrower and the Lender agreed on the following matters:

1. The Borrower undertakes that its business activities be operated under legal regulations and the loan obtained under this Contract will be used for purpose as agreed in this Contract and not for other purpose. The Borrower shall, at the requirements of the Lender, provide regular financial information to Lender, which include monthly and annual financial information of varies types, and to actively cooperate with the Lender in monitoring the usage of the loan and the operational status of business activities. The Lender shall, at any time, have the right to carry out inspection and monitoring of the any kinds on the usage of the loan.
2. The Borrower shall repay of the principal and interest obtained under this Contract, based on the timing, amount, currency and interest rate stipulated under this Contract, drawdown application form and borrowing/lending voucher. The actual timing, amount, currency and interest rate for the repayment shall be based on the borrowing/lending voucher.
3. The Borrower undertakes that, in case of any events which will or may have a significant and negative impact on the financial status of the Guarantor which may affect the Guarantor's capacity as a guarantor under this Contract, it shall provide other new guarantees that are recognized by the Lender immediately,.
4. The Borrower represents that, prior to receipt of written consent from the Lender, none of the following actions will be taken:
   (1) Selling, gifting, leasing, lending, transferring, mortgaging, pledging or otherwise disposing of all or part of its substantial assets.
   (2) Contracting, leasing, joint operations, external investment, share capital reform, merger and acquisition, joint venture/cooperation, sub-division, transfer of shares, practically increase in debt financing, set up of subsidiary, transfer of property rights, deduction in capital, suspension of operation, dissolution, file for bankruptcy, reorganization and other actions that has potential impact on the repayment ability of the Borrower.
   (3) Amendments to the articles of association or alteration of scope of business or core business.
   (4) Provide guarantees to third parties and, as a consequence thereof, having a significant and negative impact on financial status of the Borrower or its ability to fulfill the obligations under this Contract.
   (5) Early settlement of other long term debts.
   (6) Signing of contracts or agreements which have a significant and negative impact on the ability of the Borrower to fulfill the obligations herein or assuming relevant obligations with same implications.
5. The Borrower undertakes that, in the event of the following circumstances, the Borrower shall notify the Lender immediately on the day when such event occurred and ensure that the original copy of the relevant notice (stamped with company seal) reach the Lender within five (5) banking days after the event occured:
   (1) The occurrence of events which result in untruth, inaccuracy and invalidation on the representations and undertakings made by the Borrower under this Contract.
   (2) The Borrower or its controlling shareholders, de facto controller or its related parties are involved in litigation or arbitration, or their assets are subject to seizure, attachment, freezing, forcible execution or other measures of the same effect, or their legal representatives/persons in charge, directors, supervisors, or senior management are involved in litigation, arbitration or subject to other forcible measures.
   (3) Changes of legal representative or authorized representative, person in charge, person in charge of financial affairs, or correspondence address, name of the entity, and place of business of the Borrower.
   (4) Petition for restructuring or bankruptcy is filed by other creditors or revocation by higher-level authorities.
   (5) Occurrence of other significant and negative events that may have negative impact on the repayment ability of the Borrower.
6. The Borrower undertakes that it shall not in breach of normal repayment order to settle full and early repayment of other loans, and shall not enter into any contract or agreement, present and in the future, that would result in the subordination of the loan obtained under this Contract.

7. The Borrower shall make every effort to settle the principal and interest with the same currency of the loan obtained under this Contract. Under the circumstance where the principal and interest are settled in different currency, the Borrower shall voluntarily or authorize the Lender to convert the principal and interest repaid, which denominated in different currency, to the currency of the loan obtained under this Contract according to the exchange method specified under the "Stipulations on transfers of funds", with all the expenses and costs arising thereof to be borne by the Borrower. Under the circumstance where the Guarantor settle the repayment of the loan on behalf of the Borrower in different currency, all cost expenses arising thereof shall be borne by the Borrower, in accordance with the "Stipulations on transfers of funds" under the Guarantor Contract.

8. In the event where specific circumstances has resulted in a specific changes in the status of the guarantee under this Contract, the Borrower shall, at the request of Lender, provide other guarantees that is recognized the Lender. The specific circumstances or specific changes abovementioned include but not limited to suspension of production, termination of business, dissolution, suspension of business for internal rectification, revocation or deregistration of business license, applying or being applied for restructuring, bankruptcy, significant changes in operating or financial status, involved in material litigation or arbitration, involvement in litigations by legal representative, director, supervisor and key management, the decrease or possible decrease in the value of the assets pledged or being imposed of the property preservation measures, breaches under the Guarantee Contract and request for lifting of the Guarantee Contract, by the Guarantor.

9. The Lender shall entitle to carry out onsite or offsite due diligence on the Borrower, and carry out inspection on the operating and financial conditions, usage and repayment status of the loan, etc, after the loan has been drawn down by the Borrower. The borrower has the obligation to actively cooperate with the Lender in monitoring payment management, post-drawn down management and relevant inspection.

10. The Lender shall entitle to early withdraw the loan from the Borrower in view of the funds receiving status of the Borrower.

11. Specific terms for group corporate clients (applicable to group corporate clients).

    If the Borrower under this Contract is a part of a group corporate client, the Borrower hereby represents:

    (1) The Borrower shall report related party transactions over 10% of the net asset of the facility grantee on timely manner, including: i) relationships among the transacting parties; ii) types and nature of transactions; iii) transaction amounts or proportion; iv) pricing policy (including non-monetary or nominal value transactions).

