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

(incorporated in Hong Kong with limited liability)

Stock Code : 1668

2009/10 Interim Report

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Cheng Chung Hing *(Co-Chairman)*
Mr. Leung Moon Lam *(Chief Executive Officer)*
Professor Xu Yang

Non-Executive Directors

Dr. Ma Kai Cheung, *SBS, BBS (Co-Chairman)*
Mr. Sun Kai Lit Cliff, *BBS, JP*
Dr. Ma Wai Mo

Independent Non-Executive Directors

Mr. Shi Wan Peng
Mr. Leung Kwan Yuen Andrew, *SBS, JP*
Mr. Li Wai Keung

Authorized Representatives

Mr. Cheng Chung Hing
Ms. Tse Man Yu *(FCPA)*

Audit Committee

Mr. Li Wai Keung *(Chairman)*
Mr. Shi Wan Peng
Mr. Leung Kwan Yuen Andrew, *SBS, JP*

Remuneration Committee

Mr. Li Wai Keung *(Chairman)*
Mr. Leung Kwan Yuen Andrew, *SBS, JP*
Mr. Cheng Chung Hing

Nomination Committee

Mr. Leung Kwan Yuen Andrew, *SBS, JP (Chairman)*
Mr. Li Wai Keung
Mr. Cheng Chung Hing

Company Secretary

Ms. Tse Man Yu *(FCPA)*

Auditors

Ernst & Young

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Industrial and Commercial Bank of China Limited
Agricultural Bank of China
China Construction Bank Corporation
Bank of China Limited
Bank of China (Hong Kong) Limited

Registered Office and Headquarter

Room 2205, Sun Life Tower,
The Gateway, 15 Canton Road,
Tsimshatsui,
Kowloon,
Hong Kong

Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716,
17/F, Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong

Place of Listing

The Stock Exchange of Hong Kong Limited
Stock Code:1668

Website

www.chinasouthcity.com

Chairman's Statement

I am pleased to report the first interim results of China South City Holdings Limited after its successful listing on the Main Board of the Hong Kong Stock Exchange on 30 September 2009. The Group achieved encouraging performance for the six months ended 30 September 2009, delivering a set of vastly improved figures from previous year. Profit attributable to the shareholders of the Company substantially rose by HK$564.9 million to HK$245.7 million (2008: HK$319.2 million loss). Basic earnings per share were HK5.45 cents (2008: HK7.09 cents loss).

The manufacturing industry in southern China has been a key driving force in China's development as the global factory. As a result of the large volume of industrial materials and finished goods being traded in the region, there is a strong demand for large-scale integrated logistics and trade center facilities and services. Located in the transport hub of southern China, China South City Shenzhen has experienced rapid business growth by providing large-scale integrated logistics and trade center facilities and services to serve five key manufacturing industries, namely textile and clothing, leather and accessories, electronics and accessories, printing, paper and packaging, and metals, chemicals and plastics. In addition, China's economy made a swift recovery from its troughs in the first half of 2009 following the global financial crisis, which has helped boost the business performance of the Group. At the end of the period, the total occupancy rate of trade centers at China South City Shenzhen Phase One improved to 82%. Lease renewal at Phase One trade centers was at a highly satisfactory level with over 90% of the leases expired on 30 November had been renewed. At the textile and clothing trade center of Phase Two, tenants have been moving in since June. Of the total GFA that has been put up for leasing, about 25% has been let at the end of the period.

On sales, the Group achieved results far better than expected in the sale of Phase Two trade center units at China South City Shenzhen during the period. As at the end of November 2009, including sales contracts and letters of intent, the Group has completed about 95% of its target to sell 108,000 square meters of trade center units this financial year. This reflects the market's affirmation of the business model of China South City Shenzhen's integrated logistics trade center and is optimistic about its potential for growth.

To attract more suppliers, manufacturers and distributors to China South City Shenzhen, we have continued to strengthen our market promotion. The Group was honored to have the opportunity to co-host the first China (Shenzhen) International Industrial Fair ("Industrial Fair") in October 2009 in conjunction with the China Council for the Promotion of International Trade, China Chamber of International Commerce and the Shenzhen Municipal Government. The Industrial Fair attracted the participation of 1,091 enterprises and organizations from both locally and 46 overseas countries, with visitors numbering more than 82,000 and the signing of contracts totaling RMB6 billion in value. The Industrial Fair has greatly enhanced the profile of the Group and boosted both traffic and business at the trade centers.

The Group's development strategy is to establish large-scale integrated logistics and trade centers strategically located in regional economic hubs to satisfy the economic and industrial needs of the respective regions. Our unique business model has gained the support and recognition from many local governments. The Group's projects in Nanning, Nanchang and Xi'an have progressed ahead of schedule.

We are a vibrant, fast-growing business. Apart from the above factors and the fact that we can replicate our successful business model across the country, the rental rate at China South City Shenzhen, at just roughly 5% of those mature trade centers with long operating history in the region, represents tremendous room for growth. Along with the rollout of more new projects and as existing projects become more established, we expect the rental rate of trade centers to climb steadily, land reserves to increase, and more areas to be made available for sale and lease, which will in turn expand our earnings base and contribute to a sustainable growth in our revenue.

Chairman's Statement *(continued)*

The successful listing of China South City Holdings Limited marked an important milestone in the development of the Group. It was also the fruit of all our staff's hard work in the past few years. Through the listing, we will be able to further enhance the profile of China South City, improve our corporate governance standards, widen our financing channels and minimize operational risks, thereby laying a solid foundation for expansion in the future. On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders, customers and business partners for their support, as well as to the management and our staff for their hard work and dedication.

Cheng Chung Hing
Co-Chairman

15 December 2009

Management Discussion and Analysis

Interim Dividend

The Board of Directors declared that no distribution of interim dividend for the six months ended 30 September 2009 (2008: nil).

Business Review

To deal with the global financial crisis, the Chinese government has rolled out a RMB4 trillion package to stimulate the economy. The measure has achieved initial success in the first half of 2009 with a strong rebound in China's economy. During the period under review, sales of China South City Shenzhen's Phase Two trade center units were far better than expected, reflecting a gradual recovery in the economy as well as market recognition for the long term growth prospect of large-scale integrated logistics trade centers and services. Moreover, the Group's other projects in Nanning, Nanchang and Xi'an, which are modeled after the successful example of China South City Shenzhen, have made good progress and are ahead of schedule.

China South City Shenzhen

With a total GFA of approximately 2,600,000 square meters when construction is completed, China South City Shenzhen ("CSC SZ") comprises Phase One and Phase Two. Phase One commenced operation in December 2004 and has a total GFA of approximately 470,000 square meters, of which trade center units account for 360,000 square meters. Phase Two has commenced construction since August 2006 and is expected to have a total GFA of approximately 2,100,000 square meters, of which trade center units account for approximately 1,500,000 square meters.

Construction of China South City Shenzhen Phase Two's residential facilities and warehousing facilities were respectively completed in February and March 2008 with a GFA of approximately 141,000 square meters and 44,000 square meters. Phase Two's textile and clothing, and leather and accessories trade centers had tenants moving-in respectively in June and October 2009 with a GFA of approximately 340,000 square meters and 385,000 square meters. Construction of the entire China South City Shenzhen is expected to complete in 2012. As at 30 September 2009, approximately 990,000 square meters of trade center units and ancillary facilities in Phase One and Phase Two were operational.

As China's economy was negatively impacted by the financial crisis, the total occupancy rate of the trade center units sank from their peaks in the year-ago period. But as a result of the gradual recovery in China's economy and of the strong demand for large-scale integrated logistics trade center facilities and services, the figures have since improved. As at 30 September 2009, about 2,560 tenants have opened for business at China South City Shenzhen Phase One and Phase Two's textile and clothing trade centers. Phase One trade center's total occupancy rate reached 82%, while Phase Two's textile and clothing center has let about 25% of the total rentable areas launched. The average effective monthly rental rate for Phase One trade centers was RMB23.9 per square meter while that for Phase Two was RMB31.2. The leases of about 83,700 square meters of trade center units in Phase One expired on 30 November 2009, or 26% of the leasable area at Phase One trade centers. Of those, the Group has been able to renew the leases for about 75,600 square meters, or a lease renewal rate of over 90%.

