Mueller Water Products, Inc.
Form 10-Q
February 07, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2013
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 001-32892
MUELLER WATER PRODUCTS, INC.
(Exact name of registrant as specified in its charter)

Delaware	20-3547095
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1200 Abernathy Road N.E.
Suite 1200
Atlanta, GA 30328
(Address of principal executive offices)
(770) 206-4200
(Registrant's telephone number, including area code)
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 x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o

(Do not check if a smaller reporting company)
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No
There were 159,187,136 shares of common stock of the registrant outstanding at January 31, 2014.

PART I

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	December 31, 2013	September 30, 2013
	(in millions, except share amounts)	
Assets:		
Cash and cash equivalents	$ 106.8	$ 123.6
Receivables, net	134.4	164.5
Inventories	214.3	208.5
Deferred income taxes	64.0	26.7
Other current assets	46.5	46.1
Total current assets	566.0	569.4
Property, plant and equipment, net	141.9	141.9
Identifiable intangible assets	545.5	553.1
Other noncurrent assets	16.3	17.5
Total assets	$ 1,269.7	$ 1,281.9
Liabilities and stockholders' equity:		
Current portion of long-term debt	$ 1.2	$ 1.3
Accounts payable	71.4	101.2
Other current liabilities	66.9	80.6
Total current liabilities	139.5	183.1
Long-term debt	599.5	599.5
Deferred income taxes	176.4	141.5
Other noncurrent liabilities	32.5	29.6
Total liabilities	947.9	953.7
Commitments and contingencies (Note 10)		
Common stock: 600,000,000 shares authorized; 159,004,117 and 158,234,300 shares outstanding at December 31, 2013 and September 30, 2013, respectively	1.6	1.6
Additional paid-in capital	1,581.9	1,584.4
Accumulated deficit	(1,228.1)	(1,229.2)
Accumulated other comprehensive loss	(33.6)	(28.6)
Total stockholders' equity	321.8	328.2
Total liabilities and stockholders' equity	$ 1,269.7	$ 1,281.9

The accompanying notes are an integral part of the consolidated financial statements.

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MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three months ended December 31,	
	2013	2012
	(in millions, except per share amounts)	
Net sales	$ 257.4	$ 245.1
Cost of sales	190.3	188.0
Gross profit	67.1	57.1
Operating expenses:		
Selling, general and administrative	53.0	49.5
Restructuring	0.1	0.7
Total operating expenses	53.1	50.2
Operating income	14.0	6.9
Interest expense, net	12.6	13.5
Income (loss) before income taxes	1.4	(6.6)
Income tax expense (benefit)	0.3	(1.6)
Income (loss) from continuing operations	1.1	(5.0)
Income from discontinued operations	—	12.0
Net income	$ 1.1	$ 7.0
Net income per basic share:		
Continuing operations	$ 0.01	$ (0.03)
Discontinued operations	—	0.07
Net income	$ 0.01	$ 0.04
Net income per diluted share:		
Continuing operations	$ 0.01	$ (0.03)
Discontinued operations	—	0.07
Net income	$ 0.01	$ 0.04
Weighted average shares outstanding:		
Basic	158.5	157.1
Diluted	161.7	159.2
Dividends declared per share	$ 0.0175	$ 0.0175

The accompanying notes are an integral part of the consolidated financial statements.

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Three months ended December 31,	
	2013	2012
	(in millions)	
Net income	$ 1.1	$ 7.0
Other comprehensive income (loss):		
Minimum pension liability	(4.9)	(3.4)
Income tax effects	1.9	6.8
Foreign currency translation	(2.0)	(0.7)
	(5.0)	2.7
Comprehensive income (loss)	$ (3.9)	$ 9.7

The accompanying notes are an integral part of the consolidated financial statements.
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MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
THREE MONTHS ENDED DECEMBER 31, 2013
(UNAUDITED)

	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total
	(in millions)				
Balance at September 30, 2013	$ 1.6	$ 1,584.4	$ (1,229.2)	$ (28.6)	$ 328.2
Net income	—	—	1.1	—	1.1
Dividends declared	—	(2.8)	—	—	(2.8)
Stock-based compensation	—	2.4	—	—	2.4
Shares retained for employee taxes	—	(3.0)	—	—	(3.0)
Stock issued under stock compensation plans	—	0.9	—	—	0.9
Other comprehensive loss, net of tax	—	—	—	(5.0)	(5.0)
Balance at December 31, 2013	$ 1.6	$ 1,581.9	$ (1,228.1)	$ (33.6)	$ 321.8

The accompanying notes are an integral part of the consolidated financial statements.

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three months ended December 31, 2013	2012
	(in millions)	
Operating activities:		
Net income	$ 1.1	$ 7.0
Adjustments to reconcile net income to net cash provided by (used in) operating activities from continuing operations:		
Income from discontinued operations	—	(12.0)
Income (loss) from continuing operations	1.1	(5.0)
Depreciation	6.8	7.4
Amortization	7.9	7.4
Stock-based compensation	2.4	1.5
Deferred income taxes	0.1	(1.8)
Retirement plans	0.4	1.1
Other, net	0.5	0.8
Changes in assets and liabilities, net of acquisitions:		
Receivables	29.7	30.0
Inventories	(6.1)	(7.1)
Other assets	0.2	(0.4)
Liabilities	(46.8)	(33.3)
Net cash provided by (used in) operating activities from continuing operations	(3.8)	0.6
Investing activities:		
Capital expenditures	(7.5)	(6.2)
Acquisition of technology	—	(0.3)
Proceeds from sales of assets	0.2	—
Net cash used in investing activities from continuing operations	(7.3)	(6.5)
Financing activities:		
Dividends paid	(2.8)	(2.7)
Common stock issued	0.9	0.3
Shares retained for employee taxes	(3.0)	(1.3)
Payment of deferred financing fees	—	(0.7)
Other	0.4	(0.6)
Net cash used in financing activities	(4.5)	(5.0)
Net cash flows from discontinued operations:		
Operating activities	—	(1.7)
Investing activities	—	4.5
Net cash provided by discontinued operations	—	2.8
Effect of currency exchange rate changes on cash	(1.2)	(0.4)
Net change in cash and cash equivalents	(16.8)	(8.5)
Cash and cash equivalents at beginning of period	123.6	83.0
Cash and cash equivalents at end of period	$ 106.8	$ 74.5

The accompanying notes are an integral part of the consolidated financial statements.

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Note 1. Organization
Mueller Water Products, Inc., a Delaware corporation, together with its consolidated subsidiaries, operates in two business segments: Mueller Co. and Anvil. Mueller Co. manufactures valves for water and gas systems, including butterfly, iron gate, tapping, check, plug and ball valves, as well as dry-barrel and wet-barrel fire hydrants, metering systems, and provides leak detection and pipe condition assessment products and services for the water infrastructure industry. Anvil manufactures and sources a broad range of products, including a variety of fittings, couplings, hangers and related products. The “Company,” “we,” “us” or “our” refer to Mueller Water Products, Inc. and its subsidiaries. With regard to the Company's segments, “we,” “us” or “our” may also refer to the segment being discussed.
Unless the context indicates otherwise, whenever we refer to a particular year, we mean our fiscal year ended or ending September 30 in that particular calendar year.
Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), which require us to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses and the disclosure of contingent assets and liabilities for the reporting periods. Actual results could differ from those estimates. All significant intercompany balances and transactions have been eliminated. In our opinion, all normal and recurring adjustments that we consider necessary for a fair financial statement presentation have been made. Certain reclassifications have been made to previously reported amounts to conform to the current presentation. The condensed consolidated balance sheet data at September 30, 2013 was derived from audited financial statements, but does not include all disclosures required by GAAP.
Note 2. Discontinued Operations
On April 1, 2012, we sold our former U.S. Pipe segment to USP Holdings Inc., an affiliate of Wynnchurch Capital, Ltd., and received proceeds of $94.0 million in cash, subject to adjustments, and the agreement by the purchaser to reimburse us for expenditures to settle certain previously-existing liabilities estimated at $10.1 million at March 31, 2012. During 2013, we received $4.5 million in cash for certain purchase price adjustments and reduced our loss on sale of discontinued operations accordingly.
U.S. Pipe's results of operations have been reclassified as discontinued operations for the three months ended December 31, 2012. The table below represents a summary of the operating results for these discontinued operations, in millions. These operating results do not reflect what they would have been had U.S. Pipe not been classified as discontinued operations.

Operating income	$ 7.2
Income on sale of discontinued operations	4.8
Income from discontinued operations	$ 12.0

We retained certain assets, liabilities and activities previously associated with our former U.S. Pipe segment, including ownership of certain real property and retention of pension and workers compensation obligations to employees of U.S. Pipe. Cash flows associated with some of these items are anticipated to continue indefinitely, but they are not clearly and closely related to the future operations of U.S. Pipe under its new owners.
Note 3. Income Taxes
After inclusion of the tax effect of the overall loss on the sale of U.S. Pipe, our net reversing deferred tax credits were insufficient to fully support our deferred tax assets, which include net operating loss carryforwards, and we concluded that a valuation allowance was necessary to reduce our U.S. net reversing deferred tax assets to zero. Accordingly, we recorded income tax expense in 2012 to establish valuation allowances related to deferred tax assets.
We reevaluate the need for a valuation allowance against the U.S. deferred tax assets each quarter, considering results to date, projections of taxable income, tax planning strategies and reversing taxable temporary differences. During the quarter ended December 31, 2012, we decreased our U.S. deferred tax valuation allowance by $4.6 million. Notwithstanding the valuation allowance, our net operating loss carryforwards remain available to offset future taxable earnings.

The components of income tax expense on continuing operations are provided below.

	Three months ended December 31,	
	2013	2012
	(in millions)	
Expense (benefit) from income (loss) before income taxes	$0.5	$(2.4)
Deferred tax asset valuation allowance adjustment	—	0.8
Other discrete items	(0.2)	—
	$0.3	$(1.6)

At December 31, 2013 and September 30, 2013, the gross liabilities for unrecognized income tax benefits were $3.8 million and $3.7 million, respectively.

We recognize interest related to uncertain income tax positions as interest expense and would recognize any penalties that may be incurred as selling, general and administrative expense. At December 31, 2013 and September 30, 2013, we had $0.9 million and $0.9 million, respectively, of accrued interest liabilities related to uncertain tax positions.

Our state income tax returns are generally closed for years prior to 2006, except to the extent of our state net operating loss carryforwards. Our Canadian income tax returns are generally closed for years prior to 2006. We are currently under audit by several states at various levels of completion. We do not have any material unpaid assessments.

Note 4. Borrowing Arrangements

The components of our long-term debt are presented below.