    (2) Any of the following events by the actual facility grantee shall be regarded as breaches of this Contract by the Borrower, where the Lender shall have the right to unitarily cancel any unutilized credit facility of the client, and withdraw part or all of the utilized credit facility, or request from the client for additional security deposit with coverage of up to 100%: i) provision of false information or conceal material facts of operations and financial status; ii) change of the original purpose of use of the credit facility without authorization from the Lender, misappropriation of the credit facility or use of the bank credit facility for illegal and unlawful trading; iii) using fictitious contracts between related parties, creating notes receivable, accounts receivable and other claims which have no real business background to substantiate, and taken to the bank to endorsed or for pledge in order to obtain funds or facilities; iv) refusal of the monitoring and inspection request by the Lender on the usage of the funds and relevant operating and financial activities; v) the occurrence of major merger, acquisition and reorganization, etc, that the Lender believes may have an impact on the credit facility; vi) intentional evasion of bank debts through related party transactions.

Section 9: Stipulations on transfers of funds

1. The Borrower agrees that the Lender shall have the right to directly deduct and collect the funds from the general settlement account and/or funds receiving account opened by the Borrower with Shanghai Pudong Development Bank Co., Ltd, upon the due date of any outstanding debts under this Contract. In the event where there is insufficient balance in the general settlement account and/or funds receiving account for the repayment of the debts, the Lender shall have the right to deduct the funds from any accounts opened by the Borrower with the Shanghai Pudong Development Bank Co., Ltd.

2. Unless otherwise published by relevant national regulators or laws, the proceeds deducted from the Borrower's accounts shall be applied in the following order: settlement of outstanding expenses, settlement of outstanding interest and settlement of the outstanding principal, due from the Borrower.

3. The following ways shall be applied when the currency obtained from deduction from the Borrower's accounts differ from the currency of amount required settlement:

   (i) In the case the currency of the loan is RMB, the amount deducted from the Borrower's bank accounts will be converted into RMB from their original currencies at the bidding price of relevant exchange rates published on the day of the fund deduction by the Lender and settle the outstanding principal and interest.

   (ii) In the case that the currency of the loan is non-RMB, and the fund deducted from the Borrower's bank accounts is RMB, the fund deducted will be converted from RMB to the currency in which the loan is denominated at the asking price of relevant exchange rates published on the day of the fund reduction by the Lender and settle the outstanding principal and interest.

   (iii) In the case that the currency of the loan and the fund deducted from the Borrower's bank account are different and not denominated in RMB, the fund deducted will be first converted into RMB at the bidding price of relevant exchange rates published on the date of the fund deduction, then converted to the currency in which the loan is denominated at the asking price of relevant exchange rates published on the same date and settle the outstanding principal and interest.

Section 10: Proof of Claims

The Lender, in accordance with its usual business practice, maintains accounting ledgers for all the business activities related to this Contract on its accounting records for proof of the loan amount due to the Lender. The Borrower confirms that the accounting documents compiled and recorded by the Lender according to its business practices constitute valid proof of its loan obligations under this Contract.

Section 11: Notice and Delivery

1. Any notice given by either party under this Contract to the other party shall be sent to the addresses shown on the signing page of this Contract, unless either one party is notified in writing by the other party of a change of address. Once the notice is sent to the above address, it is deemed to have been delivered on following dates: For letters, the seventh (7) banking day after the dispatch of registered mail to the principal business address; For delivery by courier, the day on which the recipient signs to acknowledge receipt; For facsimile or emails, the day on which the facsimile or email is sent. However, all notices, requests or other correspondence sent or delivered to the Lender shall only be deemed to have been delivered when the Lender actually receives them. In addition, the originals (affixed with the company seal) of all notices and requests sent to the Lender via facsimile or email shall be delivered by hand or mailed to the Lender afterwards for confirmation purposes.

2. The Borrower agrees that any subpoena or notices issued to the Borrower as a result of litigation brought against it shall be deemed to have been delivered if they are dispatched to the principal business address as shown on the signing page of this Contract. Any change to the above address will not take effect unless a written notice of the same has been given to the Lender in advance.

Section 12: Validity, modification and rescission

1. This Contract shall become effective after both the Borrower and Lender have affixed their seals and signed/sealed by their respective legal representatives (responsible persons) or authorized persons, and shall be terminated when all the debts under this Contract are fully settled.

2. When this Contract become effective, neither party to this Contract is permitted to modify or rescind this Contract before its intended term. Where modification or rescission is required for this Contract, both parties shall reach unanimity through negotiation and evidenced by written agreement.

Section 13: Events of Default and Handling

1 Events of default

Any of the following events shall constitute a default on part of the Borrower to the Lender:

(1) Any representations and undertakings made by the Borrower in this Contract, or any notice, authorization, approval, consent, certificate and other documents provided by the Borrower in connection with this Contract are inaccurate or misleading, or are proved to be inaccurate or misleading, or are proved to be void or rescinded or have no legal effect, at the time of being made by the Borrower.

(2) Any breach of the "Other matters agreed by both parties", if any, in Part I of this Contract or any agreed matter in Section 8 in Part II of this Contract by the Borrower.

(3) Any major cross-default events on part of the Borrower, including but not limited to breaches of other loan contracts/agreements entered into by the Borrower; or default in repayment of matured debts under other loan contracts/agreements entered into by the Borrower.

(4) Embezzlement of funds, transfer of assets or sale of share holdings by investors of the Borrower.

(5) The Guarantor fails or shall fail to act in the capacity of a guarantor for the loan, or in breach of the signed guarantee document.

(6) The suspension of business, suspension of production, closure of business, suspension of business for internal rectification, restructuring, liquidation, being placed in receivership or conservatorship, dissolution, revocation or cancellation of business license, or bankruptcy of the Borrower.

(7) Deterioration of financial conditions of the Borrower and the Guarantor, encountering great difficulties in operations, or an event or situation which has adverse impact on their normal operations, financial conditions or solvency.

(8) The Borrower or its controlling shareholders, de facto controller or its related parties are involved in litigation or arbitration, or their assets are subject to seizure, attachment, freezing, forcible execution or other measures of the same effect, or their legal representatives/persons in charge, directors, supervisors, or senior management are involved in litigation, arbitration or subject to other forcible measures, which may have adverse impact on the solvency of the Borrower.