For the period under review, China South City Shenzhen Phase Two's textile and clothing center accounted for all revenue generated from the sales of trade center units. The management has changed its operation strategy with a decision to increase the saleable area at Phase Two's textile and clothing center. About 13,013 square meters of shop units were sold during the period, which lifted sales revenue 14.2 times higher to HK$173.3 million, with average selling price of HK$14,023 per square meter. The Group has signed agreements to sell about 23,996 square meters in Phase Two's leather and accessories trade center at an average price of HK$15,156 per square meter. During the period under review there was no sales revenue recognized for Phase Two leather and accessories trade center as construction only completed in early October 2009.

As at 30 September 2009, the Group had entered into sales contracts and letters of intent for Phase Two trade center units covering a GFA of approximately 63,230 square meters, of which sales contracts account for approximately 37,009 square meters, letters of intent account for approximately 26,221 square meters, the average selling price per square meter was HK$15,000.

As at 30 November 2009, the Group had entered into sales contracts and letters of intent for Phase Two trade centers units covering a GFA of approximately 102,254 square meters, of which sales contracts account for approximately 68,139 square meters, letters of intent account for approximately 34,115 square meters, the average selling price per square meter was HK$15,000.

Management Discussion and Analysis *(continued)*

Business Review *(continued)*

China South City Nanning

Located in Nanning, Guangxi Zhuang Autonomous Region, China South City Nanning is expected to occupy a site area of approximately 1,700,000 square meters. Construction of the center will be carried out in two phases and the Phase One's construction will commence in the first half of 2010. Under the plan, the center will have a total GFA of approximately 4,200,000 square meters upon completion, of which the trade centers will account for about 1,800,000 square meters. There will also be areas of about 520,000 square meters for integrated logistics and warehousing facilities, 360,000 square meters for integrated commercial facilities, 1,200,000 square meters for integrated residential facilities and 310,000 square meters for car parks.

In October 2009, China South City Nanning was confirmed as the successful tenderer of a plot of land in Nanning, the PRC, by entering into the Land Use Right Bid Confirmation with Nanning Land and Resources Bureau. The land, with a site area of approximately 890,177 square meters, is located on a site surrounded by 江南區沙井大道、富樂西路、定津路及新村大道. The aggregate consideration for the land is approximately RMB351.3 million.

Served by an extensive transportation network in the town center of Nanning, China South City Nanning geographically is in close proximity to Southeast Asia. It will be developed into one of the most modernized large-scale integrated industrial materials and commodity trade centers with Southeast Asia as its key market.

China South City Nanchang

Located in Nanchang, Jiangxi Province, China South City Nanchang is expected to have a site area of approximately 2,000,000 square meters. Construction work will be carried out in three phases and Phase One construction to begin in the first half of 2010. According to the new construction plan, China South City Nanchang will have a total GFA of approximately 3,530,000 square meters upon completion, including trade centers, integrated logistics and warehousing facilities, integrated commercial facilities, integrated residential facilities and car parks. Upon completion, China South City Nanchang will be a large-scale integrated industrial materials and commodity trade center in central China.

On 9 December 2009, China South City Nanchang was confirmed as the successful tenderer of a plot of land in Nanchang, the PRC, by entering into the Land Use Right Bid Confirmation with Nanchang Land and Resources Bureau. The land is located at 紅谷灘新區九龍湖片區 with a site area of approximately 1,056,000 square meters. The aggregate consideration for the land is RMB555,350,000.

Xi'an Project

The Xi'an project covers a planned total site area of approximately 10 square kilometers. The Group plans to undertake the construction in three phases. The construction of an integrated logistics and trade center will take up five square kilometers while the other five will be used for the construction of complexes for residential and commercial uses as well as ancillary facilities.

In June 2009, China South International Industrial Materials City (Shenzhen) Company Limited ("China South International"), a wholly owned subsidiary of the Group, entered into a memorandum of understanding with the Xi'an International Trade and Logistics Park Management Committee for the development of a large-scale integrated logistics and trade center project in the Xi'an International Trade and Logistics Park. On 3 November 2009, the Xi'an International Trade and Logistics Park Management Committee, China South International, Xin Hao Da (Hong Kong) Holding Company Limited ("Xin Hao Da") and Xi'an Government entered into a Project Agreement for the Xi'an project. Pursuant to the Project Agreement, China South International and Xin Hao Da will form a Joint Venture Company, which is owned as to 65% and 35% by them, respectively. The development of the Xi'an Project provides an excellent opportunity for the Group to extend its geographical reach to strategic locations in the northwest of the PRC.

Management Discussion and Analysis *(continued)*

Business Review *(continued)*

Industrial Fair

In October 2009, the Group organized the 1st China (Shenzhen) International Industrial Fair, which was jointly held with the China Council for the Promotion of International Trade, China Chamber of International Commerce and the Shenzhen Municipal Government. The Fair had an exhibition area of approximately 60,000 square meters and attracted the participation of 1,091 enterprises and organizations from both locally and 46 overseas countries, with visitors numbering more than 82,000 and the signing of contracts totaling RMB6 billion in value. Held in spring and autumn each year, the China (Shenzhen) International Industrial Fair is expected to help enhance the profile of the Group and boost both traffic and business at the centers.

Financial Review

For the six months ended 30 September 2009, the Group made a remarkable improvement in its financial performance, with revenue of HK$249.6 million (2008: HK$96.8 million), up 157.9% from the corresponding period last year, and a profit of HK$245.4 million (2008: loss of HK$319.5 million). Excluding the effect of gain or loss on the changes in fair value of our investment properties and the deferred tax in connection with such gains or losses, the profit for the period was HK$69.8 million (2008: loss of HK$66.7 million). Basic earnings per share improved significantly to HK5.45 cents (2008: basic loss of HK7.09 cents per share). Net cash inflow from operation during the period increased substantially to HK$197.1 million (2008: HK$37.5 million).

Revenue

The Group's revenue for the six months ended 30 September 2009 was HK$249.6 million, up 157.9% from HK$96.8 million for the corresponding period last year. The increase was primarily due to a significant increase in the sales of China South City Shenzhen Phase Two's textile and clothing trade center units during the period.

(After deduction of business tax)	**2009 HK$('000)**	2008 HK$('000)	Change (%)
Sale of properties	**173,268**	11,399	1,420.0
Finance lease income	**3,934**	8,527	(53.9)
Rental income	**49,207**	51,418	(4.3)
Hotel income	**10,942**	14,386	(23.9)
Property management income	**12,213**	10,200	19.7
Other income	**—**	835	(100.0)
	249,564	96,765	157.9

Revenue from Sales of Properties

Revenue from sales of properties rose sharply by 14.2 times to HK$173.3 million (2008: HK$11.4 million). The increase was primarily due to an adjustment in our operation strategy by the management to increase the areas for sale at China South City Shenzhen Phase Two's textile and clothing trade center. During the period, the area sold was increased sharply to approximately 13,013 square meters (2008: approximately 779 square meters). Average selling price per square meter was approximately HK$14,023.

Management Discussion and Analysis *(continued)*

Financial Review *(continued)*

Revenue *(continued)*

Rental Income

Rental income was HK$49.2 million (2008: HK$51.4 million), a slight decrease of 4.3% from the corresponding period last year. The decrease was primarily due to a slight drop in the occupancy rate at China South City Shenzhen Phase One trade center as a result of the financial crisis. However, as China's economy continued to grow following the financial crisis, along with the strong demand for large-scale integrated logistics trade center facilities and services, and the raising profile of China South City, the occupancy rate at China South City Shenzhen has gradually improved. Commencing its operation in late 2004, China South City Shenzhen becomes more and more established and its scale continues to grow. The management believes both its occupancy rate and rent level will continue to grow. The renewal of the expired lease of the trade centre units at China South City Shenzhen Phase One went well with over 90% of leases due to expire renewed as at 30 November 2009.