	December 31, 2013	September 30, 2013
	(in millions)	
ABL Agreement	$—	$—
8.75% Senior Unsecured Notes	178.0	178.0
7.375% Senior Subordinated Notes	420.0	420.0
Other	2.7	2.8
	600.7	600.8
Less current portion	(1.2)	(1.3)
Long-term debt	$599.5	$599.5

ABL Agreement. At December 31, 2013, our asset based lending agreement ("ABL Agreement") consisted of a revolving credit facility for up to $225 million of revolving credit borrowings, swing line loans and letters of credit. The ABL Agreement also permits us to increase the size of the credit facility by an additional $150 million in certain circumstances subject to adequate borrowing base availability. We may borrow up to $25 million through swing line loans and may have up to $60 million of letters of credit outstanding.

Borrowings under the ABL Agreement bear interest at a floating rate equal to LIBOR plus a margin ranging from 175 to 225 basis points, or a base rate, as defined in the ABL Agreement, plus a margin ranging from 75 to 125 basis points. At December 31, 2013, the applicable rate was LIBOR plus 175 basis points.

The ABL Agreement terminates on the earlier of (1) December 18, 2017 and (2) 60 days prior to the final maturity of our 7.375% Senior Subordinated Notes. We pay a commitment fee for any unused borrowing capacity under the ABL Agreement of either 37.5 basis points per annum or 25 basis points per annum, based on daily average availability during the previous calendar quarter. At December 31, 2013, our commitment fee was 37.5 basis points. Our obligations under the ABL Agreement are secured by a first-priority perfected lien on all of our U.S. receivables and inventory, certain cash and other supporting obligations. Borrowings are not subject to any financial maintenance covenants unless excess availability is less than the greater of $22.5 million and 10% of the aggregate commitments under the ABL Agreement. Excess availability based on December 31, 2013 data, as reduced by outstanding letters of credit and accrued fees and expenses of $30.8 million, was $138.5 million.

8.75% Senior Unsecured Notes. The 8.75% Senior Unsecured Notes (“Senior Unsecured Notes”) mature on September 1, 2020 and bear interest at 8.75%, paid semi-annually. The Senior Unsecured Notes balance at December 31, 2013 is net of $2.0 million of unamortized discount. Based on quoted market prices, the outstanding Senior Unsecured Notes had a fair value of $202.1 million at December 31, 2013.

After August 31, 2015, we may redeem the Senior Unsecured Notes at specified redemption prices. Upon a Change of Control (as defined in the indenture securing the Senior Unsecured Notes), we are required to offer to purchase the outstanding Senior Unsecured Notes at a purchase price of 101.0%. The Senior Unsecured Notes are guaranteed by essentially all of our U.S. subsidiaries, but are subordinate to borrowings under the ABL Agreement.

The indenture securing the Senior Unsecured Notes contains customary covenants and events of default, including covenants that limit our ability to incur debt, pay dividends and make investments. We believe we were compliant with these covenants at December 31, 2013 and expect to remain in compliance through December 31, 2014.

7.375% Senior Subordinated Notes. The 7.375% Senior Subordinated Notes (“Senior Subordinated Notes”) mature on June 1, 2017 and bear interest at 7.375%, paid semi-annually. Based on quoted market prices, the outstanding Senior Subordinated Notes had a fair value of $431.6 million at December 31, 2013.

We may redeem any portion of the Senior Subordinated Notes at specified redemption prices, subject to restrictions in the Senior Unsecured Notes. Upon a Change of Control (as defined in the indenture securing the Senior Subordinated Notes), we are required to offer to purchase the outstanding Senior Subordinated Notes at a purchase price of 101%. The Senior Subordinated Notes are guaranteed by essentially all of our U.S. subsidiaries, but are subordinate to the borrowings under the ABL Agreement and the Senior Unsecured Notes.

The indenture securing the Senior Subordinated Notes contains customary covenants and events of default, including covenants that limit our ability to incur debt, pay dividends and make investments. We believe we were compliant with these covenants at December 31, 2013 and expect to remain in compliance through December 31, 2014.

Note. 5 Retirement Plans

The components of net periodic benefit cost allocated to continuing operations for defined benefit pension plans are as follows.

Currently a significant portion of our sales are settled by one-off payment from buyers. The remaining buyers purchase spaces
the buyers that intend to purchase spaces in our trade centers through mortgage financing may not be successful in their mortg
accounts receivable from those buyers on time, the Company s financials may be impaired, and the Company s stock price m

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We currently rely on China Glorious City Zhoukou, China Glorious City Hengyang, China Glorious City Handan and China Glorious City Nanya business revenues. 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 I and China Glorious City Nanyang for our rural-urban migration and city re-development business. These revenue sources may entail a higher level of risk circumstance which adversely affects the operations or business of China Glorious City Zhoukou, China Glorious City Hengyang, China Glorious City properties in our agricultural logistics business and rural-urban migration and city re-development business to mitigate any ensuing loss. A concentration o City Zhoukou, China Glorious City Hengyang, China Glorious City Handan, China Glorious City Nanyang, China Northeast Logistics City Dezhou a business, financial condition and results of operations. Further, we cannot assure that China Glorious City Zhoukou, China Glorious City Hengyang, Chi we will be successful in the future. Although we have projects planned for future development in fiscal years 2017, 2018 and 2019, we cannot assure that 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 plann

Our Hong Kong subsidiary, China Metro-Rural Exchange Limited, signed a framework agreement with Tieling Municipal Government in 2006. Pursuant

Our Hong Kong subsidiary, China Metro-Rural Development Limited, signed a framework agreement with Dezhou Municipal Government in 2010. Pursu City Dezhou .

We signed a framework agreement with Hengyang Municipal Government in 2012. Pursuant to this framework agreement, the Hengyang Municipal Gove

We signed a framework agreement with Zhoukou Municipal Government in the fiscal year ended March 31, 2013. Pursuant to this framework agreement,

We signed a framework agreement with Handan Municipal Government in the fiscal year ended March 31, 2016. Pursuant to this framework agreement, t

We signed a framework agreement with Nanyang Municipal Government in the fiscal year ended March 31, 2016. Pursuant to this framework agreement,

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However, the signing of these master framework agreements do not guarantee that we will obtain the land identified therein, which will be transferred by p
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

We may experience conflicts of interest with China South City Holdings Limited as a result of contracts to which certain of our major shareholders ar

In addition to their investments in the Company, Mr. Cheng Chung Hing, Ricky, owns all the outstanding shares of Accurate Gain Developments Limited
Hing, Ricky, and Mr. Cheng Tai Po owned an aggregate of 2,451,116,976 of the 7,999,321,999 outstanding shares of China South City Holdings Limited,
international wholesale suppliers, buyers, manufacturers, distributors and end-users of products from raw materials to finished products. It sells and leases
range of facilities and services such as offices, residential, conference and exhibition facilities, hotels and restaurants, warehousing and on-site logistics se
City. In addition, Mr. Leung Moon Lam is a Co-Founder and Executive Director of China South City.

Mr. Cheng Chung Hing, Ricky, and Mr. Leung Moon Lam are each a party to a deed of option and undertaking with China South City. Pursuant to the dee
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 N
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 Chu
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
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 Moo
event prior to the occurrence of any competition between China South City and China Northeast Logistics City Tieling. As a result, there may be conflict
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 wheth
Following that request, China South City held an extraordinary general meeting in which its independent shareholders approved, confirmed and ratified its
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 d

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Six of our PRC subsidiaries, China Northeast Logistics City Co. Ltd., or China Tieling Northeast, China Northeast Logistics City Dezhou Co., Ltd., or Glorious City Strategic (Zhoukou) Co., Ltd., or China Zhoukou Glorious Strategic, and China Glorious City (Shenzhen) Industries Co., Ltd., or China

China Tieling Northeast, China Dezhou Northeast, China Hengyang Glorious, China Zhoukou Glorious Investments, China Zhoukou Glorious Strategic a regulations and restrictions applicable to foreign investment real estate enterprises, including, but not limited to, restrictions on their ability to obtain loans Glorious, China Zhoukou Glorious Investments and China Zhoukou Glorious Strategic, as foreign investment real estate enterprises, are required to maint Zhoukou Glorious Investments and China Zhoukou Glorious Strategic were US$49.80 million, US$49.90 million, US$59.99 million, US$39.99 million a 100%, 50%, 50% and 50% of their respectively registered total investments. Currently, China Tieling Northeast, China Dezhou Northeast, China Hengyan 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. Prope developments in the PRC. Our tenants and customers may be affected by the weather, climate, import and export of agricultural products and machines, p 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 dema 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

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 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 requireme 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 c according to market demand and dates of completion of the various trade centers, which affects rental rates because we generally offer tenants of newly co 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 cap variety of factors, including supply and demand of comparable properties, the rate of economic growth in the location of the property, interest rates, inflati

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

In order to develop and operate a trade center development, we must obtain various permits, licenses, certificates and other approvals from the relevant ad
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
approvals in China. There may also be delays on the part of relevant administrative bodies in reviewing our applications and granting approvals. We may a
in obtaining, the requisite governmental approvals, or if a building moratorium is implemented at one or more of our project sites, the development and sal
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

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

Our logistics city projects may face competition from other agricultural and industrial materials trade centers in China. The greatest concentration of indus
include agricultural products, building materials, automobile and accessories and small goods. In addition, there may be an increase in supply of industrial

The greatest concentration of agricultural trade centers in China is in Manchuria and Shanghai. The agricultural products for which these trade centers con
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

Demand for our trade centers may be negatively affected by uncertainty regarding the recovery of the global economy, which may have a material adv

Uncertainty regarding the recovery of the global economy may diminish the demand from many parts of the world and increase volatility in credit and equ
in the future, including financing necessary to complete our properties planned for future development, as well as the demand for our trade center units. Bo
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 n

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We may not be able to renew or re-obtain qualification certificates as real estate developers upon expiration of our current qualification certificate, wh

Our subsidiaries located in Tieling City, Dezhou City, Hengyang City, Zhoukou City, Handan City and Nanyang City are required to hold certain qualifica

On December 22, 2010, China Tieling Northeast obtained from the Liaoning Housing and Urban Rural Construction Bureau a Qualification Certificate for qualification certificate was renewed for a term until March 3, 2017. After the expiration of its current qualification certificate, China Tieling Northeast wi

The Dezhou Housing and Urban Rural Construction Bureau has granted interim qualification certificates to China Dezhou Northeast and Dezhou Northea certificate of China Dezhou Northeast expired on September 30, 2014, but the qualification certificate was then renewed until December 31, 2016. Upon e

The Hunan Housing and Urban Rural Construction Bureau has granted an interim qualification certificate to China Hengyang Glorious confirming that Ch certificate was then renewed until January 23, 2017. Upon expiration of the interim qualification certificate, China Hengyang Glorious will be required to

The Zhoukou Housing and Urban Rural Construction Bureau has granted interim qualification certificates to China Zhoukou Glorious Investments, China allowed to undertake the development of properties in the PRC. The interim qualification certificates of China Zhoukou Glorious Investments and China Z expiration of the interim qualification certificates, China Zhoukou Glorious Investments and China Zhoukou Glorious Strategic will be required to renew t

The Handan Construction Bureau has granted an interim qualification certificate to China Glorious City (Handan) Industries Co., Ltd., or China Handan G Upon expiration of the interim qualification certificate, China Handan Glorious will be required to renew its qualification certificate.