(9) Failure to utilize the loan for purposes agreed in this Contract or failure to make payments with agreed methods.

(10) Provision of false and misleading documents and information for the application of the loan.

(11) Fail to meet with the minimum requirements on relevant financial covenants agreed under this Contract.

(12) Unusual movements of fund flows in the general settlement account/fund collection account.

(13) The Borrower engages in activities which in breach of this Contract and will hinder the execution of this Contract or other actions which will impair the normal interests of the Lender to this Contract.

2. Treatment of default

(1) If any one or more of the above events of default occurs, the Lender shall entitle to take one or more of the following measures as the Lender may deemed appropriate:

i) Request the Borrower to rectify within defined period of time.

ii) Cancelation of any undrawn credit of the loan facility, stop granting or making payments from unused loan balance granted to the Borrower.

iii) Declare all or part of the loan principal granted become due immediately, and request immediate repayment of all or part of the loan, settlement of outstanding interest, and seek for recourse from the Guarantor or Borrower with all necessary means.

iv) Collect penalty interest on overdue loan principal and/or misappropriated loan portion, at compound interest rate.

v) Directly deducts funds at any bank accounts opened by the Borrower at various branches of the Shanghai Pudong Development Bank Co., Ltd.

vi) Request for the Borrower to supplement additional conditions on drawdown of the loan or modification on the payment method for utilization of the loan.

vii) Request the Borrower to provide other guarantees recognized by the Lender.

viii) Other necessary measures as regulated by the laws.

(2) Other than the above measures, the Lender may further request the Borrower for default liability and for payment of default penalty (refer to Part I of this Contract for calculation of default penalty). Where the default penalty is insufficient to cover losses suffered by the Lender, the Borrower shall indemnify the Lender against all resulting losses.

(3) The Borrower shall bear all expenses incurred by the Lender in connection with the Lender's realization of debts and guarantee rights, including but not limited to debt chasing expenses, litigation charges, notary fees, announcement fees, lawyers remuneration, travelling expenses, translation fees and all other fees payable.

Section 14: Other provisions

1. Definitions

i) "All the debts" under this Contract refers to the principal, interest, default penalty and various expenses for the realization of the debts.

ii) "Interest" under this Contract includes interest, penalty interest and compound interest.

iii) "Banking day" under this Contract refers to the general open day for public business at the Lender's place of residence, not including Saturdays and Sundays (except for business day open to the public due to holiday adjustment) or other public holiday by laws.

2. Applicable laws

The Laws of the People's Republic of China (for the purpose of this Contract, excluding the laws of Hong Kong and Macau Special Administrative Regions and Taiwan regions) are applicable to this Contract, and their interpretations.

3. Dispute Resolution

All disputes arising from this Contract shall be resolved through friendly negotiations. In the case that an agreement cannot be reached, the People's Court of the People's Republic of China where the Lender is located has exclusive jurisdiction over the dispute matter. During the period of dispute, the parties shall continue to comply with the undisputed provisions of this Contract.

4. Miscellaneous

(i) The parties hereto may revise the terms and conditions of this Contract through negotiation for matters not discussed herein and set out those additional terms and conditions in Part I of this Contract or in a separate agreement which will become a supplement to this Contract. Appendices and supplements to this Contract (detailed in Part I of this Contract) are inseparable constituent part of this Contract and have the same legal effect as the main text of this Contract.

(ii) During the tenure of this Contract, the Lender's tolerance of extension or delay in action in connection to any events of default or other actions by the Borrower, shall not damage, influence or restrict the Lender from enjoying all the rights and benefits in accordance with laws or with regards to this Contract, neither can be taken as the Lender's recognition of such events of default by the Borrower, nor can be treated as the Lender's forfeiture of the Lender's rights on taking action against the Borrower's present or future events of default.

(iii) Invalidity of any terms in this Contract shall not affect the validity of other terms. The Borrower shall bear the obligation for the repayment of all the debts owing to the Lender, regardless of reasons resulting in the invalidity of this Contract. In case of the aforesaid event, the Lender shall entitle to terminate the execution of this Contract immediately and may seek for repayment all the outstanding debts under this Contract from the Borrower.

(iv) The Lender may transfer all or part of the rights and/or obligations under this Contract, and under this circumstance, the transferee shall entitle to enjoy the same rights and/or obligations as being a party of the Lender to this Contract. The Borrower shall bind to the transferee as agreed in this Contract, after receiving notice from the Lender with regards to the transfer of debts.

(v) Unless otherwise stated herein, the relevant terms and expressions in the Appendices to this Contract have the same meaning as those contained in this Contract.

(vi) The headings in this Contract are for ease of reference only and shall not be regarded as the basis of interpretation of the content under that heading.

(No main text below on this page)

(This is the signing page with no main text)

This Contract is signed by the Borrower and the Lender (as below) on **September 27, 2011**. The Borrower acknowledges that, at the time of signing this Contract, both parties have explained and discussed all the terms and conditions in details. Both parties have no disagreement toward any of the terms and conditions herein and have an accurate understanding of the legal implications of the terms and conditions with respect to the rights and obligations, restrictions of responsibility or exclusion provisions of the subject persons.