Finance Lease, Hotel, Property Management and Other Income

Finance lease income derives from the leasing of residential properties. For the six months ended 30 September 2009, this income was down 53.9% from the corresponding period last year to HK$3.9 million (2008: HK$8.5 million). The decline was primarily the result of a reduction in the leasing of the remaining residential units at China South City Shenzhen.

Hotel income was down 23.9% to HK$10.9 million (2008: HK$14.4 million). As the economy continues to recover, and along with the continued growth in the occupancy rate at China South City Shenzhen and in its scale, the management believes hotel income will gradually increase.

Income from property management rose 19.7% to HK$12.2 million (2008: HK$10.2 million). The increase was primarily due to the commencement of leasing of Phase Two textile and clothing trade center during the period, which represents a new revenue stream. The management believes with the gradual completion of China South City Shenzhen Phase Two, more units will be made available for lease, which will have a positive impact on revenue contribution going forward.

Cost of Sales

Cost of sales of the Group mainly consists of construction cost of properties sold and rental expenses. For the six months ended 30 September 2009, cost of sales was HK$129.7 million (2008: HK$71.3 million), an increase of 81.9% from the corresponding period last year. The increase was primarily due to a sharp increase in properties sold during the period, to approximately 13,013 square meters (2008: approximately 779 square meters), thus resulting in higher costs.

Gross Profit

Gross profit increased by 370.6% to HK$119.9 million (2008: HK$25.5 million). Gross profit margin for the period was much higher, at 48.0% (2008: 26.3%). The increase in gross profit margin was attributable to an increase in the share of sales revenue in total revenue to 69.4% for the period from 11.8% for the corresponding period of last year. Revenue from sales of property enjoyed a relatively higher gross margin of 69.8% as compared to the Group's other revenues.

Other Income

For the six months ended 30 September 2009, other income increased by 1,016.6% to HK$142.5 million (2008: HK$12.8 million) primarily as a result of the restructuring of interest-bearing notes by the Group with the interest-bearing note holders during the period. The fair value of the notes declined after the restructuring, resulting in a gain on restructuring for the Group. Furthermore, the Group entered into agreements with certain interest-bearing note holders to buy back a portion of the interest-bearing notes during the period. As the buy-back price was lower than the book value of the interest-bearing notes, a gain was recorded.

During the period, the above items contributed approximately HK$136.7 million to the Group as other income.

Management Discussion and Analysis *(continued)*

Financial Review *(continued)*

Fair Value Changes In Investment Properties

During the period under review, the fair value of investment properties increased by HK$253.0 million (2008: decrease of HK$333.5 million). The increase was primarily due to a gradual recovery in property prices in Shenzhen during the period from the lows in the corresponding period last year amid the financial crisis.

Selling and Distribution Costs

Selling and distribution costs decreased by 11.7% to HK$40.0 million (2008: HK$45.3 million). The decrease primarily was due to the relatively higher advertising expenses incurred for the intense media campaigns in last corresponding period on promotion of China South City Shenzhen Phase Two's textile and clothing trade center, and leather and accessories trade center which were under construction at the time. As those campaigns have achieved reasonable results, promotion expenses for the period were reduced slightly.

Administrative Expenses

Administrative expenses increased by 109.1% to HK$98.3 million (2008: HK$47.0 million). The increase was primarily attributable to expenses incurred in relation to the initial public offering, including listing fees and performance bonuses recognised during the period as well as an increase in administrative expenses upon the commencement of operation at China South City Shenzhen Phase Two's textile and clothing trade center.

Other Expenses

Other expenses decreased by 89.9% to HK$0.6 million (2008: HK$6.1 million). Other expenses in the corresponding period last year were higher as a result of a one-off charitable donation made by the Group. The Group has no such donation during the period under review.

Finance Costs

Finance cost was up by 242.0% to HK$11.8 million (2008: HK$3.5 million). The increase was primarily attributable to an increase in new bank loans mainly for working capital purposes during the period.

Tax

Tax expenses was HK$119.7 million (2008: an income of HK$77.1 million). The difference in tax expenses was primarily the result of increases in both current and deferred tax expenses during the period. As sales revenue increased, both the provision for land appreciation tax and income tax were higher during the period as compared with the last corresponding period. As a result of an appreciation in the value of our investment properties during the period, compared to a decrease in value in the corresponding period last year, a deferred tax expense of HK$63.3 million was recorded during the period compared to a deferred tax income of HK$83.4 million in the last corresponding period.

Investment Properties

The value of investment properties was higher because it closely tracks the prices in Shenzhen's property market, which have risen during the period.

Properties Under Development

Costs for properties under development as at 30 September 2009 were higher than that at 31 March 2009 as a result of the ongoing construction of China South City Shenzhen Phase Two's leather and accessories trade center, as well as supporting facilities such as office buildings and shopping malls of the residential facilities.

Other Payables, Accruals And Deposits Received

As at 30 September 2009, other payables, accruals and deposits received amounted to HK$1,057.4 million (31 March 2009: HK$778.0 million). The increase was primarily attributable to the receipt of advance payment from the sales of the Group's China South City Shenzhen Phase Two trade center units.

Management Discussion and Analysis *(continued)*

Financial Review *(continued)*

Interest-Bearing Notes

During the period, the interest-bearing notes were restructured between the Group and interest-bearing note holders, which resulted in a gain on restructuring recorded by the Group. Furthermore, the Group entered into agreements with certain interest-bearing note holders to buy back a portion of the interest bearing notes at a price lower than its book value.

On 30 September 2009 (the IPO date of the Company), the Group redeemed the remaining outstanding portion of the interest-bearing notes from the interest-bearing note holders in accordance with the terms. Details are disclosed in 2009/10 unaudited interim financial statements.

Due to Shareholders

The amount due to shareholders has been capitalized on 30 September 2009 (the IPO date of the Company). Details are disclosed in 2009/10 unaudited interim financial statements.

Liquidity and Financial Resources

The Group has ample liquidity and financial resources. As at 30 September 2009, the Group had HK$4,093.2 million in cash and cash equivalents and pledged deposits (31 March 2009: HK$246.1 million), and HK$3,597.9 million in bank loans, bills payable and interest-bearing notes (31 March 2009: HK$2,522.5 million). Details are disclosed in 2009/10 unaudited interim financial statements. The Group's indebtedness had improved to a net cash position of HK$495.3 million as at 30 September 2009 from a net debt position of HK$2,276.4 million and the gearing ratio of 51% (net debt divided by total equity) as at 31 March 2009. The increase in cash and cash equivalents and pledged deposits was primarily the result of capital raised through the successful listing of the Company's shares on the Hong Kong Stock Exchange on 30 September 2009, in addition to cash inflow from daily operation and increases in bank loans. The funds raised from the listing will be used as stated in the Group's Prospectus.

Furthermore, as at 30 September 2009, the Group had unutilized banking facilities of approximately RMB2,550 million. The Group will deploy the unutilized banking facilities as appropriate depending on project development needs and working capital status.

Pledged Assets

As at 30 September 2009, the Group had pledged buildings, hotel properties, investment properties, properties under development, leasehold land, properties held for sale and secured bank deposits to the value of approximately HK$4,284.3 million, to secure loans from various banks.

Net Current Assets and Current Ratio

As at 30 September 2009, the Group had net current assets of HK$2,240.8 million (31 March 2009: net current liabilities of HK$642.3 million). Current ratio increased to 1.9 (31 March 2009: 0.6).

Contingent Liabilities

The Group provides guarantees to banks in connection with banking facilities granted to buyers of our trade center units and lessees of our residential properties for making relevant sales and lease payments to the Group. As at 30 September 2009, the guarantees amounted to HK$87.5 million (31 March 2009: HK$95.9 million). Such guarantees will be released upon the repayment of the loan's principal by the buyers and lessees.

Capital Commitment

As at 30 September 2009, the Group had future capital expenditure contracted but not provided for property development, acquisition of land and investment in subsidiaries of HK$118.0 million (31 March 2009: HK$399.8 million).