The Nanyang Housing and Urban Rural Construction Committee has granted an interim qualification certificate to China Glorious City (Nanyang) Industr Glorious will expire on April 14, 2018. Upon expiration of the interim qualification certificate, China Nanyang Glorious will be required to renew its qual

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, Government to continue to engage in property development activities associated with the development of their integrated logistics trade center business, w

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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 the future. Unforeseen changes in a particular integrated logistics and trade center development or in general or local economic conditions could affect the

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 properties. Environmental laws and conditions may result in project delays, may cause us to incur substantial compliance and other costs and can prohibit 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. Alt operations, it is possible that these investigations did not reveal all environmental liabilities or their extent, and there may be material environmental liabil to confirm such compliance. We cannot assure that such internal control procedures will be effective in preventing non-compliance. If any portion of the p 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 pl 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 b regulations, land appreciation tax is chargeable on the gain at progressive rates ranging from 30% to 60%. Certain exemptions may be available for the sal

On December 28, 2006, the State Administration of Taxation issued the Notice on Administration of the Settlement of Land Appreciation Tax of Property 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 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 rates of ranging fro we made an accumulated provisions for land appreciation in the amounts of HK$281.7 million. Except for China Northeast Logistics City Dezhou, the re Logistics City Dezhou has completed a final assessment for land appreciation tax for one of its projects. In the fiscal year ended March 31, 2016, we paid the PRC tax authorities do proceed to collect the land appreciation tax for which we have made provisions. In addition, provisioning for land appreciation provisions we have made are substantially lower than the actual land appreciation tax amounts assessed by the tax authorities, our results of operations and

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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 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 Glorious City Handan and China Glorious City Nanyang (and if these restrictions were applied to us), we may be restricted from bidding for other land c forfeiture of land or delays in the completion of the above projects will not occur in the future.

In addition, although the local governments are responsible in the framework agreements for relocating existing residents on the land and associated reloca 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 th

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 committing the financial and managerial resources to develop the land involve significant risks. Before a real estate development project generates any rev

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 pos

- we may lease or sell developed properties at below expected rental rates or sales prices, and we may experience delays in the
- we may be unable to complete construction of our real estate projects on schedule, or on budget, due to a variety of factors in government priorities and policies, changes in market conditions, delays in the relocation process, delays in obtaining the req
- occupancy rates, rents and sales prices at our real estate properties may fluctuate depending on a number of factors, including
- the services rendered by our contractors may not always meet our quality requirements, and negligence or poor work quality
- since it normally takes several years for us to complete a real estate project, we expect that we will be affected by increases in
- we may delay, or change the structure of, real estate projects and as a result we may lose deposits paid to participate in the lar
- we may be unable to obtain, or face delays in obtaining, required zoning, land use, building, occupancy, and other governmen

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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 a

We may not be able to obtain adequate funding for 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 Operations Liquidity and Capital Resources. As of March 31, 2016, we had net current assets of HK$691.9 million and the outstanding balance of our to primarily bank and other borrowings, trade payables, other payables and accruals and convertible bonds in the amounts of HK$717.2 million, HK$1,809.3 Logistics City Tieling, China Northeast Logistics City Dezhou, China Glorious City Hengyang, China Glorious City Zhoukou, China Glorious City H

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 t 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 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 e 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 ca 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 throu Tieling Northeast, China Dezhou Northeast, China Hengyang Glorious, China Zhoukou Glorious Investments, China Zhoukou Glorious Strategic, Zhouko

We may incur substantial additional indebtedness in the future.

As of March 31, 2016, our debt-to-equity ratio (total bank and other borrowings and convertible bonds/total equity) was approximately 117.9%. We may i subsidiaries incur additional debt. For example, the additional debt could:

- limit our ability to satisfy our obligations under our borrowings;

- increase our vulnerability to adverse general economic and industry conditions;

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- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, there

- 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 r

- 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 wil 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 t restructuring or refinancing our indebtedness or seeking additional equity capital. These strategies may not be implemented on satisfactory terms, if at all.

If we are unable to comply with the restrictions and covenants in our loan agreements, there could be a default under the terms of these agreements, w

The bank loan agreements of our PRC subsidiaries contain a number of significant restrictive covenants. These covenants restrict, among other things, our indebtedness, sell or transfer property or assets, make investments and merge or consolidate with another company.

If our PRC subsidiaries are unable to comply with the restrictions and covenants in its current or future loan and other agreements, there could be a default and/or terminate the agreements, as the case may be. If the underlying obligation relates to our PRC subsidiaries secured borrowings, the lender can enfo indebtedness, or that they would be able to obtain alternative financing on terms that are favorable or acceptable to our PRC subsidiaries.

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

In addition, the terms and conditions of convertible bonds we issued during the fiscal year ended March 31, 2013, contained a number of significant restric its capital stock, prepay certain indebtedness, sell or transfer assets and merge or consolidate with another company.

If we are unable to comply with these restrictions and covenants, there could be a default under the terms of these convertible bonds. In the event of defau to repay all of our indebtedness, or that we would be able to obtain alternative financing on terms that are favorable or acceptable to us.

We have obtained waivers from the holders of these convertible bonds in prior years in respect of any non-compliance of covenants for the fiscal years en

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We depend on China Metro-Rural Limited s founding shareholders. Our business and growth prospects may be severely disrupted if we lose the supp

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. Le bankers, government officials, potential tenants and industry personnel could be adversely affected. We may not be able to replace these founding shareho 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 person

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 ex

Our success also depends on our ability to identify, hire, train and retain suitably skilled and qualified employees with the requisite industry expertise. The 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 cou

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 accid invested in a property, as well as the anticipated future revenues from the property. Nevertheless, we would remain obligated for any bank borrowings or o 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. Th 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 per 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 r employees, consisting of pension benefits, personal injury insurance, maternity insurance and medical and unemployment benefits. In addition, some of ou statutory reserve until the cumulative amount of such reserve reaches 50% of their registered capital. As of March 31, 2016, we have PRC statutory reserv

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

In December 2003, January 2004, March 2013 and November 2014, there were media reports regarding the spread of the avian influenza, among birds and disease in the PRC in the future. A renewed outbreak of SARS, pandemic avian influenza or other widespread public health problems in the PRC could ha

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 Glorious City Zhoukou, China Glorious our office space in Hong Kong and advertising expenses for advertising in Hong Kong and overseas media are denominated in foreign currencies, mostly and repay our foreign currency denominated indebtedness. Our ability to satisfy our foreign currency denominated debt obligations depends upon the abili 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 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 wo

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 mark 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, occup
- 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, 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 ac

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

In order to develop and operate our projects, we must obtain various permits, licenses, certificates and other approvals from the relevant administrative au
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
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 applicat
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, 2016, our principal shareholder, Mr. Cheng Chung Hing, Ricky, together with his affiliates, controls 43,082,427 of our outstanding ordinary

Mr. Cheng Chung Hing, Ricky has the requisite voting power to exert substantial influence over actions which require shareholder approval and generally
of the Privatization on May 20, 2016, is an example of this risk. This concentration of ownership may discourage, delay or prevent a change in control of t
Privatization, 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 y

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 gr
dividends will depend on various factors, including, without limitation, market conditions, our strategic plans and prospects, our business opportunities, ou
regulatory restrictions, and other factors that our directors deem significant from time to time. Accordingly, the return on your investment in us will likely
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 ma

Our operations are substantially conducted and substantially all of our assets are located within China. Our directors reside in Hong Kong and China, whe
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
jurisdictions may be difficult or impossible.

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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 m
anticipated changes in our current or future financial performance and general market and economic conditions. We cannot assure you that the market pric

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 shar
ordinary shares, such as those underlying warrants issued in our May 2011 offering and August 2011 placements, those underlying convertible bonds and
adversely affect the prevailing market prices for our ordinary shares.

Our convertible bonds issued in August 2012, December 2013, January 2014 and March 2014 could prevent the acquisition or sale of our business.

The conversion price of the convertible bonds and the exercise price of the warrants issued in our August 2012 placement may be decreased if we issue se
do not include this feature. The exercise of any of the convertible bonds and warrants could further dilute the holdings of existing shareholders.

In addition, the issuance of our ordinary shares to the investors upon exercise of the offered warrants and convertible bonds could have an anti-takeover ef
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 a

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 ope

All of our business is conducted in, and all of our revenues are derived from China. The economy of China differs from the economies of most developed
resources; control of foreign currency; and rate of inflation. The economy of China has been transitioning from a planned economy to a market-oriented ec
owned by the PRC Government. In addition, the PRC Government continues to play a significant role in regulating industries by imposing industrial polic
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 C

- 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.

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Previous macroeconomic measures taken by the PRC Government to manage economic growth could have adverse economic consequences, and recer

In previous years, the PRC Government had periodically taken measures to slow economic growth to a more manageable level, in response to concerns ab 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 slowdown in the PRC economy, the PRC Government has adopted increasingly flexible macroeconomic policies, including an announced fiscal stimulus p reversal on policies implemented since 2003 designed to tighten control on the real property market. However, we cannot assure you that the PRC Govern 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 th dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these addition, as the legal system in China develops, changes in such laws and regulations, their interpretation or their enforcement may have a negative effect

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 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 do dollar, Hong Kong dollar or any other foreign currency in the future. The PRC Government may adopt further reforms of its exchange rate system, includi loans are denominated in Renminbi, we do have loans that are denominated in Hong Kong dollars and convertible bonds that are denominated in United S foreign debt. Since a substantial portion of income and profits are denominated in Renminbi, any appreciation of Renminbi will also increase the value of,

If the custodians or authorized users of controlling non-tangible assets of the Company, including corporate chops and seals, fail to fulfill their respor

Under PRC law, legal documents for corporate transactions, including contracts that the Company s business relies on, are executed using the chops or se

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Although the Company usually utilizes chops to enter into contracts, the designated legal representatives of each of the Company s PRC subsidiaries hav
senior management team who have signed employment agreements with the Company or its PRC subsidiaries under which they agree to abide by various

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 p
representatives were to obtain the chops, in spite of these protections, the Company may encounter difficulties in maintaining control over the relevant ent

If any of the designated legal representatives obtains and misuses or misappropriates the Company s chops and seals or other controlling intangible assets
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
which could involve significant time and resources and divert management attention away from the Company s business. In addition, the affected entity
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 a

Auditors of companies that are registered with the US Securities and Exchange Commission and traded publicly in the United States, including our indep
regular inspections by the PCAOB to assess their compliance with the laws of the United States and professional standards. Because we have substantial
related to our operations in China is not currently inspected by the PCAOB.

This lack of the PCAOB inspections of audit work performed in China prevents the PCAOB from regularly evaluating audit work of any auditors that was

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
Understanding on Enforcement Cooperation with the China Securities Regulatory Commission (the CSRC) and the PRC Ministry of Finance, which es
United States and the PRC, respectively. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint insp

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If additional remedial measures are imposed on the Big Four PRC-based accounting firms, including an affiliate of our independent registered public determined to not be in compliance with the requirements of the Exchange Act.