Borrower (company seal) [sealed] China Northeast Logistics City Co, Ltd	Lender (company seal) [Sealed] Pudong Development, Bank Co., Ltd., Shenyang Branch
Legal representative or authorized person (signature or seal) Cheng Chung Hing	Responsible person or authorized person (signature or seal) **[Not disclosed in this translation]**
Principal business address: **[Not disclosed in this translation]**	Principal business address: **[Not disclosed in this translation]**
Postal code: **[Not disclosed in this translation]**	Postal code: **[Not disclosed in this translation]**
Telephone No: **[Not disclosed in this translation]**	Telephone No: **[Not disclosed in this translation]**
Fax No.: **[Not disclosed in this translation]**	Fax No.: **[Not disclosed in this translation]**
Email: **[Not disclosed in this translation]**	Email: **[Not disclosed in this translation]**
Contact person: **[Not disclosed in this translation]**	Contact person: **[Not disclosed in this translation]**

Appendix 1

Under "Working Capital Loan Contract"

Drawdown Application Form

(Applicable to cases where designated working capital loan account is used)

No:

Shanghai Pudong Development Bank Co., Ltd. **Shenyang** Branch

Whereas the Company signed Working Capital Loan Contract (referred to as "loan contract" hereunder) with contract number **[Not disclosed in this translation]** with the Bank on **September 27, 2011**, according to the drawdown plan agreed in the loan contract, the Company plans to take its **1st** drawdown with an amount of **RMB** (currency) **Ten million** (In words) on **September 27, 2011**.

In accordance with the terms of the loan contract, this amount shall be made to the general settlement bank account opened by the Borrower at Shanghai Pudong Development Co., Ltd., the bank account name is **China Northeast Logistics City Co., Ltd.**, bank account number is: **[Not disclosed in this translation]**.

The Company hereby confirms, as at the date of this application form, there is no occurrence of any event or situation that would constitute events of default under the loan contract. The Company further confirms, all the representations and undertakings and guarantees are executed accordingly and all the applicable prerequisites are satisfied as agreed under the loan contract.

Applicant: (seal): **China Northeast Logistics City Co., Ltd.**
Legal representative or authorized agent: (signature or seal) **Cheng Chung Hing**

September 27, 2011

Appendix 2

Under "Working Capital Loan Contract"

Drawdown Application Form

(Applicable to cases where designated working capital loan account is used)

No:

Shanghai Pudong Development Bank Co., Ltd. **[Blank]** Branch

Whereas the Company signed Working Capital Loan Contract (referred to as "loan contract" hereunder) with contract number **[Blank]** with the Bank on **[Blank]**, according to the drawdown plan agreed in the loan contract, the Company plans to take its **[Blank]**drawdown with an amount of **[Blank]** (currency) **[Blank]** (In words) on **[Blank]**.

In accordance with the terms of the loan contract, this amount shall be made to the general settlement bank account opened by the Borrower at Shanghai Pudong Development Co., Ltd., the bank account name is **[Blank]**, bank account number is: **[Blank]**.

The Company hereby confirms, as at the date of this application form, there is no occurrence of any event or situation that would constitute events of default under the loan contract. The Company further confirms, all the representations and undertakings and guarantees are executed accordingly and all the applicable prerequisites are satisfied as agreed under the loan contract.

For the amount to be drawn down this time, the Company hereby makes specific application for the below **[Blank]** method of making external payment from the loan obtained:

(1) The Lender entrusted payment method for all payments:

i) The Company has provided the following documents to the Bank in compliance with the loan contract:

☐ Business Contract and written documents truthfully reflecting the Borrower's payment obligation and related written documents relating to usage of the loan;

☐ Relevant invoices or receipts, the Borrower shall submit relevant invoices or receipts for the payment timely after payment has been completed, if such invoices and receipts are not available at the time of payment;

☐ legally valid payment voucher;

☐ Others: **[Blank]**

(ii) Please transfer the loan principal requested to the following bank account of the transacting party, on **[Blank]**, upon verification and approval by the Bank as agreed in the loan contract:

Branch Name: **[Blank]**

Account Name: **[Blank]**

Account Number: **[Blank]**

(2) The Borrower's direct payment method for all payments:

i) The Company has provided the following documents to the Bank in compliance with the loan contract:

☐ Business Contract and written documents truthfully reflecting the Borrower's payment obligation and written document relating to loan usage:

☐ Others: **[Blank]**

(ii) Please transfer the loan principal requested to our general settlement account upon verification and approval by the Bank as agreed in the loan contract:

Applicant: (seal): **[Blank]**
Legal representative or authorized agent: (signature or seal) **[Blank]**

Exhibit 4.22

Dated: the 4th day of November 2011.

****
*

CHINA METRO-RURAL LIMITED

and

THIRD PARTY

****
**

LOAN AGREEMENT

****
**

THIS LOAN AGREEMENT made this 4th day of November Two Thousand and Eleven.

BETWEEN :

(I) **CHINA METRO-RURAL LIMITED (中國城鄉有限公司)**, a company incorporated in the British Virgin Islands whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, and it is a wholly-owned subsidiary of **CHINA METRO-RURAL HOLDINGS LIMITED (中國城鄉控股有限公司)**, a company incorporated in the British Virgin Islands and listed on the American Stock Exchange of New York Stock Exchange ("the Borrower");

(II) **THIRD PARTY**, a company incorporated in the British Virgin Islands whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands ("the Lender").

WHEREAS :-

The Borrower is desirous of borrowing an unconditional and unsecured fixed term loan from the Lender for business purpose and the Lender has agreed to advance a loan of HK$25 Million ("the Loan") to the Borrower effective from November 8, 2011 ("the Date of the Advance") upon the Borrower entering into the covenants and obligations hereinafter contained.

NOW IT IS HEREBY AGREED by the parties hereto as follows :-

1. REPAYMENT

1.1 Subject to and without prejudice to other provisions, terms or conditions herein contained the BORROWER hereby COVENANTS with the Lender that the Borrower shall repay the Lender in full the Loan within three calendar years from the Date of Advance ("Maturity Date") with interest at 18% per annum, with effect from the Date of the Advance until payment.

1.2 Interest of the Loan is to be compounded on an annual basis, payable semi-annually on the May 8 and November 8 of each calendar year with the first such compounding to be paid on May 8, 2012.