Management Discussion and Analysis *(continued)*

Financial Review *(continued)*

Foreign Exchange Risk

The Group conducts its business primarily in Renminbi, along with our income and expenses, assets and liabilities. As at 30 September 2009, the Group's cash and cash equivalents and pledged deposits denominated in Renminbi amounted to approximately RMB1,095.6 million while its bank loans denominated in Renminbi amounted to approximately RMB2,655.7 million. The Group has not issued any financial instruments for hedging purposes.

Human Resources

As at 30 September 2009, the Group had a workforce of approximately 1,060 people, including approximately 859 people directly employed under the Group and approximately 201 people employed under our jointly controlled entities. The Group aims to recruit, retain and develop competent individuals committed to its long-term success and growth. Remunerations and other benefits of employees are reviewed annually both in response to the market conditions and trends, and in conjunction with individual appraisals based on qualifications, experience, responsibilities and performance. In-house and external training programs are provided to the employees.

Prospect and Outlook

Looking ahead to the second half of the financial year, we expect a stable recovery in China's economy to provide a favorable environment for the sale and leasing of the Group's trade center units. Sales of units at China South City Shenzhen Phase Two's textile and clothing center and leather and accessories trade center continued to do well in the months of October and November 2009, while selling prices have also increased along with a gradual recovery in Shenzhen's property market. We are confident that we can achieve the target of selling 108,000 square meters of trade center units in the financial year. The situation with the leasing of units was also encouraging with considerable growth in both the rental renewal rate and new rental rate at China South City Shenzhen Phase One, and in the take up of Phase Two trade center units newly launched to the market.

We believe the demand for large-scale integrated logistics trade center facilities and services will continue to grow steadily. Large-scale, high quality and cost effective are the hallmarks of the trade centers developed by the Group. Our effective and professional management team will help ensure the continued growth in the Group's business. Currently, the rental rate at China South City Shenzhen is just roughly 5% of those mature trade centers with long operating history, offering tremendous potential for growth. With further regional economic development, and as our trade centers become more established, we expect the selling price and rental rate of our properties to further increase. At the same time, our new projects in Nanning, Nanchang and Xi'an will gradually begin to provide more trade center units for sale and lease in the coming years, which will in turn help the Group achieve respectable earnings growth.

Disclosure of Interests

Directors' and Chief Executive's Interests and Short Position in the Share Capital of the Company

As at 30 September 2009, the interests and short position of the Directors and the chief executive of the Company in the shares (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the registers required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

Name of Directors	Class of shares	No. of Shares held under corporate interest	Number of underlying shares held under equity derivatives	Total	Approximate percentage of the Company's total issued share capital
Cheng Chung Hing	Ordinary shares/ share options	2,456,508,558[(2)]	66,000,000[(1)]	2,522,508,558	42.04%
Leung Moon Lam	Ordinary shares/ share options	654,874,712[(3)]	66,000,000[(1)]	720,874,712	12.01%
Ma Kai Cheung	Ordinary shares	888,966,649[(4)]	—	888,966,649	14.82%
Sun Kai Lit Cliff	Ordinary shares	222,241,662[(5)]	—	222,241,662	3.70%
Ma Wai Mo	Ordinary shares	222,241,662[(6)]	—	222,241,662	3.70%

Notes:

(1) These represent the long positions of the Shares falling to be allotted and issued to the relevant Directors upon the exercise of the outstanding share options of the Company granted to the Directors as their personal interest under the pre-IPO share option agreements dated 31 July 2008.

(2) By virtue of Mr. Cheng Chung Hing's controlling interests of 50% and 42% in the respective issued share capital of Accurate Gain Developments Limited and Proficient Success Limited, Mr. Cheng Chung Hing is deemed to be interested and duplicate in the interest in the same 1,339,913,759 Shares and 1,116,594,799 Shares held by Accurate Gain Developments Limited and Proficient Success Limited respectively.

(3) By virtue of Mr. Leung Moon Lam's controlling interest of 80% in the issued share capital of Kings Faith International Limited, Mr. Leung Moon Lam is deemed to be interested and duplicate in the interest in the same 654,874,712 Shares held by Kings Faith International Limited.

(4) By virtue of Dr. Ma Kai Cheung, the beneficial owner and beneficiary of trust and through the interest of his spouse, being interested in 43.58% of the issued share capital of Tak Sing Alliance Holdings Limited which through a number of intermediaries, wholly owns Carrianna Development Limited, Dr. Ma Kai Cheung is deemed to be interested and duplicate in the interest in the same 888,966,649 Shares held by Carrianna Development Limited.

(5) By virtue of Mr. Sun Kai Lit Cliff's 100% interests in Kinox Holdings Limited, Mr. Sun Kai Lit Cliff is deemed to be interested and duplicate in the interest in the same 222,241,662 Shares held by Kinox Holdings Limited.

(6) By virtue of Dr. Mai Wai Mo's 50% interests in Luk Ka Overseas Investment Limited which is interested in 100% of Luk Ka International Limited, Dr. Mai Wai Mo is deemed to be interested and duplicate in the interest in the same 222,241,662 Shares held by Luk Ka International Limited.

Save as the aforesaid disclosure, at no time during the period has rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the director or chief executive of the Company to acquire such rights in any other body corporate.

Disclosure of Interests *(continued)*

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 September 2009, the following persons (other than the directors or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long Position in shares of the Company

Name of Shareholder	Nature of interest	No. of Shares or underlying shares held	Approximate percentage of the Company's total issued share capital
Cheng Tai Po	Interest in controlled corporation	2,456,508,558[(1)]	40.94%
Accurate Gain Developments Limited	Beneficial owner	1,339,913,759[(1)]	22.33%
Proficient Success Limited	Beneficial owner	1,116,594,799[(1)]	18.61%
Tak Sing Alliance Holdings Limited	Interest in controlled corporation	888,966,649[(2)]	14.82%
Carrianna (BVI) Ltd	Interest in controlled corporation	888,966,649[(2)]	14.82%
Gartrend Development Limited	Interest in controlled corporation	888,966,649[(2)]	14.82%
Carrianna Holdings Limited	Interest in controlled corporation	888,966,649[(2)]	14.82%
Sincere United Holdings Limited	Interest in controlled corporation	888,966,649[(2)]	14.82%
Carrianna Development Limited	Beneficial owner	888,966,649[(2)]	14.82%
Kings Faith International Limited	Beneficial owner	654,874,712[(3)]	10.91%

Notes:

(1) By virtue of Mr. Cheng Tai Po's controlling interests of 50% and 38% in the respective issued share capital of Accurate Gain Developments Limited and Proficient Success Limited, Mr. Cheng Tai Po is deemed to be interested and duplicate in the interest in the same 1,339,913,759 Shares and 1,116,594,799 Shares held by Accurate Gain Developments Limited and Proficient Success Limited respectively. Mr. Cheng Chung Hing is the brother of Mr. Cheng Tai Po.

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

(3) These 654,874,712 Shares are held by Kings Faith International Limited, the 80% issued share capital of which is beneficially owned by Mr. Leung Moon Lam.

Save as aforesaid disclosed, the Directors are not aware of any persons who, as at 30 September 2009, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Disclosure of Interests *(continued)*

Pre-IPO Share Option Agreements

The Company adopted the pre-IPO share option agreements on 31 July 2008 and its purpose is to recognize the contribution of and to provide an incentive to the Directors, senior management members of the Group who has contributed to the Group.

On 30 September 2009, options to subscribe for a total of 180,000,000 shares in the Company, representing 3% of the issued share capital, at an exercise price equivalent to 50% of the final offer price on the IPO date (ie. 30 September 2009) was granted to the following four grantees:

Name	**No. of share options granted**	**Percentage of issued share capital**
Cheng Chung Hing	66,000,000	1.1%
Leung Moon Lam	66,000,000	1.1%
Fung Sing Hong Stephen	36,000,000	0.6%
Tse Man Yu	12,000,000	0.2%

These share options may be exercised in whole or in part, and at any time for a period of up to two years commencing from the IPO date for Fung Sing Hong Stephen and Tse Man Yu and up to three years commencing from the IPO date for Cheng Chung Hing and Leung Moon Lam, following which the share options (if not exercised) shall lapse automatically.