In December 2012, the SEC instituted administrative proceedings against the Big Four PRC-based accounting firms, including an affiliate of our independ their audits of certain PRC-based companies that are publicly traded in the United States. On January 22, 2014, an initial administrative law decision was i SEC. Any Commission endorsement or other determination itself could be appealed by the accounting firms in the U.S. court system. On February 12, 20 accounting firms. On February 6, 2015, the Big Four PRC-based accounting firms each agreed to a censure and to pay a fine to the SEC to settle the dispu to seek to provide the SEC with access to the Big Four PRC-based accounting firms audit documents via the China Securities Regulatory Commission in procedures, the SEC retains authority to impose a variety of additional remedial measures on the Big Four PRC-based accounting firms, depending on the

If the Big Four PRC-based accounting firms are subject to the additional remedial measures, because our auditor having its PRC-based affiliate carrying o

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. fe

Section 7874(b) of the Internal Revenue Code, or Section 7874(b), generally provides that a corporation organized outside the United States which acquire 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 co 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 Holdi the liquidation.

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

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 ret 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 t our assets, we do not believe we were a PFIC for the year ended March 31, 2016. The U.S. Internal Revenue Service or a U.S. court could determine that income tax in advance of when tax would otherwise apply, and detailed tax filing requirements that would not otherwise apply. The PFIC rules are compl United States Federal Income Tax Consequences.

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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 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 U meeting, the shareholders of MSHI resolved that MSHI liquidated and dissolved, whereby we were effectively redomiciled from the United States to the B From its inception in August 1995 through the completion of the dissolution and liquidation on August 25, 2009, MSBVI was a wholly-owned subsidiary 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 impact on our financial condition or operating results, other than the costs incurred in connection with its dissolution and liquidation. As the Company con risks and benefits to the ultimate controlling owners that existed prior to the dissolution and liquidation of MSHI. Accordingly, the Reorganization has bee 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 t Immediately after the Merger, Creative Gains ceased and China Metro became a wholly-owned subsidiary of the Company. The acquisition of equity inter were controlled by Mr. Cheng Chung Hing, Ricky immediately prior to and immediately after the Merger. On this basis, the consolidated financial statem Ricky, the assets and liabilities and results of operations of China Metro-Rural Limited for those periods as if the Company had owned China Metro-Rural Ricky, whichever is later, and all assets and liabilities of China Metro-Rural Limited have been stated at historical carrying amounts. The acquisition by th

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

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 Distribution, the Group no longer held interest in MSIL and has discontinued its pearls and real estate businesses, which was previously operated through

On November 30, 2012, the Company disposed of its entire interest in CFC HK and, in effect, disposed of its entire interest in Qiqihar CFC, which represe Operations is set forth above in Item 3. Key Information A. Selected Financial Data .

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On May 20, 2016, the Company announced plans to the Privatization. The Company intends to effectuate the Privatization through a merger with an indir
shares other than certain specified affiliates, other holders and holders who properly perfect applicable dissenters rights will receive US$1.03 per share
from the NYSE MKT.

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 agricultur
intelligence, provide a transparent and competitive market price discovery mechanism and provide infrastructure to enhance the living standards of those f
servicing and assignments of development rights to independent third party developers.

On November 30, 2012, the Company disposed of its entire interest in HK CFC and, in effect, disposed of its entire entity interest in Qiqihar CFC, which a
Qiqihar CFC have been classified as discontinued operations (Qiqihar Discontinued Operations). The Group continues to carry out its rural-urban migr

Agricultural logistics business

Our agricultural logistics business is comprised of (1) development and operation of integrated agricultural logistics and trade centers and supporting facil
in the PRC, namely Northeast Logistics City in Tieling City, Liaoning Province, or China Northeast Logistics City Tieling, and Dezhou Northeast Logist

Each China Northeast Logistics City is an integrated agricultural logistics and trade center platform which mainly focuses on agriculture industry, includin
operating.

Each China Northeast Logistics City will provide a wide range of products and services necessary for agricultural production, including farm equipment, f
fertilizers, agricultural machinery and other related tools as well as industrial products such as leather, textile and clothing hardware and accessories, build
and services, including transportation services, warehouses, agricultural logistics liaison services, on-site agricultural logistics service providers and qualit
conference, residential, hotel and office facilities and procure other parties to provide banking and advertising services as well as food and beverage servic
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

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China Northeast Logistics City Tieling

China Northeast Logistics City Tieling as a whole, including all trade centers and supporting commercial, warehouse and residential facilities, is expected in February 2009 and began operating in August 2009. We sell and lease trade center units at China Northeast Logistics City Tieling to agricultural trader agricultural or related products to buyers. We focus on developing our trade centers by providing superior project planning and managing completed trade

As of March 31, 2016, a total GFA of approximately 501,000 square meters (excluding self-used properties) were completed and more than 3,500 indeper completed sales of GFA of approximately 324,000 square meters (including approximately 40,000 square meters of residential properties). For such sales, construction. In addition, we have GFA of approximately 281,000 square meters and approximately 94,000 square meters, available for sale and pre-sale,

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 approximatel groundbreaking ceremony was held on October 8, 2010. China Northeast Logistics City Dezhou is located in Dezhou City of Shandong Province, approx The construction for China Northeast Logistics City Dezhou commenced in June 2011.

As of March 31, 2016, a total GFA of approximately 236,000 square meters (excluding self-used properties) were completed and more than 2,300 indeper sales of GFA of approximately 198,000 square meters. For such sales, we had outstanding accounts receivable of approximately HK$5,833,000, or 1% of

As of March 31, 2016, our total investments incurred for China Northeast Logistics City Tieling and China Northeast Logistics City Dezhou are approxi

Rural-urban migration and city re-development business

Our rural-urban migration and city re-development business is comprised of (1) servicing and assignments of development rights and (2) development and plots that have been allocated by the local governments under the framework agreements for their development in return for a premium while retaining the

China Metro previously carried out rural-urban migration and city re-development business through China Focus City Qiqihar. Upon disposal of China F Glorious City Handan and China Glorious City Nanyang.

China Glorious City Hengyang

China Glorious City Hengyang is expected to carry out rural-urban migration and city re-development business as well as logistics platform business. It i facilities upon full completion. As of March 31, 2016, we acquired approximately 447,495 square meters of land through auction for our own developmen

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China Glorious City Zhoukou

China Glorious City Zhoukou is expected to carry out rural-urban migration and city re-development business as well as logistics platform business. It is through auctions.

As of March 31, 2016, a total GFA of approximately 250,000 square meters (excluding self-used properties) were completed and more than 2,200 indeper completed sales of GFA of approximately 217,000 square meters. For such sales, we had outstanding accounts receivable of approximately HK$12,050,0C

China Glorious City Handan

China Glorious City Handan is expected to carry out rural-urban migration and city re-development business as well as logistics platform business. It is e 395,128 square meters of land through auctions. As of March 31, 2016, approximately 447,000 square meters of GFA is under construction

China Glorious City Nanyang

China Glorious City Nanyang is expected to carry out rural-urban migration and city re-development business as well as logistics platform business. It is 346,203 square meters of land through auctions. As of March 31, 2016, approximately 379,000 square meters of GFA is under construction

As of March 31, 2016, our total investments incurred for China Glorious City Hengyang, China Glorious City Zhoukou, China Glorious City Handan ar respectively.

All of our agricultural logistics business revenues are currently derived from our operations at China Northeast Logistics City Tieling and China Northeas China Glorious City Hengyang and China Glorious City Zhoukou and were from sales of trade centers as well as from assignments of development right to our agricultural logistics business. Net revenues in fiscal year ended March 31, 2014 were approximately HK$387.0 million, with HK$205.0 million, H migration and city re-development business contributed revenue of approximately HK$171.8 million through servicing and assignments of development ri ended March 31, 2015 were approximately HK$1,400.7 million, with HK$1,393.9 million, HK$2.8 million, HK$2.9 million and HK$1.1 million were co approximately HK$210.0 million, HK$4.2 million, HK$4.2 million and HK$2.5 million were contributed from sales of trade center units, rental income fr 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 customers.

Changes in fair values of our investment properties (which include investment properties under construction) were approximately HK$18.3 million, HK$4
represented positive of 12.7%, and 5.9% and negative of 13.5% respectively, of our net profit after taking into account relevant deferred income tax.

Completed Property Development

China Northeast Logistics City Tieling

China Northeast Logistics City Tieling will cover a total planned GFA of approximately 4.1 million square meters. Construction of approximately 501,00

China Northeast Logistics City Dezhou

China Northeast Logistics City Dezhou will cover a total planned GFA of approximately15.0 million square meters. Construction of approximately 236,0

China Glorious City Zhoukou

China Glorious City Zhoukou will cover a total planned GFA of approximately 13.2 million square meters. Construction of approximately 250,000 squar

Properties under Development

China Northeast Logistics City Tieling

We are currently constructing additional trade centers and supporting facilities for China Northeast Logistics City Tieling with a planned GFA of approxi

China Northeast Logistics City Dezhou

We are currently constructing additional trade centers and supporting facilities for China Northeast Logistics City Dezhou with a planned GFA of approx

China Glorious City Hengyang

We are currently constructing trade centers and supporting facilities for China Glorious City Hengyang with a planned GFA of approximately 606,000 sq

China Glorious City Zhoukou

We are currently constructing trade centers and supporting facilities for China Glorious City Zhoukou with a planned GFA of approximately 458,000 squ

China Glorious City Handan

We are currently constructing trade centers and supporting facilities for China Glorious City Handan with a planned GFA of approximately 447,000 squa

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China Glorious City Nanyang

We are currently constructing trade centers and supporting facilities for China Glorious City Nanyang with a planned GFA of approximately 379,000 squ

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 rem
for an area of approximately 2.3 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 Chi
2021.

The total planned site area for China Northeast Logistics City Dezhou will be approximately 7 million square meters according to a framework agreemen
the process of acquiring more land use rights from the local Land Bureau.