1.3 Additional interest of 7% per annum on the Loan, calculated on daily basis, from the Date of Advance to the actual date of early repayment will be payable by the Borrower if the Loan is repaid in full before the Maturity Date.

1.4 Without prejudice to clause 1.3, in the event that the Borrower has defaulted before the Maturity Date or make early repayment, the total amount repayable under the Loan will include (i) loan principal; (ii) 25% interest over the Loan for 1 year. If the Loan and the accrued interests are not paid by the Maturity Date, then an additional 25% per annum calculated on daily basis, will be applied to the outstanding amount.

2. TRANSFER

This Agreement may be assigned or transferred in whole only and the Borrower shall upon receipt of the notice of such assignment or transfer facilitate any such assignment or transfer of the Agreement.

3. GOVERNING LAW AND JURISDICTION

3.1 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong S.A.R.

3.2 The Borrower agrees that any legal action or proceeding arising out of or relating to this Agreement may be brought in the courts of Hong Kong S.A.R. and irrevocably submits to the non-exclusive jurisdiction of such courts.

4. DECLARATION

The Lender hereby DECLARE that the Lender had seek independent legal advice in respect of this transaction and this Agreement.

IN WITNESS whereof the parties hereto have duly executed this Agreement the day and year first above written.

SIGNED by
SIO KAM SENG,)
its director for and on behalf of the)
Borrower in the presence of :-)

SIGNED by ,)
its sole director for and on behalf of the)
Lender in the presence of :-)

Dated: the 4th day of November 2011.

****

CHINA METRO-RURAL LIMITED

and

THIRD PARTY

****

LOAN AGREEMENT

****

THIS LOAN AGREEMENT made this 4th day of November Two Thousand and Eleven.

BETWEEN :

(I) **CHINA METRO-RURAL LIMITED (中國城鄉有限公司)**, a company incorporated in the British Virgin Islands whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, and it is a wholly-owned subsidiary of **CHINA METRO-RURAL HOLDINGS LIMITED (中國城鄉控股有限公司)**, a company incorporated in the British Virgin Islands and listed on the American Stock Exchange of New York Stock Exchange ("the Borrower");

(II) **THIRD PARTY**, a company incorporated in the British Virgin Islands whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands ("the Lender").

WHEREAS :-

The Borrower is desirous of borrowing an unconditional and unsecured fixed term loan from the Lender for business purpose and the Lender has agreed to advance a loan of HK$60 Million ("the Loan") to the Borrower effective from November 8, 2011 ("the Date of the Advance") upon the Borrower entering into the covenants and obligations hereinafter contained.

NOW IT IS HEREBY AGREED by the parties hereto as follows :-

1. REPAYMENT

   1.1 Subject to and without prejudice to other provisions, terms or conditions herein contained the BORROWER hereby COVENANTS with the Lender that the Borrower shall repay the Lender in full the Loan within three calendar years from the Date of Advance ("Maturity Date") with interest at 18% per annum, with effect from the Date of the Advance until payment.

   1.2 Interest of the Loan is to be compounded on an annual basis, payable semi-annually on the May 8 and November 8 of each calendar year with the first such compounding to be paid on May 8, 2012.

   1.3 Additional interest of 7% per annum on the Loan, calculated on daily basis, from the Date of Advance to the actual date of early repayment will be payable by the Borrower if the Loan is repaid in full before the Maturity Date.

   1.4 Without prejudice to clause 1.3, in the event that the Borrower has defaulted before the Maturity Date or make early repayment, the total amount repayable under the Loan will include (i) loan principal; (ii) 25% interest over the Loan for 1 year. If the Loan and the accrued interests are not paid by the Maturity Date, then an additional 25% per annum calculated on daily basis, will be applied to the outstanding amount.

2. TRANSFER

This Agreement may be assigned or transferred in whole only and the Borrower shall upon receipt of the notice of such assignment or transfer facilitate any such assignment or transfer of the Agreement.

3. GOVERNING LAW AND JURISDICTION

3.1 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong S.A.R.

3.2 The Borrower agrees that any legal action or proceeding arising out of or relating to this Agreement may be brought in the courts of Hong Kong S.A.R. and irrevocably submits to the non-exclusive jurisdiction of such courts.

4. DECLARATION

The Lender hereby DECLARE that the Lender had seek independent legal advice in respect of this transaction and this Agreement.

IN WITNESS whereof the parties hereto have duly executed this Agreement the day and year first above written.

SIGNED by)
SIO KAM SENG,)
its director for and on behalf of the)
Borrower in the presence of :-

SIGNED by Lender,)
its sole director for and on behalf of the)
Lender in the presence of :-)

Dated: the 4th day of November 2011.

****

CHINA METRO-RURAL LIMITED

and

THIRD PARTY

****

LOAN AGREEMENT

****

THIS LOAN AGREEMENT made this 4th day of November, Two Thousand and Eleven.

BETWEEN :

(I) **CHINA METRO-RURAL LIMITED** (**中國城鄉有限公司**), a company incorporated in the British Virgin Islands whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, and it is a wholly-owned subsidiary of **CHINA METRO-RURAL HOLDINGS LIMITED** (**中國城鄉控股有限公司**), a company incorporated in the British Virgin Islands and listed on the American Stock Exchange of New York Stock Exchange ("the Borrower");

(II) **THIRD PARTY**, a company incorporated in British Virgin Islands whose principal business office is situate at 2601, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong ("the Lender").

WHEREAS :-

The Borrower is desirous of borrowing an unconditional and unsecured fixed term loan from the Lender for business purpose and the Lender has agreed to advance a loan of <u>HK$10 Million</u> ("the Loan") to the Borrower effective from <u>November 8, 2011</u> ("the Date of the Advance") upon the Borrower entering into the covenants and obligations hereinafter contained.