As at 30 September 2009, no share options has been exercised under the pre-IPO share option agreements.

Share Option Scheme

The Company has adopted a share option scheme (the "Scheme") for the primary purpose of providing to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Company or its subsidiaries, which was effective from 30 September 2009. As at 30 September 2009, the Board of Directors had not granted any options under the Scheme to the Directors or eligible employees of the Company or its subsidiaries to subscribe shares in the Company and no outstanding share options was exercised during the period under review.

Corporate Governance and Other Information

Code on Corporate Governance Practices

To the best knowledge and belief of the directors of the Company, the Company has complied with the applicable code of provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 September 2009, except for the provision A.2.1.

Provision A.2.1

Provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. As at 30 September 2009 (the IPO date of the Company), no CEO was appointed. To rectify this deviation, the Company appointed Mr. Leung Moon Lam, Executive Director of the Company, as CEO on 30 November 2009.

Board Composition and Board Practices

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. The Board consists of a total nine Directors, comprising three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. One-third of the Board are Independent Non-executive Directors and one of them has appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Articles of Association and the CG Code.

All Directors have made active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group.

Model Code for Securities Transactions by Directors

The Company has adopted the model code ("Model Code") for securities transactions by directors of listed issuers set out in Appendix 10 to the Listing Rules as it own code of conduct regarding Directors' securities transactions on 30 September 2009 (i.e. the IPO date of the Company), therefore this Model Code is not applicable to all Directors for the six-months period ended 30 September 2009.

Internal Controls

The Company has an internal audit function in place to provide an independent assessment of the Group's internal control system and review of its effectiveness in accordance with the CG Code. The internal audit department conducts internal audits of our business and operations in accordance with its internal audit policies and manual. The internal audit department reports directly to the Board of Directors and will report to the audit committee at least once a year. An integral part of the internal audit function is to monitor and ensure effective implementation of these internal control systems.

Corporate Governance and Other Information *(continued)*

Audit Committee

The Company has established the Audit Committee in September 2009 and has formulated its written terms of reference in accordance with the provisions set out in the CG Code. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Li Wai Keung (Chairman of the Audit Committee), Mr. Shi Wan Peng and Mr. Leung Kwan Yuen Andrew. The Audit Committee is responsible, amongst others, for reviewing and monitoring the relationship between the Company and its auditors, reviewing the financial information of the Company and overseeing the Company's financial controls, internal control and risk management systems.

The Group's interim report for the six months ended 30 September 2009 has been reviewed by the Audit Committee and by Ernst & Young, the auditor of the Company in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Remuneration Committee

The Company has established the remuneration committee in September 2009 comprises two Independent Non-executive Directors (Mr. Li Wai Keung, Chairman of Remuneration Committee and Mr. Leung Kwan Yuen Andrew) and one Executive Director (Mr. Cheng Chung Hing).

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure of the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

Nomination Committee

The Company has established the nomination committee in September 2009 comprises two Independent Non-executive Directors (Mr. Leung Kwan Yuen Andrew, Chairman of Nomination Committee and Mr. Li Wai Keung) and one Executive Director (Mr. Cheng Chung Hing).

The principal responsibilities of the nomination committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the board regarding any proposed changes, identifying individuals suitably qualified to become Board members, and select or make recommendations to the board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Report on Review of Interim Financial Information

ERNST & YOUNG
安 永

To the Board of Directors
China South City Holdings Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 18 to 38 which comprises the condensed consolidated statement of financial position of China South City Holdings Limited as at 30 September 2009 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

15 December 2009

Interim Condensed Consolidated Income Statement

For the six months ended 30 September 2009

	Notes	For the six months ended 30 September 2009 HK$'000 (Unaudited)	2008 HK$'000 (Unaudited)
REVENUE	*3*	**249,564**	96,765
Cost of sales		**(129,709)**	(71,296)
Gross profit		**119,855**	25,469
Other income	*4,17*	**142,520**	12,764
Change in fair value of investment properties	*4*	**253,038**	(333,498)
Selling and distribution costs		**(40,012)**	(45,301)
Administrative expenses		**(98,267)**	(46,991)
Other expenses		**(623)**	(6,139)
Finance costs	*5*	**(11,840)**	(3,462)
Share of profits and losses of:			
Jointly-controlled entities		**645**	672
An associate		**(165)**	(78)
PROFIT/(LOSS) BEFORE TAX	*6*	**365,151**	(396,564)
Tax	*7*	**(119,747)**	77,096
PROFIT/(LOSS) FOR THE PERIOD		**245,404**	(319,468)
Attributable to:			
Owners of the Company		**245,709**	(319,195)
Minority interests		**(305)**	(273)
		245,404	(319,468)
EARNINGS PER SHARE	*8*		
Basic			
— For profit/(loss) for the period attributable to owners of the Company		**HK5.45 cents**	HK(7.09) cents
Diluted			
— For profit/(loss) for the period attributable to owners of the Company		**HK5.45 cents**	HK(7.09) cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2009

	For the six months ended 30 September	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**245,404**	(319,468)
Exchange realignment	**236**	91,656
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**245,640**	(227,812)
Attributable to:		
Owners of the Company	**245,909**	(228,278)
Minority interests	**(269)**	466
	245,640	(227,812)

Interim Condensed Consolidated Statement of Financial Position

At 30 September 2009

	Notes	30 September 2009 HK$'000 (Unaudited)	31 March 2009 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**244,926**	260,302
Investment properties	*11*	**6,803,853**	6,543,757
Properties under development	*12*	**2,074,666**	1,404,571
Prepaid land premiums	*13*	**6,973**	7,051
Goodwill		**20,066**	20,066
Interests in jointly-controlled entities		**6,150**	5,740
Interest in an associate		**(1,650)**	(1,106)
Loan receivables		**1,642**	4,414
Finance lease receivables		**59,326**	65,952
Deposits paid for purchase of land		**17,496**	74,663
Deferred tax assets		**21,513**	12,599
Total non-current assets		**9,254,961**	8,398,009
CURRENT ASSETS			
Properties held for sale		**429,913**	481,821
Properties for finance lease		**99,753**	101,743
Trade receivables	*14*	**82,547**	25,530
Prepayments, deposits and other receivables		**100,491**	68,128
Pledged bank deposits	*15*	**454,120**	—
Cash and cash equivalents		**3,639,088**	246,084
Total current assets		**4,805,912**	923,306
CURRENT LIABILITIES			
Other payables, accruals and deposits received		**1,057,427**	777,966
Interest-bearing bank borrowings	*16*	**1,254,711**	470,652
Bills payable		**130,469**	237,332
Tax payable		**122,531**	79,695
Total current liabilities		**2,565,138**	1,565,645
NET CURRENT ASSETS/(LIABILITIES)		**2,240,774**	(642,339)
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,495,735**	7,755,670

Interim Condensed Consolidated Statement of Financial Position *(continued)*

At 30 September 2009

	Notes	**30 September 2009 HK$'000 (Unaudited)**	31 March 2009 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*16*	**2,212,683**	898,774
Interest-bearing notes	*17*	**—**	915,790
Deferred tax liabilities		**1,438,958**	1,359,348
Due to shareholders	*18*	**—**	85,800
Total non-current liabilities		**3,651,641**	3,259,712
Net assets		**7,844,094**	4,495,958
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*19*	**60,000**	200
Reserves		**7,750,368**	4,461,763
		7,810,368	4,461,963
Minority interests		**33,726**	33,995
Total equity		**7,844,094**	4,495,958