China Glorious City Hengyang

We plan to develop and construct trade centers, supporting commercial office buildings, hotels, warehouses and residential facilities on the China Gloriou

The total planned site area for China Glorious City Hengyang will be approximately 2.5 million square meters according to a framework agreement that
million square meters and are in the process of acquiring more land use rights from the local Land Bureau. In addition to properties to be developed on ou

China Glorious City Zhoukou

We plan to develop and construct trade centers, supporting commercial office buildings, hotels, warehouses and residential facilities on the China Gloriou

The total planned site area for China Glorious City Zhoukou will be approximately 5.5 million square meters according to a framework agreement that w
square meters and are in the process of acquiring more land use rights from the local Land Bureau. In addition to properties to be developed on our own, w

China Glorious City Handan

We plan to develop and construct trade centers, supporting commercial office buildings, hotels, warehouses and residential facilities on the China Gloriou

The total planned site area for China Glorious City Handan will be approximately 1.3 million square meters according to a framework agreement that wa
square meters and are in the process of acquiring more land use rights from the local Land Bureau. In addition to properties to be developed on our own, w

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China Glorious City Nanyang

We plan to develop and construct trade centers, supporting commercial office buildings, hotels, warehouses and residential facilities on the China Glorious

The total planned site area for China Glorious City Nanyang will be approximately 1.3 million square meters according to a framework agreement that w
square meters and are in the process of acquiring more land use rights from the local Land Bureau. In addition to properties to be developed on our own, w

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

Our innovative business model provides an integrated platform for our trade center tenants and their customers to receive a comprehensive range of trade

The scale and scope of each China Northeast Logistics City, which serves agricultural and related industries, attracts buyers and sellers seeking to take adv
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
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 competit

Our integrated agricultural logistics and trade centers are strategically located in fast growing agricultural, manufacturing and economic centers near w

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. I
collective farms. Long, severe winters limit harvests to once a year, but considerable quantities of soybeans are produced. Sweet potatoes, beans and cerea
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 co

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 hig
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 f
million, respectively. The gross domestic product, or GDP, of Shandong Province was US$989 billion in 2015, which ranked third among Chinese provin

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

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

China Glorious City Hengyang:

China Glorious City Hengyang is strategically located in the center of Hunan Province which is considered as the gateway to Guangdong Province and G respectively. The gross domestic product, or GDP, of Hunan Province was US$456 billion in 2015, which ranked tenth among Chinese provinces.

Hengyang is historically well known for its nonferrous metals as well as various agricultural produce.

China Glorious City Zhoukou:

China Glorious City Zhoukou is strategically located in the center of China. It is only an eight-hour drive to Beijing and nine-hour drive from Shanghai. T among Chinese provinces.

Zhoukou is well known for agricultural products and produce such as foodstuffs, cotton and edible oils as well as processed foods.

China Glorious City Handan:

China Glorious City Handan is strategically located in the North of China. It is only four-hour drive to Beijing, three-hour drive from Jinan and 1 hour dr which ranked seventh among Chinese provinces.

China Glorious City Nanyang:

China Glorious City Nanyang is strategically located in the center of China. It is only four-hour drive to Wuhan, five-hour drive from Xi an. The populat

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 dev region in which we develop and operate. Pursuant to the terms of our mutual agreement, representatives of the municipal governments undertook or will u broader effort to improve local transportation infrastructure, government authorities have also undertaken construction of new roads and other supporting i China Glorious City to assist trade center tenants and other visitors. We believe each China Northeast Logistics City and China Glorious City will remain commercial development to the surrounding area.

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

The two founding shareholders of China Metro-Rural Limited, each of whom are either chairmen or executive directors of leading manufacturing and indu operations and future development. Mr. Cheng Chung Hing, Ricky, one of the founding shareholders of China Metro-Rural Limited, is also the Chairman Guangxi Committee of Chinese People s Consultative Conference. Mr. Leung Moon Lam is a member of the National Committee and a member of the L Economic and Trade Co-operation between Hong Kong and the Mainland.

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 develop cost control and effective quality control. Our senior management team also has extensive experience in real estate operations and financial management, corporate restructuring. Furthermore, we have developed a strong sales team with specialized experience in each of the different trade and agricultural log 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 mig

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 an

Provide preferential rental terms to maximize occupancy rates and increase rental rates and sales prices as occupancy rates prices steadily as occupancy rates increase. We intend to attract quality tenants to our trade centers by offering preferential re initial lease period, by which time we believe our tenants who have established their business in our trade centers and are ben prices for our trade center units, driven by (1) continuing growth in the manufacturing and export industries in China, which higher rental rates and sales prices. In the fiscal year ended March 31, 2016, our overall average selling price was HK$6,947

Continue to offer integrated agricultural logistics services to increase customers access to the global supply chain. We inte and order requirements of trade center tenants and their customers. By integrating agricultural logistics and trade functions ar center tenants.

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Leverage and improve supporting infrastructure and services. We will seek to enhance the market demand for our trade cent
we have entered into strategic alliances and arrangements with a variety of third party service providers, including one of Chi
market in Liaoning. In addition, we will offer conference and exhibition facilities to the agricultural and related industries pa

Building a strong brand by expanding into other cities and regions. We intend to expand the brand name China Northeast L
create synergy between China Northeast Logistics Cities and China Glorious Cities in different regions where customers fro

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 pro
agricultural logistics supply chain, strong supporting infrastructure and services and high quality and superior management in our marketing efforts. Our n
enable us to promote our trade centers, attract quality trade center tenants and enhance our brand recognition among domestic and international buyers an

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 inco
development and planned for future development in order to enhance our working capital position and to finance a portion of our project development co

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 rema
properties and timing of such cash flows, creating flexibility in China Metro s overall development and funding requirements.

Trade Center Projects

We currently have four 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 plann

Investment properties, representing properties held for long-term investment and for leasing purposes.

Investment properties under construction, representing properties held for long-term investment and for leasing purposes upo

Properties held for sale, representing properties for which we have completed construction and are ready to be sold and occu

Properties under planning, representing development activities consisting of site selection, land acquisition and project desig

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In determining the estimated commencement and completion dates for our properties under development and planned for future development, we rely on c
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
(4) we will be able to obtain adequate funding through internal financing, bank borrowings and shareholder loans, as well as expanding our sources of exte
governing the construction and development of such projects; (6) we will be able to obtain land use rights and building ownership certificates necessary to
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 mate

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
therein, including the right to assign, mortgage or lease the land. Building registration is evidenced by the issuance of a building ownership certificate. The
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 buildin

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 th
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 2,344,134 square meters of a total site area of approximately 4.1 million square meters pla
China Northeast Logistics City Tieling. The land use rights are for a period ranging from 40 to 70 years commencing from the respective dates as specifie

We have paid for and signed a land grant contract with the local government for approximately 2,344,134 square meters of land planned for use, which tog
auctions.

China Northeast Logistics City Dezhou

We have received land use rights with respect to approximately 794,590 square meters of a total site area of approximately 7 million square meters planne
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 thro

China Glorious City Hengyang

We have received land use rights with respect to approximately 1,340,416 square meters of a total site area of approximately 2.7 million square meters pla
a period ranging from 40 years for commercial land to 70 years for warehousing land, commencing from the respective dates as specified in the land use r

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China Glorious City Zhoukou

We have received land use rights with respect to approximately 617,045 square meters of a total site area of approximately 5.5 million square meters plan
commercial land and are for a period of 40 years, commencing from the respective dates as specified in the land use rights certificates. All the land has go

China Glorious City Handan

We have received land use rights with respect to approximately 395,128 square meters of a total site area of approximately 1.3 million square meters plan
period of 40 years for commercial land, commencing from the respective dates as specified in the land use rights certificates. All the land has gone throug

China Glorious City Nanyang

We have received land use rights with respect to approximately 346,203 square meters of a total site area of approximately 1.3 million square meters plan
period of 40 years for commercial land, commencing from the respective dates as specified in the land use rights certificates. All the land has gone throug

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

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

Sales and Marketing

As of March 31, 2016, we had a team of approximately 11, 22, 36, 40, 44 and 37 sales and marketing and customer services personnel located in Tieling C
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,
advertising and sales and rental plans. This process also includes a determination of target customers, as well as strategies to maximize usage and revenue

We conduct marketing of our projects through a variety of channels, including the network of our founding shareholders, advertising media, events and ex

Lease Agreements

China Northeast Logistics City Tieling

Overview

As of March 31, 2016, we had approximately 2,700 completed trade center units for lease at China Northeast Logistics City Tieling. Leasing of trade cen
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, ma

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Preferential Payment Terms

In an effort to attract tenants as part of the initial leasing-out period of trade center units, we provided early tenants with preferential rental rates and rent-f

We currently offer preferential rental rates to all of our trade center tenants. The discounts offered to tenants depend on a variety of factors, including the c
Tenants who make rental payments in advance typically receive a discount based on the length of the prepayment term. In addition, we offer incentive dis
the above preferential terms, the average effective annual rental rate for our trade center units is approximately RMB 68 per square meter (excluding mana

Self-Used Properties

In order for us to operate our agricultural logistics business and rural-urban migration and city re-development business more efficiently and effectively, w

China Northeast Logistics City Tieling

Administrative Tower, a 5-story building with a total gross floor area of approximately 10,757 square meters. The Tower is u

Sales Center, a 2-story building with office area with a total gross floor area of approximately 2,265 square meters. The Sales

China Northeast Logistics City Dezhou

Administrative office, located on the 4th floor of a 4-story No. 1 Exchange Plaza at China Northeast Logistics City Dezhou

Sales office, located on the 1st floor of a 4-story No. 1 Exchange Plaza at China Northeast Logistics City Dezhou with a tota

Property management office, located at China Northeast Logistics City Dezhou with a total gross floor area of approximatel

China Glorious City Hengyang

Administrative office, a 1-story building located at China Glorious City Hengyang with a total gross floor area of approxima

Sales office, a 1-story building located at China Glorious City Hengyang with a total gross floor area of approximately 1,268

China Glorious City Zhoukou

Administrative office, a 1-story building located at China Glorious City Zhoukou with a total gross floor area of approximat

Sales office, a 1-story building located at China Glorious City Zhoukou with total gross floor area of approximately 1,100 sc

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China Glorious City Handan

Administrative office, a 1-story building located at China Glorious City Handan with a total gross floor area of approximatel

Sales office, a 1-story building located at China Glorious City Handan with total gross floor area of approximately 807 squa

Recent Developments

China Northeast Logistics City Tieling

During the past few years we have in aggregate acquired parcels of land with a total site area of approximately 500,548 square meters for China Northeast

For the portion of China Northeast Logistics City Tieling that has been pre-sold/sold, average selling price increased by HK$508 approximately from HK
324,000 square meters.