NOW IT IS HEREBY AGREED by the parties hereto as follows :-

1. REPAYMENT

   1.1 Subject to and without prejudice to other provisions, terms or conditions herein contained the BORROWER hereby COVENANTS with the Lender that the Borrower shall repay the Lender in full the Loan within <u>Three</u> calendar years from the Date of Advance ("Maturity Date") with interest at <u>18% per annum</u>, with effect from the Date of the Advance until payment.

   1.2 Interest of the Loan is to be compounded on an annual basis, payable semi-annually on the <u>May 8 and November 8</u> of each calendar year with the first such compounding to be paid on <u>May 8, 2012</u>.

   1.3 Additional interest of <u>7% per annum</u> on the Loan, calculated on daily basis, from the Date of Advance to the actual date of early repayment will be payable by the Borrower if the Loan is repaid in full before the Maturity Date.

   1.4 Without prejudice to clause 1.3, in the event that the Borrower has defaulted before the Maturity Date or make early repayment, the total amount repayable under the Loan will include (i) loan principal; (ii) 25% interest over the Loan for 1 year. If the Loan and the accrued interests are not paid by the Maturity Date, then an additional 25% per annum calculated on daily basis, will be applied to the outstanding amount.

2. TRANSFER

This Agreement may be assigned or transferred in whole only and the Borrower shall upon receipt of the notice of such assignment or transfer facilitate any such assignment or transfer of the Agreement.

3. GOVERNING LAW AND JURISDICTION

3.1 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong S.A.R.

3.2 The Borrower agrees that any legal action or proceeding arising out of or relating to this Agreement may be brought in the courts of Hong Kong S.A.R. and irrevocably submits to the non-exclusive jurisdiction of such courts.

4. DECLARATION

The Lender hereby DECLARE that the Lender had seek independent legal advice in respect of this transaction and this Agreement.

IN WITNESS whereof the parties hereto have duly executed this Agreement the day and year first above written.

SIGNED by	)
Sio Kam Seng	)
	)
, its director for and on behalf of the	)
Borrower in the presence of :-	

SIGNED by	)
	)
	)
, its director for and on behalf of the	)
Lender in the presence of :-	

Dated: the 4th day of November 2011.

****

CHINA METRO-RURAL LIMITED

and

THIRD PARTY

****

LOAN AGREEMENT

****

THIS LOAN AGREEMENT made this 4th day of November, Two Thousand and Eleven.

BETWEEN :

(I) **CHINA METRO-RURAL LIMITED (中國城鄉有限公司)**, a company incorporated in the British Virgin Islands whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, and it is a wholly-owned subsidiary of **CHINA METRO-RURAL HOLDINGS LIMITED (中國城鄉控股有限公司)**, a company incorporated in the British Virgin Islands and listed on the American Stock Exchange of New York Stock Exchange ("the Borrower");

(II) **THIRD PARTY**, holder of Hong Kong Identity Card No. G453618(4) of Flat B, 23/F, Block 1, Cavendish Heights, 33 Perkin's Road, Jardine Lookout, Hong Kong ("the Lender").

WHEREAS :-

The Borrower is desirous of borrowing an unconditional and unsecured fixed term loan from the Lender for business purpose and the Lender has agreed to advance a loan of <u>HK$ 5 Million</u> ("the Loan") to the Borrower effective from <u>November 8, 2011</u> ("the Date of the Advance") upon the Borrower entering into the covenants and obligations hereinafter contained.

NOW IT IS HEREBY AGREED by the parties hereto as follows :-

1. REPAYMENT

1.1 Subject to and without prejudice to other provisions, terms or conditions herein contained the BORROWER hereby COVENANTS with the Lender that the Borrower shall repay the Lender in full the Loan within <u>three</u> calendar years from the Date of Advance ("Maturity Date") with interest at <u>18% per annum</u>, with effect from the Date of the Advance until payment.

1.2 Interest of the Loan is to be compounded on an annual basis, payable semi-annually on the <u>May 8 and November 8</u> of each calendar year with the first such compounding to be paid on <u>May 8, 2012</u>.

1.3 Additional interest of <u>7% per annum</u> on the Loan, calculated on daily basis, from the Date of Advance to the actual date of early repayment will be payable by the Borrower if the Loan is repaid in full before the Maturity Date.

1.4 Without prejudice to clause 1.3, in the event that the Borrower has defaulted before the Maturity Date or make early repayment, the total amount repayable under the Loan will include (i) loan principal; (ii) 25% interest over the Loan for 1 year. If the Loan and the accrued interests are not paid by the Maturity Date, then an additional 25% per annum calculated on daily basis, will be applied to the outstanding amount.

2. TRANSFER

This Agreement may be assigned or transferred in whole only and the Borrower shall upon receipt of the notice of such assignment or transfer facilitate any such assignment or transfer of the Agreement.

3. GOVERNING LAW AND JURISDICTION

3.1 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong S.A.R.

3.2 The Borrower agrees that any legal action or proceeding arising out of or relating to this Agreement may be brought in the courts of Hong Kong S.A.R. and irrevocably submits to the non-exclusive jurisdiction of such courts.

4. DECLARATION

The Lender hereby DECLARE that the Lender had seek independent legal advice in respect of this transaction and this Agreement.

IN WITNESS whereof the parties hereto have duly executed this Agreement the day and year first above written.

SIGNED by)	)
Sio Kam Seng	)
	)
, its director for and on behalf of the	
Borrower in the presence of :-	

SIGNED by	)
Lender in the presence of :-	)
	)

Dated : the 4th day of November 2011.
****

CHINA METRO-RURAL LIMITED

and

THIRD PARTY

****

LOAN AGREEMENT

****

THIS LOAN AGREEMENT made this 4th day of November, Two Thousand and Eleven.