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2009

	Attributable to owners of the Company									
	Issued capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total Equity HK$'000
At 1 April 2008 (audited)	200	—	27,072	182,768	57,639	484,076	2,857,025	3,608,780	33,772	3,642,552
Total comprehensive income	—	—	593	—	—	90,324	(319,195)	(228,278)	466	(227,812)
Equity-settled share option arrangement	—	—	—	—	3,294	—	—	3,294	—	3,294
At 30 September 2008 (unaudited)	200	—	27,665	182,768	60,933	574,400	2,537,830	3,383,796	34,238	3,418,034
At 1 April 2009 (audited)	**200**	**—**	**27,662**	**182,768**	**64,226**	**576,034**	**3,611,073**	**4,461,963**	**33,995**	**4,495,958**
Total comprehensive income	**—**	**—**	**29**	**—**	**—**	**171**	**245,709**	**245,909**	**(269)**	**245,640**
Issue of shares at a premium through initial public offering	**15,000**	**3,135,000**	**—**	**—**	**—**	**—**	**—**	**3,150,000**	**—**	**3,150,000**
Issue of shares by capitalisation of shareholders' loan	**44,800**	**41,000**	**—**	**—**	**—**	**—**	**—**	**85,800**	**—**	**85,800**
Transaction costs attributable to issue of shares	**—**	**(136,598)**	**—**	**—**	**—**	**—**	**—**	**(136,598)**	**—**	**(136,598)**
Equity-settled share option arrangement	**—**	**—**	**—**	**—**	**3,294**	**—**	**—**	**3,294**	**—**	**3,294**
Transfer to retained profits	**—**	**—**	**—**	**(182,768)**	**—**	**—**	**182,768**	**—**	**—**	**—**
At 30 September 2009 (unaudited)	**60,000**	**3,039,402***	**27,691***	**—***	**67,520***	**576,205***	**4,039,550***	**7,810,368**	**33,726**	**7,844,094**

* These reserve accounts comprise the consolidated reserves of HK$7,750,368,000 (31 March 2009: HK$4,461,763,000) in the interim condensed consolidated balance sheet.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2009

	For the six months ended 30 September	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES	**197,065**	37,541
CASH FLOWS FROM INVESTING ACTIVITIES	**(558,489)**	(715,547)
CASH FLOWS FROM FINANCING ACTIVITIES	**4,213,819**	(106,226)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**3,852,395**	(784,232)
Cash and cash equivalents at beginning of period	**246,084**	1,228,898
Effect of foreign exchange rate changes, net	**(5,271)**	22,626
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4,093,208**	467,292

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2009

1. Corporate Information

China South City Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Room 2205, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The principal place of business of the Group is located at No. 1 Hua Nan Main Road, Pinghu, Longgang District, Shenzhen, the People's Republic of China (the "PRC").

During the period, the Group was involved in the following principal activities:

- development and management of China South International Industrial Materials City, which is an integrated logistics trading center situated in Shenzhen, the PRC,

- providing property management services, and hotel services.

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 September 2009.

These interim condensed consolidated financial statements have not been audited.

2. Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the years ended 31 March 2007, 2008 and 2009.

Impact of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations)

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2009, except for the adoption of the new standards and interpretations as noted below.

HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial instruments: Disclosure — Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HK(IFRIC)-Int 9 and HKAS39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*

Notes to Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 September 2009

2. Basis of Preparation *(continued)*

Impact of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) *(continued)*

Apart from the above, in October 2008, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after July 1, 2009, the amendments are effective for annual periods beginning on or after January 1, 2009 although there are separate transitional provisions for each standard.

* *Improvements to HKFRSs* issued in October 2008 contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The adoption of the above new standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 8 requires disclosure of the information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under the HKAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 3.

HKAS 40 has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value is reliably measured). The directors of the Company determined that the portion for lease of properties under construction has not been finalised up to the reporting date and these properties are measured at cost less impairment as properties under development (note 12) as at 30 September 2009.

3. Segment Information

For management purpose, the Group is organised into business units based on their products and services and has four reportable segments as follows:

(a) the property development segment engages in the development of integrated logistic and trade centers and supporting residential properties;

(b) the property investment segment invests in integrated logistic and trade centers and supporting facilities;

(c) the property management segment engages in the management of the Group's developed properties; and

(d) the hotel operation segment engages in the provision of hotel services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and interest income) and income taxes are managed on a group basis and are not allocated to operating segments.

Notes to Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 September 2009

3. Segment Information *(continued)*

Intersegment revenues are eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Segment Results, Assets and Liabilities

Six months ended 30 September 2009 (Unaudited)	Property development HK$'000 (Unaudited)	Property investment HK$'000 (Unaudited)	Property management HK$'000 (Unaudited)	Hotel operation HK$'000 (Unaudited)	Others HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Sales to customers	**177,202**	**49,207**	**12,213**	**13,098**	**—**	**251,720**
Intersegment sales	**—**	**—**	**—**	**(2,156)**	**—**	**(2,156)**
Reportable segment revenue	**177,202**	**49,207**	**12,213**	**10,942**	**—**	**249,564**
Reportable segment profit before increase in fair value of investment properties	**122,737**	**12,637**	**(6,305)**	**(9,214)**	**—**	**119,855**
Increase in fair value of investment properties	**—**	**253,038**	**—**	**—**	**—**	**253,038**
Reportable segment profit after increase in fair value of investment properties	**122,737**	**265,675**	**(6,305)**	**(9,214)**	**—**	**372,893**
Reportable segment assets	**683,336**	**8,885,525**	**3,229**	**86,199**	**494**	**9,658,783**
Reportable segment liabilities	**455,791**	**1,498,163**	**1,932**	**—**	**—**	**1,955,886**
Six months ended 30 September 2008 (Unaudited)						
Sales to customers	19,926	51,418	10,200	16,215	835	98,594
Intersegment sales	—	—	—	(1,829)	—	(1,829)
Reportable segment revenue	19,926	51,418	10,200	14,386	835	96,765
Reportable segment profit before increase in fair value of investment properties	14,123	15,247	1,903	(6,639)	835	25,469
Increase in fair value of investment properties	—	(333,498)	—	—	—	(333,498)
Reportable segment profit after increase in fair value of investment properties	14,123	(318,251)	1,903	(6,639)	835	(308,029)

Notes to Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 September 2009

3. Segment Information *(continued)*

(b) Reconciliations of Reportable Segment Revenues, Profit or Loss, Assets and Liabilities

	For the six months ended 30 September	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**251,720**	98,594
Elimination of inter-segment revenue	**(2,156)**	(1,829)
Consolidated turnover	**249,564**	96,765
Profit/(Loss)		
Reportable segment profit/(loss) after increase (decrease) in fair value of investment properties	**372,893**	(308,029)
Share of profits and losses of jointly-controlled entities	**645**	672
Share of the loss of an associate	**(165)**	(78)
Finance costs	**(11,840)**	(3,462)
Unallocated income	**142,520**	12,764
Unallocated expense	**(138,902)**	(98,431)
Consolidated profit/(loss) before taxation	**365,151**	(396,564)

	30 September 2009	31 March 2009
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Assets		
Reportable segment assets	**9,658,783**	8,795,871
Interests in jointly-controlled entities	**6,150**	5,740
Interest in an associate	**(1,650)**	(1,106)
Goodwill	**20,066**	20,066
Unallocated assets	**4,377,524**	500,744
Consolidated total assets	**14,060,873**	9,321,315
Liabilities		
Reportable segment liabilities	**1,955,886**	1,605,876
Current tax liabilities	**20,700**	22,428
Bank borrowings and bills payable	**3,597,863**	1,606,758
Interest-bearing notes	**—**	915,790
Due to shareholders	**—**	85,800
Unallocated liabilities	**642,330**	588,705
Consolidated total liabilities	**6,216,779**	4,825,357

Notes to Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 September 2009

4. Other Income and Gains

	For the six months ended 30 September	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Other income		
Interest income from:		
Banks	**307**	2,320
Loan receivables	**2,316**	3,680
Contracted income in respect of the operation of hotel supporting entertainment facilities	**1,304**	3,839
Penalty income	**220**	294
Gain on restructure and buying back of the interest-bearing notes *(note 17)*	**136,709**	—
Others	**1,664**	2,631
	142,520	12,764
Change in fair value of investment properties	**253,038**	(333,498)
	395,558	(320,734)

5. Finance Costs

	For the six months ended 30 September	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on bank loans, wholly repayable within five years, net	**83,951**	35,035
Interest on the interest-bearing notes	**72,581**	80,250
Less: Interest capitalised	**(144,692)**	(111,823)
Total	**11,840**	3,462

Notes to Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 September 2009

6. Profit/(Loss) Before Tax

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Depreciation	**18,290**	18,288
Less: Depreciation capitalised in respect of properties under development	**(25)**	(80)
	18,265	18,208
Amortisation of prepaid land premiums	**86**	86
Equity-settled share option expense	**3,294**	3,294
Impairment of interests in jointly-controlled entities*	**199**	1,123

* Included in "Other expenses" on the face of the interim condensed consolidated income statement.

7. Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (2008: Nil). Major subsidiaries of the Group operate in Shenzhen, Mainland China, which were subject to the PRC corporate income tax rates of 20% for the year 2009 (2008: 18%).

During the 5th session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved. It became effective on 1 January 2008. The PRC Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of income tax rates for domestic-invested and foreign-invested enterprises at 25%. Accordingly, the deferred taxes as at 30 September 2008 and 2009 have been provided at the enacted corporate tax rates.

The PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. The amount of LAT of HK$44,479,000 was charged to the consolidated income statements for the six months ended 30 September 2009 (six months ended 30 September 2008: HK$4,410,000).

Notes to Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 September 2009

7. Tax *(continued)*

The major components of income tax expense for the periods are as follows:

	For the six months ended 30 September 2009 HK$'000 (Unaudited)	2008 HK$'000 (Unaudited)
Current — Mainland China corporate income tax	**6,732**	—
Current — LAT in Mainland China	**44,479**	4,410
Deferred — Mainland China corporate income tax	**67,923**	(80,712)
Deferred — LAT in Mainland China	**(8,896)**	(794)
Deferred — Withholding tax on dividend	**9,509**	—
Total tax charged for the period	**119,747**	(77,096)

8. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 September 2009 (Unaudited)	2008 (Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit/(loss) for the period attributable to owners of the Company)	**245,709,000**	(319,195,000)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,508,241,758**	4,500,000,000
Effect of dilutive potential ordinary shares on share options	**127,595**	—
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	**4,508,369,353**	4,500,000,000

The calculation of weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the capitalisation issue as detailed in note 18.

Notes to Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 September 2009

9. Dividends

No dividend has been paid or declared by the Company for the six months ended 30 September 2009 (six months ended 30 September 2008: nil).

10. Property, Plant and Equipment

During the six months ended 30 September 2009, the Group acquired property, plant and equipment with an aggregate cost of approximately HK$3,168,000 (six months ended 30 September 2008: HK$1,719,000).

Certain of the Group's buildings and hotel properties with an aggregate carrying value of approximately HK$67,570,000 as at 30 September 2009 (31 March 2009: HK$66,588,000) were pledged to secure general banking facilities granted to the Group (note 16).

At 30 September 2009, certificates of ownership in respect of certain buildings of the Group in the PRC with an aggregate net book value of HK$22,674,000 had not been issued by the relevant PRC authorities (31 March 2009: HK$23,468,000). The Group is in the process of obtaining the relevant certificates of ownership.

11. Investment Properties

The Group's investment properties as at 30 September 2009 were valued by Savills Valuation and Professional Services Limited (the "Savills"), independent professionally qualified valuers, at RMB5,993,000,000 (31 March 2009: RMB5,770,000,000) (equivalent to HK$6,803,853,000 (31 March 2009: HK$6,543,757,000)) on an open market, existing use basis.

Certain of the Group's investment properties with aggregate carrying values of approximately HK$3,644,313,000 as at 30 September 2009 (31 March 2009: HK$3,524,783,000) were pledged to secure general banking facilities granted to the Group (note 16).

12. Properties Under Development

Certain of the Group's properties under development with an aggregate carrying value of approximately HK$70,899,000 as at 30 September 2009 (31 March 2009: HK$140,549,000) were pledged to secure general banking facilities granted to the Group (note 16).

13. Prepaid Land Premiums

Certain of the Group's leasehold land with an aggregate carrying value of approximately HK$2,460,000 as at 30 September 2009 (31 March 2009: HK$2,486,000) were pledged to secure general banking facilities granted to the Group (note 16).

Notes to Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 September 2009

14. Trade Receivables

Trade receivables represent rentals receivable from tenants and sales income and service income receivables from customers which are payable on presentation of invoices. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

An aged analysis of the trade receivables as at each of the balance sheet dates, based on the payment due date, is as follows:

	30 September 2009 HK$'000 (Unaudited)	31 March 2009 HK$'000 (Audited)
Current	**53,641**	22,992
30 to 60 days	**9,285**	494
61 to 90 days	**4,292**	681
Over 90 days	**15,329**	1,363
Total	**82,547**	25,530

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

15. Pledged Bank Deposits

Certain of the Group's bank balances with an aggregate carrying value of HK$454,120,000 as at 30 September 2009 (31 March 2009: Nil) were pledged to secure general banking facilities granted to the Group (note 16).

Notes to Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 September 2009

16. Interest-bearing Bank Borrowings

	30 September 2009 HK$'000 (Unaudited)	31 March 2009 HK$'000 (Audited)
Current		
Bank loans — unsecured	716,942	8,506
Bank loans — secured	537,769	462,146
	1,254,711	470,652
Non-current		
Bank loans — unsecured	460,364	—
Bank loans — secured	1,752,319	898,774
	2,212,683	898,774
Analysed into:		
Repayable within one year or on demand	1,254,711	470,652
Repayable in the second to fifth years, inclusive	1,957,240	898,774
Repayable beyond five years	255,443	—
	3,467,394	1,369,426

Certain of the Group's bank loans are secured by the Group's buildings, hotel properties, investment properties, properties under development, leasehold land and pledged bank deposits as stated in notes 10, 11, 12, 13 and 15.

Certain of the Group's properties held for sale with an aggregate carrying value of approximately HK$44,956,000 as at 30 September 2009 (31 March 2009: HK$45,255,000) are pledged for certain of the Group's bank loans.

In addition, the Company's directors and a related company have guaranteed certain of the Group's bank loans up to HK$8,506,000 as at 31 March 2009. These guarantees have been released as at 30 September 2009.

All interest-bearing bank loans bear interest at floating rates ranging from 2.38% to 5.94% per annum. Except for the bank loans equivalent to approximately HK$452,400,000 (31 March 2009: Nil), which are denominated in United States dollars, all borrowings are denominated in RMB.

Notes to Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 September 2009

17. Interest-bearing Notes

On 11 July 2007, the Company issued US$125 million convertible notes (the "Convertible Notes") bearing interest at coupon rates ranging from 7% to 11% per annum, subject to the success and the date of Initial Public Offering ("IPO"), to independent financial institutions (hereinafter referred to as the "Noteholders" for the ultimate beneficial holders of the Convertible Notes). The Convertible Notes will mature on 11 July 2012. The Convertible Notes can be converted into certain percentage of the Company's shares and the conversion price is subject to anti-dilution adjustment. The Noteholders have the right to convert the Convertible Notes into shares of the Company from the IPO date to their maturity date.

On 28 March 2008, the Company entered into an agreement with the Noteholders, pursuant to which certain terms and conditions of the Convertible Notes and the trust deed that constitutes the Convertible Notes were amended and replaced with the revised terms and conditions. As a result, the conversion feature attached to the Convertible Notes was removed and the Convertible Notes became pure debts (the "Interest-bearing Notes") and are not convertible into the Company's shares thereafter. In addition, the existing shareholders of the Company at that date (Accurate Gain Developments Limited, Proficient Success Limited, Carrianna Development Limited, Kings Faith International Limited, Kinox Holdings Limited and Luk Ka International Limited, collectively referred to as the "Existing Shareholders") will transfer certain of the Company's shares currently held by the Existing Shareholders, which is subject to adjustment and finalisation, to the Noteholders upon the Company's IPO.

As a result of the above transactions, the liability portion and embedded financial derivatives of the Convertible Notes totalling HK$979 million have been derecognised, simultaneously the Interest-bearing Notes of HK$796 million and capital reserve of HK$183 million, representing the fair value of the shares to be transferred by the Existing Shareholders imposed to the Group, have been recognised. The fair value of the embedded financial derivatives of the Convertible Notes and the shares to be transferred by the Existing Shareholders were estimated by Vigers Appraisal & Consulting Ltd. ("Vigers"), an independent firm of professional qualified valuers. The fair value of the embedded financial derivatives was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions for the conversion option. The resulted gain net of the imputed cost of the shares to be transferred arose from the derecognition of the liability portion and embedded financial derivatives of the Convertible Notes is not significant.