Sales of GFA decreased by 66% from approximately 15,100 square meters in the fiscal year ended March 31, 2015 to 5,200 square meters in the fiscal yea

China Northeast Logistics City Dezhou

We have acquired land use rights for land plots from the local Land Bureau with site area of approximately 794,590 and commenced construction in June

For the GFA we have pre-sold/sold, average selling price increased by approximately 4% from HK$6,797 per square meter in the fiscal year ended March

Sales of GFA increased by 61% from approximately 1,800 square meters in the fiscal year ended March 31, 2015 to 2,900 square meters in the fiscal year

China Glorious City Hengyang

We have acquired land use rights for land plots from the local Land Bureau with site area of approximately 942,918 square meters and commenced constr

China Glorious City Zhoukou

We have acquired land use rights for land plots from the local Land Bureau with site area of approximately 617,045 square meters and commenced constr

For the GFA we have pre-sold/sold, average selling price increased by approximately 11% from HK$6,806 per square meter in the fiscal year ended Marc

Sales of GFA decreased by 89% from approximately 195,000 square meters in the fiscal year ended March 31, 2015 to 22,100 square meters in the fiscal y

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China Glorious City Handan

We have acquired land use rights for land plots from the local Land Bureau with site area of approximately 395,128 square meters and commenced constr

China Glorious City Nanyang

We have acquired land use rights for land plots from the local Land Bureau with site area of approximately 346,203 square meters and commenced constr

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, telepho

Intellectual Property Rights

Agricultural logistics

We have registered the trademark of (i) (China Northeast Logistics City) and its logo and (ii) the logo of China Metro-Rural Exchange unde
Industry and Commerce of the PRC under various categories relating to metals, textiles, machines, electronics and many other categories. We are also the

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 re

We believe that our business is not dependent, to a significant extent, on patents or licenses, industrial, commercial or financial contracts or new manufact

Facilities

Our principal executive office, which is comprised of approximately 1,512 square feet pursuant to a lease that expires on March 16, 2017, and is staffed b

Our China administrative office for Shenzhen head office is located at 18-21/F, Block 12, Tiedong Logistics Zone, Chevalier Avenue, Pinghu Street, Lon

Our China administrative and sales offices for China Northeast Logistics City Tieling are located at Administrative Tower and Sales Center at China Nor
13,022 square meters in supporting commercial facilities located within China Northeast Logistics City Tieling, and are staffed by management, office a

Our China administrative and sales offices for China Northeast Logistics City Dezhou are located at 4/F and 1/F of No.1 Exchange Plaza, China Northea
staffed by management, office and sales personnel. We have land use rights for the building in which our Dezhou City administrative office and sales offi

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Our China administrative and sales offices for China Glorious City Hengyang are located at China Glorious City Hengyang, Cailun Dadao, Shigu Distric
use rights for the building in which our Hengyang City administrative office and sales offices are located.

Our China administrative and sales offices for China Glorious City Zhoukou are located at China Glorious City Zhoukou, 500 meters East of Intersection
management, office and sales personnel. We have land use rights for the building in which our Zhoukou City administrative office and sales offices are lo

Our China administrative and sales offices for China Glorious City Handan are located at China Glorious City Handan, South-West Corner of Intersectio
management, office and sales personnel. We have land use rights for the building in which our Handan City administrative office and sales offices are loca

Our China administrative and sales offices for China Glorious City Nanyang are located at 1st Floor, Administrative Building of Tianrun Full Regal Hote
personnel.

Legal Proceedings

Our subsidiary China Tieling Northeast is involved in a PRC court case brought about by a contractor, Kaiyuan Wei Min Construction Engineering Co., L
of this report. Although a judgement is yet to be issued by local PRC court, we are of the opinion that the full provision for the claim shall be made and ac

Our subsidiary China Tieling Northeast is involved in a PRC court case brought about by a contractor, Tieling Xin Hai Construction Engineering Co., Ltd
statement for the fiscal year ended March 31, 2015. During the current fiscal year, a judgement was issued by the PRC court in favour of Xin Hai and the
balance remained outstanding as at March 31, 2016.

We have filed a Hong Kong court case (Action No. 755 of 2015) against Run Xing Investments Limited (Run Xing), Honour Noble Holdings Limited (
is a guarantor for the aforesaid sum. A judgement from the Hong Kong Court of First Instance was issued in our favour and demanded Mr. Su Shaobin to
recoverability of the aforesaid sum is in doubt and full provision for the aforesaid sum and a loan receivable of RMB50,000,000 should be made and accor

As of March 31, 2016, except for the foregoing, we did not have any litigation, arbitration or claim of material importance, and the Directors were not awa

Insurance

We had purchased construction all-risk insurance during the construction of certain trade centers (which are now completed and the insurance has expired
contractors) insurance policies, including losses resulting from war, nuclear contamination, tsunami, pollution, earthquake and acts of terrorism. As of M

In addition, we maintain employer s liability insurance covering bodily injury, medical treatment and litigation expenses for our employees. We also insu

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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

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, China Henyang Glorious, China Zhoukou Glorious Investments, Ch
and rural-urban migration and city re-development, and are subject to extensive government regulations in the PRC. In connection with our integrated agri
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)
providers located on-site at Tieling and Dezhou are subject to PRC laws and regulations, and licensing requirements, relating to the import/export industry

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
Northeast develop properties necessary for their integrated logistics and trade center operations, China Tieling Northeast and China Dezhou Northeast are

According to *Regulations for Guiding the Direction of Foreign Investment* ( ) issued by the State Council on February 11, 2002, foreign inv
China Tieling Northeast, was examined and approved by the Tieling Municipal Bureau of Foreign Trade and Economic Cooperation and established on M
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

The Land System of the PRC

Overview

The *Law of the People s Republic of China on the Administration of Land* (和國土地管理法
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,
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 c
already obtained land use rights.

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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 sta
National People s Congress on Amending the Law of the People s Republic of China on the Administration of Land (全國 代&#
adopted by the National People s Congress on December 29, 1988, amends the *Land Administration Law of the People s Republic of China* (&#2

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*
(和國 鎮國有土地使用權出讓和轉&#
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 local governments at the
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
Commercial, tourism, entertainment
Residential
Industrial
Educational, scientific, technological, cultural, public health and sports
Comprehensive utilization or other purposes

Under the Urban Land Regulations, domestic and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State
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

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 r
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 (和國 權法), or the Property Law, adopted by the N

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 buil

the construction of buildings must comply with relevant laws and regulations and must not affect the ventilation of or lighting

where the state-owned land use rights for construction use are transferred, exchanged, used as a capital contribution, donated

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In addition to the general framework for transactions relating to land use rights set out in the Urban Land Regulations, local legislation provides for additic
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, au

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 ter
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
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 prov
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 represen
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 befor
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
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 ar

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
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 wil

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 Center

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 submitte
bureau, a new contract is entered into to renew the grant, and a land grant fee is paid.

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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 r 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 conc payment of idle fees, deadline for completion of construction, application for extension of the stipulated construction period, restrictions on subsequent tra 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 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

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 fo

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 Stat

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 gr

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 c 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 c state-owned land use rights, as well as ownership rights to the buildings. The state-owned land use rights certificate and the building ownership certificate

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 sin contract has been entered into shall not constitute mortgaged property. If the mortgaged property is auctioned off, the new buildings added on the land ma

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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 administr
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 p

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
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 obligatio

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 t

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 con
such as water, electricity, road and communications facilities. The developer may either assign the state-owned land use rights of the developed area or co

Foreign entities must establish foreign investment enterprises in the PRC as project companies to develop property. The typical scope of business of such p
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 proce
property development project to be consistent with the prevailing national and local economic plans and foreign investment regulations, it will grant an ap

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
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 po
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
commission for commencement of construction work on the land. When the construction work on the land is completed, the completed buildings and struc

Under the *Administrative Measures for the Verification and Approval and the Record-filing of Foreign Investment Projects* (項目&#
investment (including increased investment) of less than US$50 million in the Catalogue of Industries for Guiding Foreign Investment shall be subject to t

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Based on the advice of our PRC Counsel, Commerce & Finance Law Offices, we acknowledge that China Tieling Northeast, China Dezhou Northeast, Ch
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 investn
Trade and Economic Cooperation as a foreign investment enterprise and have subsequently received approval on two occasions to increase the investment
capital of US$49.90 million. China Hengyang Glorious has obtained approval from the Hengyang Municipal Bureau of Foreign Trade and Economic Coo
Municipal Bureau of Foreign Trade and Economic Cooperation as foreign investment enterprises with investment capitals of US$20.00 million and US$1

For the purpose of easing the burden of foreign investment company, *The Notice of the Ministry of Commerce and the State Administration of Foreign Ex*
(務部、 匯局關於進一步改進 房地&#
Commerce has been canceled and the procedures of obtaining Foreign Registration Certificate is reduced. Establishment and alteration of foreign investm

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*
(關於 範房地產市場 進入和管理的&#248
Industry and Commerce and the State Administration of Foreign Exchange, on July 11, 2006, may impact foreign investment in the PRC real estate indust

Circular No. 171 requires a foreign invested real estate enterprise, or FIREE, with total investments equating to or exceeding
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 st
FIEAC, and the business license, with the same validity period as that of such FIEAC; following which, the FIREE may appl

When a foreign investor merges with a domestic real estate enterprise, or acquires an FIREE s equity or project, the investor
the state-owned land use rights certificate, and the modification certification issued by the construction authorities, and the ta

Foreign investors which merge with domestic real estate development enterprises by share transfer or other methods, or whic
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 w
loans by such enterprises. Although the Ministry of Commerce has not issued any further opinions on the regulation of entry

Any Sino or foreign investors in an FIREE shall not guarantee fixed profit returns or provide other arrangements to the same

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For encouraging the development of foreign investment enterprises, *the Notice on Management and Admission of Foreign Investment Policy Modification* (住房 鄉建設部等部門關於調整房地 National Development and Reform Commission, the People s Bank of China, the State Administration for Industry and Commerce and the State Adminis

The registered capital limitation has been canceled concerning loans for foreign real estate industry within or out of the territo

The branches, representative bodies (except approved real estate enterprises) and individuals working ad studying in the PRC

The Notice on Management and Admission of Foreign Investment Policy Modification further simplify their procedures of fo regulations.

Except for the above, the other parts of Circular No. 171 are still effective.

Circular No. 50

The *Notice of the Ministry of Commerce and the State Administration of Foreign Exchange on Further Strengthening and Regulating the Examination, Ap* (務部、國家 匯管理局關於進一步&#2115 Ministry of Commerce and the State Administration of Foreign Exchange on May 23, 2007 may impact foreign investment in the PRC real estate industry

the local governments/authorities that approve FIREE establishments are now required to file such approvals with the Minist

prior to establishing a foreign invested real estate enterprise, foreign investors are required to obtain state-owned land use rig 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 contr

a foreign investment enterprise that intends to engage in real estate development, or an existing FIREE which intends to unde

Qualifications of a Property Developer

Under the *Regulations for the Administration of the Qualifications of Real Estate Development Enterprises* (房地產開&#30 its qualifications according to the Qualification Certificate Regulations. Qualification Certificate Regulations are modified by the Ministry of Construction

According to the Qualification Certificate Regulations, a newly established property developer must first apply for an interim qualification certificate with administration authority. In addition, an application for a formal qualification certificate must be made one month before the expiration of the interim certi certificates.

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On December 22, 2010, China Tieling Northeast obtained from the Liaoning Housing and Urban Rural Construction Bureau a Qualification Certificate fo qualification certificate was renewed for a term until March 3, 2017. After the expiration of its current qualification certificate, China Tieling Northeast wi

The Dezhou Housing and Urban Rural Construction Bureau has granted interim qualification certificates to China Dezhou Northeast and Dezhou Northea certificate of China Dezhou Northeast expired on September 30, 2014, but the qualification certificate was then renewed until December 31, 2016. Upon e

The Hunan Housing and Urban Rural Construction Bureau has granted an interim qualification certificate to China Hengyang Glorious confirming that Ch certificate was then renewed until January 23, 2017. Upon expiration of the interim qualification certificate, China Hengyang Glorious will be required to

The Zhoukou Housing and Urban Rural Construction Bureau has granted interim qualification certificates to China Zhoukou Glorious Investments, China the development of properties in the PRC. The interim qualification certificates of China Zhoukou Glorious Investments and China Zhoukou Glorious Str interim qualification certificates, China Zhoukou Glorious Investments and China Zhoukou Glorious Strategic will be required to renew their qualification

The Handan Construction Bureau has granted an interim qualification certificate to China Glorious City (Handan) Industries Co., Ltd., or China Handan G Upon expiration of the interim qualification certificate, China Handan Glorious will be required to renew its qualification certificate.