BETWEEN :

(I) **CHINA METRO-RURAL LIMITED (中國城鄉有限公司)**, a company incorporated in the British Virgin Islands whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, and it is a wholly-owned subsidiary of **CHINA METRO-RURAL HOLDINGS LIMITED (中國城鄉控股有限公司)**, a company incorporated in the British Virgin Islands and listed on the American Stock Exchange of New York Stock Exchange ("the Borrower");

(II) **THIRD PARTY**, holder of Hong Kong Identity Card No. P215858(6) of Flat E, 45/F, Tower 1, University Heights, 23 Pokfield Road, Hong Kong ("the Lender").

WHEREAS :-

The Borrower is desirous of borrowing an unconditional and unsecured fixed term loan from the Lender for business purpose and the Lender has agreed to advance a loan of HK$ 15 Million ("the Loan") to the Borrower effective from November 8, 2011 ("the Date of the Advance") upon the Borrower entering into the covenants and obligations hereinafter contained.

NOW IT IS HEREBY AGREED by the parties hereto as follows :-

1. REPAYMENT

1.1 Subject to and without prejudice to other provisions, terms or conditions herein contained the BORROWER hereby COVENANTS with the Lender that the Borrower shall repay the Lender in full the Loan within three calendar years from the Date of Advance ("Maturity Date") with interest at 18% per annum, with effect from the Date of the Advance until payment.

1.2 Interest of the Loan is to be compounded on an annual basis, payable semi-annually on the May 8 and November 8 of each calendar year with the first such compounding to be paid on May 8, 2012.

1.3 Additional interest of 7% per annum on the Loan, calculated on daily basis, from the Date of Advance to the actual date of early repayment will be payable by the Borrower if the Loan is repaid in full before the Maturity Date.

1.4 Without prejudice to clause 1.3, in the event that the Borrower has defaulted before the Maturity Date or make early repayment, the total amount repayable under the Loan will include (i) loan principal; (ii) 25% interest over the Loan for 1 year. If the Loan and the accrued interests are not paid by the Maturity Date, then an additional 25% per annum calculated on daily basis, will be applied to the outstanding amount.

2. TRANSFER

This Agreement may be assigned or transferred in whole only and the Borrower shall upon receipt of the notice of such assignment or transfer facilitate any such assignment or transfer of the Agreement.

3. GOVERNING LAW AND JURISDICTION

3.1 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong S.A.R.

3.2 The Borrower agrees that any legal action or proceeding arising out of or relating to this Agreement may be brought in the courts of Hong Kong S.A.R. and irrevocably submits to the non-exclusive jurisdiction of such courts.

4. DECLARATION

The Lender hereby DECLARE that the Lender had seek independent legal advice in respect of this transaction and this Agreement.

IN WITNESS whereof the parties hereto have duly executed this Agreement the day and year first above written.

SIGNED by)
Sio Kam Seng)
)
, its director for and on behalf of the
Borrower in the presence of :-

SIGNED by)
Lender in the presence of :-)
)

Dated: the 4th day of November 2011.
****

CHINA METRO-RURAL LIMITED

and

THIRD PARTY

****

LOAN AGREEMENT

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THIS LOAN AGREEMENT made this 4th day of November, Two Thousand and Eleven.

BETWEEN :

(I) **CHINA METRO-RURAL LIMITED** (**中國城鄉有限公司**), a company incorporated in the British Virgin Islands whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, and it is a wholly-owned subsidiary of **CHINA METRO-RURAL HOLDINGS LIMITED** (**中國城鄉控股有限公司**), a company incorporated in the British Virgin Islands and listed on the American Stock Exchange of New York Stock Exchange ("the Borrower");

(II) **THIRD PARTY**, holder of Hong Kong Identity Card No. G358292(1) of Flat 4C, 99 Broadway street, Mei Foo Sun Cheun, Hong Kong ("the Lender").

WHEREAS :-

The Borrower is desirous of borrowing an unconditional and unsecured fixed term loan from the Lender for business purpose and the Lender has agreed to advance a loan of HK$ 1 Million ("the Loan") to the Borrower effective from November 8, 2011 ("the Date of the Advance") upon the Borrower entering into the covenants and obligations hereinafter contained.

NOW IT IS HEREBY AGREED by the parties hereto as follows :-

1. REPAYMENT

1.1 Subject to and without prejudice to other provisions, terms or conditions herein contained the BORROWER hereby COVENANTS with the Lender that the Borrower shall repay the Lender in full the Loan within three calendar years from the Date of Advance ("Maturity Date") with interest at 18% per annum, with effect from the Date of the Advance until payment.

1.2 Interest of the Loan is to be compounded on an annual basis, payable semi-annually on the May 8 and November 8 of each calendar year with the first such compounding to be paid on May 8, 2012.

1.3 Additional interest of 7% per annum on the Loan, calculated on daily basis, from the Date of Advance to the actual date of early repayment will be payable by the Borrower if the Loan is repaid in full before the Maturity Date.

1.4 Without prejudice to clause 1.3, in the event that the Borrower has defaulted before the Maturity Date or make early repayment, the total amount repayable under the Loan will include (i) loan principal; (ii) 25% interest over the Loan for 1 year. If the Loan and the accrued interests are not paid by the Maturity Date, then an additional 25% per annum calculated on daily basis, will be applied to the outstanding amount.

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4. DECLARATION

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IN WITNESS whereof the parties hereto have duly executed this Agreement the day and year first above written.

SIGNED by)
Sio Kam Seng)
)
, its director for and on behalf of the
Borrower in the presence of :-

SIGNED by)
Lender in the presence of :-)
)

Dated: the 4th day of November 2011.
****

CHINA METRO-RURAL LIMITED

and

THIRD PARTY

****

LOAN AGREEMENT

****

THIS LOAN AGREEMENT made this 4th day of November, Two Thousand and Eleven.