On 26 June 2009, the Group entered into an amended agreement with the Noteholders to reduce the coupon interest rates of the Interest-bearing Notes from 9%, 11% and 11% to 0%, 3% and 6% for each of the three years ending 10 July 2010, 2011 and 2012, respectively. In addition, the early redemption option of the Interest-bearing Notes was removed. On the same date, the Existing Shareholders entered into supplemental agreements with the Noteholders to change certain terms in the share transfer agreements. As a result of the transactions incurred in June 2009, the existing Interest-bearing Notes of HK$972 million has been derecognised and a new Interest-bearing Notes of HK$921 million, representing the fair value of the new Interest-bearing Notes, estimated by Vigers, has been recognised simultaneously. The fair value of the new Interest-bearing Notes was estimated as at the date of restructure and the amount of HK$50,778,000 was recognised as gain on the second restructure of the Interest-bearing Notes.

On 6 July 2009 and 22 July 2009, the Group entered into agreements with three of the Noteholders to buy back the outstanding principal amount of the Interest-bearing Notes beneficially owned by them (US$94.5 million) together with all accrued and unpaid interest, if any, at a consideration of US$78.53 million. After the Group completed the buying back of these Interest-bearing Notes, they were cancelled and the outstanding principal amount of the Interest-bearing Notes has been reduced from US$125 million to US$30.5 million, the related obligation for the Existing Shareholders to transfer shares to the Noteholders was also released. The amount of HK$85,931,000 was recognised as gain on the buying back of the Interest-bearing Notes after deduction of any transaction costs related.

On 30 September 2009, the IPO date of the Company, the Group has redeemed the remaining outstanding principal amount of the Interest-bearing Notes in accordance with the terms and conditions.

Upon the completion of the buying back and redeem of the Interest-bearing Notes, the outstanding balance was derecognised to nil and the capital reserve of HK$183 million was transferred to retained profits accordingly.

Notes to Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 September 2009

18. Due to Shareholders

On 4 September 2009, the Existing Shareholders of the Company unanimously passed the resolution of the capitalisation of an aggregate amount of HK$85,800,000 shareholders' loan made by the Existing Shareholders to the Company according to their proportionate shareholding at the IPO date, whereby HK$44,800,000 would be paid up in full at par value for the allotment and issuance of an aggregate number of 4,480,000,000 shares of HK$0.01 each to these Existing Shareholders (or their nominees), with the remaining HK$41,000,000 to be credited to the share premium account of the Company.

On 30 September 2009, the IPO date of the Company, the shareholders' loan have been capitalised in accordance with the resolution.

The shares allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued shares.

19. Issued Capital

	30 September 2009 HK$'000 (Unaudited)	31 March 2009 HK$'000 (Audited)
Authorised:		
30,000,000,000 (31 March 2009: 1,000,000,000) ordinary shares of HK$0.01 each	**300,000**	10,000
Issued and fully paid		
6,000,000,000 (31 March 2009: 20,000,000) ordinary shares of HK$0.01 each	**60,000**	200

During the period ended 30 September 2009, the movements in issued capital were as follows:

	Notes	**Number of shares in issue**	**Issued capital** HK$'000
At 1 April 2009		20,000,000	200
Capitalisation of shareholders' loan	*18*	4,480,000,000	44,800
Issuance of new shares	*(i)*	1,500,000,000	15,000
At 30 September 2009 (unaudited)		6,000,000,000	60,000

(i) On 30 September 2009, the Company issued 1,500,000,000 ordinary shares of HK$0.01 each for cash at the price of HK$2.1 per share, totalling HK$3,150,000,000, pursuant to the Company's initial public offering for the listing of those shares on the Stock Exchange.

Notes to Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 September 2009

20. Contingent Liabilities

At the end of the period, contingent liabilities not provided for in the financial statements were as follows:

	30 September 2009 HK$'000 (Unaudited)	31 March 2009 HK$'000 (Audited)
Guarantees given to banks in connection with facilities granted to third parties	**87,456**	95,915

21. Commitments

The Group had the following commitments at the end of the period:

Group	**30 September 2009 HK$'000 (Unaudited)**	31 March 2009 HK$'000 (Audited)
Contracted, but not provided for:		
Properties under development	**61,253**	304,065
Purchase of land	**—**	28,541
	61,253	332,606
Capital contributions to subsidiaries	**56,765**	67,228

Notes to Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 September 2009

22. Related Party Transactions

(a) The Group had the following material transactions with related parties during the six months ended 30 September 2008 and 2009:

		Six months ended 30 September	
		2009	2008
	Notes	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)
Companies in which a director of the Company is a controlling shareholder:			
Purchase of products	*(i)*	**–**	39
Consultancy fees paid	*(ii)*	**300**	300
Rental rate and related services fees paid	*(iii)*	**912**	457

Notes:

(i) The purchase of products from related companies were made according to the published prices and conditions offered by the related companies to their major customers.

(ii) The consultancy fees were related to the consultancy and management services provided to the Group by a related company and were based on terms mutually agreed between both parties.

(iii) The rental rate and related services fees were related to the leasing of office space provided to the Group by a related company. The fees were charged based on terms mutually agreed between both parties.

(b) Other transactions with related parties

The Company's directors and a related company have guaranteed certain of the Group's bank loans up to HK$8,506,000 as at 31 March 2009 (note 16). These guarantees have been released as at 30 September 2009.

(c) Outstanding balances with related parties:

	30 September	31 March
	2009	2009
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Amounts due from jointly-controlled entities (i)	**9,081**	9,114
Amounts due to an associate (ii)	**3,238**	2,857
Amounts due to shareholders (iii)	**–**	85,800

(i) The amounts due from jointly-controlled entities are unsecured, have no fixed terms of repayment and bear interest at 7% per annum.

(ii) The amounts due to an associate are unsecured and interest-free, and have no fixed terms of repayment.

(iii) The amounts due to shareholders are unsecured, interest-free and are not repayable within the next 12 months from the balance sheet date.

Notes to Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 September 2009

22. Related Party Transactions *(continued)*

(d) Compensation of key management personnel of the Group:

	Six months ended 30 September	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**41,028**	7,241
Post-employment benefits	**52**	49
Share-based payments	**3,294**	3,294
Total compensation paid to key management personnel	**44,374**	10,584

23. Post Balance Sheet Events

(a) On 9 October 2009, Phase Two leather and accessories trade center of the Group's property located in Shenzhen, Guangdong Province, the PRC, was completed by being granted the completion certificate by the local authority.

(b) On 18 October and 9 December 2009, the Group entered into land use right bid confirmations with the Nanning Land and Resources Bureau and Nanchang Land and Resources Bureau in relation to approximately 890,177 square meters and 1,050,000 square meters of two plots of land in Nanning and Nanchang, the PRC, respectively. The aggregate consideration for the lands is approximately RMB351.3 million and RMB555.4 million to be payable to the Nanning Land and Resources Bureau and Nanchang Land and Resources Bureau, respectively, in accordance with the terms of the land use right bid confirmations.

(c) On 3 November 2009, the Xi'an International Trade and Logistics Park Management Committee, China South International Industrial Materials City (Shezhen) Company Limited (a wholly-owned subsidiary of the Company), Xin Hao Da (Hong Kong) Holding Company Limited ("Xin Hao Da") and Xi'an Government entered into a Project Agreement for the development of a large-scale integrated logistics trade center in Xi'an International Trade and Logistics Park ("Xi'an Project"). On 12 November 2009, the Group and Xin Hao Da established Xi'an China South City Company Limited ("Xi'an CSC") which is responsible for the development of Xi'an Project. The registered capital of Xi'an CSC is USD30 million and owned as to 65% by the Group and 35% by Xin Hao Da.

24. Approval of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 15 December 2009.