The Nanyang Housing and Urban Rural Construction Bureau has granted an interim qualification certificate to China Glorious City (Nanyang) Industries C Glorious will expire on April 14, 2018. Upon expiration of the interim qualification certificate, China Nanyang Glorious will be required to renew its qual

Each of China Tieling Northeast, China Dezhou Northeast, China Hengyang Glorious, China Zhoukou Glorious Investments, China Zhoukou Glorious St Northeast, China Dezhou Northeast, China Hengyang Glorious, China Zhoukou Glorious Investments, China Zhoukou Glorious Strategic, Zhoukou Huay City, Hengyang City, Zhoukou City, Handan City and Nanyang City 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 t (品房屋租賃管理辦法), or the Leasing Measures, issued by the Ministry of Constru (市房地產管理法) in order to strengthen the administration of the leasing of urban buildings. 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 b with the relevant real property administration authority at the municipality or county level within 30 days after its execution for the purpose of protecting t

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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
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 g
these agreements are treated as lease agreements.

Under the *Contract Law of the People s Republic of China* (和國合同法), or the PRC Contract Law, issued
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 re

We began entering into lease agreements for certain units prior to obtaining building ownership certificates. Based on relevant PRC laws and regulations,
(鉄嶺市 鎮房屋租賃管理辦法), within 30 days after the exe
Bureau. Although we have not made such registrations, based on the advice of our PRC Counsel, Commerce & Finance Law Offices, this should not affe

In addition, as a property developer, we are subject to a number of measures and regulations recently introduced by the PRC Government to tighten contr

tightening lending of bank loans to property developers and purchasers of developed properties and increasing the reserve re

restricting the ability of foreign invested real estate companies to raise funds offshore for the purpose of funding such compa

restricting the conversion and sale of foreign exchange on the capital account for foreign invested real estate companies that

imposing strict requirements before commencement of a real estate project can begin, including the requirement that propose

prohibiting the extension of loans to real estate developers that do not satisfy certain loan conditions, such as those with a pe

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 c

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.

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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* (品房銷售管理辦&
2001 and July 20, 2004, respectively, the sale of commodity premises, which include residential properties, commercial properties (such as China Tieling

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 wi

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 r
- 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 t
- 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* (品房銷售管&#29702
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 classif

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 ha

the property management plan has been completed.

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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

Restrictions on the Sale of Commodity Properties

We (through our PRC subsidiaries China Tieling Northeast, China Dezhou Northeast, China Hengyang Glorious, China Zhoukou Glorious Investments, C
Zhoukou, Handan and Nanyang, and, as such, are subject to certain PRC laws, regulations and policies otherwise applicable to property development ente

Under the Commodity Premises Sale Measures, a real estate developer may not sell a commodity property, by means of either pre-completion or post-com
guarantee. According to the Commodity Premises Sale Measures, a cost-returned sale refers to a situation in which a real estate enterprise sells a comm
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 (

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 t

Based on the advice of our PRC Counsel, Commerce & Finance Law Offices, we believe that our commission lease agreement should not be considered a
separately from the purchase agreement for the property; and (2) neither the purchase agreement nor the commission lease agreement contains a provision
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 f

Based on the advice of our PRC Counsel, Commerce & Finance Law Offices, we believe that our commission lease agreement should not be considered a
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 t

Based on the advice of our PRC Counsel, Commerce & Finance Law Offices, we believe that the commission lease arrangements do not violate the Comm

In accordance with the *Notice on Enhancing the Supervision of Real Estate Market and Improving the Pre-Completion Sales System of Commodity Proper*
(關於進一步加強房地產市場監管完&
Development of the PRC (MOHURD) on April 13, 2010, a developer is required to abide by the following regulations:

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For any commodity property project without a Pre-sale Permit, a developer shall not engage in any form of pre-completion sales (including subscription, r
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 d

A developer shall not sell any self-reserved premises before the primary registration of property title or participate in fraudulent transactions. If a develope

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 Perm

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 in
shall be an independent body corporate and be capable of affording relative indemnities.

In accordance with the *Notice on Further Implementing Regulation and Control of Real Property Market* (關於繼續&#205
pre-sale certificate may be suspended if the pre-sale price is unreasonably high and the developer refuses to accept the direction of the relevant governmen

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 f
development loans shall have at least 35% of capital funds required for the development. Further, commercial banks are not allowed to advance their loan
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&#
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 abo
of the standard interest rate. For any family purchasing its third or above residential premises, the downpayment ratio and interest rate will be substantially
for Commercial Home Loans (關於 範 業性個 住房貸款第&#2010
names of the borrower s family members (including the borrower, the borrower s spouse and minor children). The minimum downpayment ratio was up
(關於進一步做好房地產市場調控工&

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For certain areas with skyrocketing property prices and shortage of supply, the banks may temporarily stop making loans to one or above residential premi
properties purchased within a certain time period. For the purchase of properties by foreign institutions or foreign individuals, the relative policies (Circula

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 a
guarantee or other financing against applicable regulations to the developer during the biding and construction process. For any developer participating in
material assets restructuring.

On February 26, 2013, the State Council issued the *Notice on Further Implementing Regulation and Control of Real Property Markets* (關&#2604
on-going restrictive measures with respect to residential properties, including that (i) the restriction area should cover the relevant cities entire administra
execution of the purchase agreement or subscription agreement; (ii) the minimum down payment of the total purchase price and the minimum mortgage le
self-owned residential properties should strictly be 20%, if the original value of such properties could be verified through taxation or real estate registratio

On March 30, 2015, the Ministry of Finance and State Administration of Taxation adjusted the tax policies on transfer of residential properties by individu
enforced.

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

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 su
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 pre

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 Construct
Planning Permit requirements and proceed to apply for a Construction Work Planning Permit with the city planning authority.

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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 v
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

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 authori

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 guidan
construction authority and shall also report details of the acceptance examination to the construction authority. A real estate development project may only

Regulations on Environmental Protection in Construction Projects

Under the Regulations for *Administration of Environmental Protection in Construction Projects* (建設項目環&#22
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 a
environmental protection facilities are necessary in the construction project, such facilities are required to be designed, constructed and used in conjunctio
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* (和國環境影響&
construction project have not been examined by the relevant environmental protection administrations or are not approved after examination, the authority

A notice issued by the State Environmental Protection Administration on July 6, 2006 provides for stringent examination and approval procedures for vari
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 q
qualification assessment and obtaining a qualification certificate. One of our subsidiaries, Tieling North Asia Property Management Co., Ltd., has obtaine
Management Co., Ltd., has obtained a property management qualification certificate under classification grade III, which was issued by Dezhou Property

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Insurance

There are no mandatory requirements under PRC laws and regulations for a property developer to obtain insurance policies for its property developments. 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-part requirement for construction companies to obtain insurance coverage for all of these risks ceases immediately after the completion and acceptance upon in

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* Under these regulations, Renminbi are freely convertible for payments of current account items, such as trade and service-related foreign exchange transac Exchange is obtained.

Under the Foreign Exchange Regulations, foreign investment enterprises in the PRC may purchase foreign exchange for trade and service-related foreign 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 i 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 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

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 reg registered capital as approved by the Ministry of Commerce or its local counterparts. Total investment is the projected amount of funds necessary fo to be paid in full by the foreign investors. According to the Temporary Regulations on Foreign Debt Statistics and Monitor issued by the State Administra 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,

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If the foreign exchange debts of a foreign investment enterprise exceed an enterprise s statutory borrowing limits, the foreign investor is required to increa

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

Under the Enterprise Income Tax Law that has been effective since January 1, 2008, enterprises established under the laws of foreign countries or regions particular, non-resident enterprises with an institution or establishment in China must pay enterprise income tax at the rate of 25% on taxable income deriv any institution or establishment within China, or non-resident enterprises whose income has no connection to its institution or establishment inside China Government and the government of other jurisdictions. Under the Enterprise Income Tax Law, dividends, bonuses and other equity investment proceeds r a resident enterprise and having a de facto connection with such institutions or establishments. However, even if we are unable to satisfy the requiremen 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 wi

The regulations implementing the Enterprise Income Tax Law, or the Implementation Regulations, define the term de facto management body as the of tax residency in a particular situation requires a review of the surrounding facts and circumstances and the mechanism provided in the Implementation

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 implemen 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

The Notice of the Ministry and State Administration of Taxation under Enforcement of the Pilot Program of Replacing Business Tax with Value-Added Ta promulgated on March 23, 2016. From May 1, 2016, replacement of business tax with value-added tax will be enforced nationwide concerning constructio business tax will no longer be levied.

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 appre (土地增值稅暫行條例), issued by the State Council on December 13, 1993 and as an 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 ta Administration of Taxation issued the LAT Notice, which came into effect on February 1, 2007. The LAT Notice sets forth, among other things, methods

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On May 19, 2010, the State Administration of Taxation issued a supplementary *LAT Notice* (關於土地增值;&

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 r
activities in which they engage.

The *Notice of the Ministry of Finance and the State Administration of Taxation on Including Railway Transport and Postal Services under the Pilot Progr*
(財政部、國家稅務總局關於將鐵路&
) was promulgated on December 12, 2013, came into effect on January 1, 2014 and was revised on April 29, 2014. *The Notice of the Ministry and State Ad*
(關於全面推開營業稅改徵增值稅試&
industry, real estate industry, financial industry, etc. Four regulations have been published accordingly, namely, *Implementing Measures for the Pilot Prog*
Measures for Pilot Program, *Provisions on Issues concerning the Pilot Program of Replacing Business Tax with Value-Added Tax* (營業&
Replacing Business Tax with Value-Added Tax (營業稅改徵增值稅試點&#3
(應稅服務適用增值稅零稅率和免稅&

Pursuant to the Measures for Pilot Program, entities and individuals engaged in the provision of transportation services, postal services and some of the mo
transport services, regular postal services, special postal services, other postal services, research and development services, information technology service
rates for value added tax: (i) 17% for taxpayers providing rental services of movable tangible assets; (ii) 11% for taxpayers providing transportation, posta
movable tangible assets); and (iv) 0% for crossborder transactions carried out by domestic enterprises and individuals, details of which are to be clarified b
sold within two years from date of purchase, where value-added tax will be exempted for second-hand housing sold from second anniversary onwards. Sto
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 PI
derived from sources within the PRC, but with a possibility of exemption or reduction. The Implementation Regulations reduce the withholding tax rate fo
10%, unless otherwise exempted or reduced by PRC laws and regulations or in accordance with arrangements or treaties between the PRC Government an
China and Hong Kong, which became effective on April 1, 2007.