BETWEEN :

(I) **CHINA METRO-RURAL LIMITED (中國城鄉有限公司)**, a company incorporated in the British Virgin Islands whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, and it is a wholly-owned subsidiary of **CHINA METRO-RURAL HOLDINGS LIMITED (中國城鄉控股有限公司)**, a company incorporated in the British Virgin Islands and listed on the American Stock Exchange of New York Stock Exchange ("the Borrower");

(II) **THIRD PARTY**, a company incorporated in the British Virgin Islands whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands ("the Lender").

WHEREAS :-

The Borrower is desirous of borrowing an unconditional and unsecured fixed term loan from the Lender for business purpose and the Lender has agreed to advance a loan of HK$15 Million ("the Loan") to the Borrower effective from November 8, 2011 ("the Date of the Advance") upon the Borrower entering into the covenants and obligations hereinafter contained.

NOW IT IS HEREBY AGREED by the parties hereto as follows :-

1. REPAYMENT

    1.1 Subject to and without prejudice to other provisions, terms or conditions herein contained the BORROWER hereby COVENANTS with the Lender that the Borrower shall repay the Lender in full the Loan within Three calendar years from the Date of Advance ("Maturity Date") with interest at 18% per annum, with effect from the Date of the Advance until payment.

    1.2 Interest of the Loan is to be compounded on an annual basis, payable semi-annually on the May 8 and November 8 of each calendar year with the first such compounding to be paid on May 8, 2012.

    1.3 Additional interest of 7% per annum on the Loan, calculated on daily basis, from the Date of Advance to the actual date of early repayment will be payable by the Borrower if the Loan is repaid in full before the Maturity Date.

    1.4 Without prejudice to clause 1.3, in the event that the Borrower has defaulted before the Maturity Date or make early repayment, the total amount repayable under the Loan will include (i) loan principal; (ii) 25% interest over the Loan for 1 year. If the Loan and the accrued interests are not paid by the Maturity Date, then an additional 25% per annum calculated on daily basis, will be applied to the outstanding amount.

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4. DECLARATION

The Lender hereby DECLARE that the Lender had seek independent legal advice in respect of this transaction and this Agreement.

IN WITNESS whereof the parties hereto have duly executed this Agreement the day and year first above written.

SIGNED by	)
Sio Kam Seng	)
	)
, its director for and on behalf of the	)
Borrower in the presence of :-	

SIGNED by	)
	)
	)
, its director for and on behalf of the	)
Lender in the presence of :-	

Exhibit 8.1

SUBSIDIARIES

1. China Metro-Rural Limited, a Cayman Islands incorporated company continued in BVI
2. China Metro-Rural Exchange Limited, (中國城鄉交易所有限公司), a HK company
3. China Northeast Logistics City Co., Ltd. , (鐵嶺東北物流城有限公司), a PRC company
4. Tieling Northeast City Advertising Co., Ltd., (鐵嶺東北城廣告有限公司), a PRC company
5. Tieling North Asia Property Management Co., Ltd., (鐵嶺北亞物業管理有限公司), a PRC company
6. Tieling North Asia Development Co., Ltd., (鐵嶺北亞發展有限公司), a PRC company
7. Shenyang Jiataihe Investments Co., Ltd., (瀋陽嘉泰和投資有限公司), a PRC company
8. M.S. Electronic Emporium Limited, a BVI company
9. China Metro-Rural Development Ltd., (中國城鄉發展有限公司), a HK Company
10. China Northeast Logistics City Dezhou Co., Ltd., (德州東北商貿物流城有限公司), a PRC company
11. Dezhou Northeast City Property Co., Ltd., (德州東北城商貿置業有限公司), a PRC company
12. Dezhou Northeast City Advertising Co., Ltd., (德州東北城廣告有限公司), a PRC company
13. Dezhou North Asia Property Management Co., Ltd., (德州北亞物業管理有限公司), a PRC company
14. China Focus City (H.K.) Holdings Limited (中匯城(香港)控股有限公司), a HK company
15. Shenzhen China Northeast Logistics City Co., Ltd. (深圳東北城商貿有限公司), a PRC company
16. Qiqihar China Focus City Holdings (Group) Co., Ltd. (齊齊哈爾中匯城控股(集團)有限公司), a PRC company
17. Qiqihar China Focus City China South Real Estates Development Co., Ltd. (齊齊哈爾中匯城華南房地產開發有限公司), a PRC company
18. Qiqihar Northeast Logistics City Co., Ltd. (齊齊哈爾東北城商貿物流有限公司), a PRC company

Exhibit 12.1

Certification by the Chief Executive Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Sio Kam Seng, certify that:

1. I have reviewed this Annual Report on Form 20-F of China Metro-Rural Holdings Limited (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the period presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the Annual Report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

July 16, 2012

/s/ Sio Kam Seng

Name: Sio Kam Seng
Title: Chief Executive Officer

Exhibit 12.2

Certification by the Chief Financial Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Lee Che Chiu, certify that:

1. I have reviewed this Annual Report on Form 20-F of China Metro-Rural Holdings Limited (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the period presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the Annual Report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

July 16, 2012

/s/ Lee Che Chiu

Name: Lee Che Chiu
Title: Chief Financial Officer

EXHIBIT 13.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of China Metro-Rural Holdings Limited (the "Company") on Form 20-F for the fiscal year ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sio Kam Seng, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 16, 2012

/s/ Sio Kam Seng
Name: Sio Kam Seng
Title: Chief Executive Officer

EXHIBIT 13.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of China Metro-Rural Holdings Limited (the "Company") on Form 20-F for the fiscal year ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lee Che Chiu, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 16, 2012

/s/ Lee Che Chiu
Name: Lee Che Chiu
Title: Chief Financial Officer

EXHIBIT 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-165783) and Registration Statement on Form F-3 (No. 333-171825) of China Metro-Rural Holdings Limited of our report dated July 16, 2012 relating to the financial statements, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers

Hong Kong

July 16, 2012