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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
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 Compa
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

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
the relevant environmental authorities in order to obtain their approval before commencing construction. Upon completion of each project, the relevant en
construction administration authorities for their approval and recordation. Approval from the environmental authorities on such report is required before d
subject to payment of material fines or penalties for violations of environmental regulations.

Due to the relatively low impact of our operations on the environment, our environmental compliance costs have not been substantial. There was no enviro

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C. Organizational Structure

The following chart shows our corporate structure as of March 31, 2016, including all our significant subsidiaries, with the shareholding percentage and ju

Note:

^ For identification purpose only

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D. Property, Plants and Equipment

Property

Hong Kong

Headquarters. We entered into a tenancy agreement for a property at Suite 2204, 22nd Floor, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsu

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 square meters, and a sal Xincheng District, Tieling, Liaoning Province, PRC. We have land use rights and building ownership rights for the buildings in which our China Northeas approximately 1,105 square meters for China Northeast Logistics City Dezhou and are located on 4/F and 1/F of No. 1 Exchange Plaza, at China Northea our China Northeast Logistics City Dezhou administrative office and sales office are located. Our China administrative office for Shenzhen head office is administrative office with total gross area of approximately 3,286 square meters and a sales office with total gross floor area of approximately 1,268 squar our China Glorious City Hengyang administrative office and sales office are located. We own an administrative office with total gross floor area of appro of Intersection of Taishan Road and Zhouhuai Road, Chuanhui District, Zhoukou, Henan Province, PRC. We have land use rights for the buildings in whi of approximately 807 square meters for China Glorious City Handan and are located at China Glorious City Handan, South-West Corner of Intersection administrative and sales offices for China Glorious City Nanyang are located at 1st Floor, Administrative Building of Tianrun Full Regal Hotel, No. 6 Yi

Properties for sale and lease. China Northeast Logistics City Tieling will cover a planned GFA of approximately 4.1 million square meters. As of March approximately 2,700 completed trade center units for lease, approximately 780 units were leased out. China Northeast Logistics City Dezhou is expected square meters were sold. China Glorious City Zhoukou is expected to provide GFA of approximately 13.2 million square meters. As of March 31, 2016, c

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, inc or other comparable terminology. All forward-looking statements included in this document are based on information available to us on the date hereof, a should carefully consider the information set forth above in Item 3. Key Information D. Risk Factors. We caution you that our business and financial p forward-looking statements.

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FINA

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated fin uncertainties. Actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to th Factors.

The Company was previously a wholly-owned subsidiary of Man Sang Holdings, Inc. (MSHI), a United States domestic company incorporated in the S British Virgin Islands, the shareholders of MSHI resolved to carry out a group reorganization (the Reorganization) whereby, inter alia, MSHI was disso liquidation of MSHI. As a result of the Reorganization, the Company succeeded MSHI as the holding company and its subsidiaries (the Group) on Aug 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 impact on our financial condition or operating results, other than the costs incurred in connection with its dissolution and liquidation. As the Company con risks and benefits to the ultimate controlling owners that existed prior to the dissolution and liquidation of MSHI. Accordingly, the Reorganization has bee 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 th Immediately after the Merger, Creative Gains ceased and China Metro became a wholly-owned subsidiary of the Company. The acquisition of equity inter were controlled by Mr. Cheng Chung Hing, Ricky immediately prior to and immediately after the Merger. On this basis, the consolidated financial statem 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 ov Mr. Cheng Chung Hing, Ricky, whichever is later, and all assets and liabilities of China Metro-Rural Limited have been stated at historical carrying amou

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On July 28, 2010, the Company declared a dividend to its shareholders by way of distribution in specie of the entire equity interest in MSIL held by the C
discontinued its pearls and real estate businesses, which was previously operated through MSIL.

On November 30, 2012, the Company disposed of its entire interest in CFC HK and, in effect, disposed of its entire interest in Qiqihar CFC, which repres
Operations is set forth above in Item 3. Key Information A. Selected Financial Date .

Unless otherwise specified, references to Notes to the audited consolidated financial statements are to the Notes to our audited consolidated financial state

Subsequent Event

After the end of the fiscal year ended March 31, 2016, on May 20, 2016, the Company announced plans to effectuate the Privatization. The Company inte
which the Company is a party, holders of the Company s ordinary shares other than certain specified affiliates, other holders and holders who properly p
obligations (and associated costs) under the Exchange Act and to delist from the NYSE MKT.

Overview

At the end of the fiscal year ended March 31, 2016, the Group had two main business segments, our Agricultural Logistics Operation and Rural-Urban Mi

Our Agricultural Logistics Operations are engaged in the development and operations of large scale, integrated agricultural logistics and trade centers in N
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) developme

Critical Accounting Policies

Management s discussion and analysis of results of operations and financial condition are based upon our consolidated financial statements. These statem
make certain estimates and assumptions that affect amounts reported and disclosed in the consolidated financial statements and related notes. Actual result

We have identified certain accounting policies that involve subjective assumptions and estimates as well as complex judgments relating to certain account

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 constr
extent collectability of such receivable is reasonably assured.

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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 w development by such independent third parties.

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 governme 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 righ

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 followi 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 determine the sales consideration received with a corresponding debit to prepaid operating lease payments. Since the fair value of lease payments the Company woul operating lease payments. Such transactions are accounted for as a sale and operating leaseback given that as part of the sale transaction, the Company dis 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 ter 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

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 relevan

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, whic

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

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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 judgment with respect to the appreciation of land value and the allowability of deductible items for income tax purposes. Although there have been no disa

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 c independent professional valuer with various information for the valuer to use as a basis for valuation. An analysis on the sensitivity of input used for the v

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 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 equ capitalized borrowing costs on related borrowings during the period of construction. Properties under development are transferred to the appropriate categ

During the fiscal year ended March 31, 2016, the amount of salaries capitalized in investment properties, investment properties under construction and pro construction and properties under development were nil, nil and HK$13,569,000, respectively. The amounts of external (construction costs only) and inter

External costs	
Internal costs	

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 custom impaired, all 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 financial position and resources have been invested to monitor the progress of mortgage application, management considered that these receivables are ful

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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 ar
Government can exercise significant control over China s economic growth through allocating resources, controlling payment of foreign currency-denom
economy could have a significant negative impact on economic conditions in China, with a resulting negative impact on our business which is further disc

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 slo
has introduced certain macroeconomic measures to control perceived overinvestment in the real property market. Considering the overall state of the PRC
net realizable value of these property projects. In determining the net realizable value, asides from the aforementioned factors, we will also consider the la
marketability of the Group s existing properties, market survey reports available from independent property valuers, internally available information and

Impairment of long-lived assets

We conduct impairment review of assets when events or changes in circumstances indicate that their carrying amount may not be recoverable or annually
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

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds that can be converted to share capital at the option of the holder, and

The derivative component of the convertible bonds is recognized initially at the fair value. The liability component is recognized initially at the difference
liability components in proportion to their initial carrying amounts.

Derivative financial instruments

Derivative financial instruments issued by the Company comprise warrants that can be exercised to purchase share capital of the Company at the option of
values. Derivative liabilities instruments are initially and subsequently measured at fair value through profit or loss and any gains or losses derived from it
financial instruments are charged to the consolidated income statement during the period in which they are incurred. The fair values of derivative financial
professional valuers with various information for the valuers to use as a basis for valuations. An analysis on the sensitivity of input used for the valuation i

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A. Operating Results

Consolidated Results of Operations

The following is a discussion of our consolidated results of operations for the years ended March 31, 2016, 2015 and 2014:

Revenue
Cost of sales
Gross profit
Other income, net
Other gains/(losses), net
Selling expenses
Administrative expenses
Operating profit
Finance (costs)/income net
Share of loss of an associate
Profit before income tax
Income tax expenses
(Loss)/profit for the year
Attributable to:
Equity holders of the Company
Non-controlling interests

Fiscal Year Ended March 31, 2016 Compared with Fiscal Year Ended March 31, 2015

Revenue

Our revenue decreased by HK$1,179.9 million, or 84%, from HK$1,400.8 million for the fiscal year ended March 31, 2015 to HK$220.9 million for the fi

Agricultural Logistics Operation
Rural-Urban Migration and City Re-development Operation

Agricultural Logistics Operation

Revenue in the fiscal year ended March 31, 2015 was approximately HK$74.8 million, which consisted primarily of sales of trade center units of approxin
HK$42.1 million. The change was attributable to a decrease in the sales of trade center units and supporting facilities. In the fiscal year ended March 31, 2
number of units and gross floor area sold in the prior year, which were approximately 200 units and 16,900 square meters, respectively. In the fiscal year e

meter in the fiscal year ended March 31, 2015. The decrease in number of units was attributable to the general decrease in demand while the increase in se
units of approximately HK$3.3 million, property management fee income of approximately HK$4.2 million and hotel income of approximately HK$2.5 m
approximately HK$2.8 million and hotel income of approximately HK$1.1 million.

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Rural-Urban Migration and City Re-development Operation

Revenue in the fiscal year ended March 31, 2016 was approximately HK$168.8 million which was attributable to sales of trade center units of HK$167.9 to sales of trade center units. In the fiscal year ended March 31, 2016, there were sales of trade center units of approximately 150 units and 22,100 square our average selling price was HK$6,805 per square meter. The decrease was approximately 92.9% and 88.7% as compared with the number of units and g units as less completed properties were available for sales while the increase in selling price was attributable to the different types of units being sold.

Cost of Sales

Our cost of sales decreased by HK$785.2 million or 96.1%, from HK$817.1 million for the fiscal year ended March 31, 2015 to HK$32.0 million for the f

Agricultural Logistics Operation
Rural-Urban Migration and City Re-development Operation

Agricultural Logistics Operation

In the fiscal year ended March 31, 2015, our cost of sales was approximately HK$51.2 million. In the fiscal year ended March 31, 2016, our cost of sales sales as well as the costs associated with the provision of accommodation and food and beverages services at the hotel.

Rural-Urban Migration and City Re-development Operation

In the fiscal year ended March 31, 2015, our cost of sales was HK$765.9 million as assignment of development rights did not incur any costs. In the fiscal attributable to the area of properties that were recognized as sales. The decrease was mainly because of over provision for costs of completed properties so

Gross Profit

Our gross profit decreased by HK$394.7 million, or 67.6%, from HK$583.6 million for the fiscal year ended March 31, 2015 to HK$188.9 million for the March 31, 2016. The increase was mainly due to over provision for costs of completed properties sold in prior years and the increase in average selling pri

Agricultural Logistics Operation

Our gross profit decreased by HK$6.1 million, or 25.8%, from HK$23.6 million for the fiscal year ended March 31, 2015 to HK$17.5 million for the fisca 31, 2016. The increase in gross profit margin was primarily due to an increase in the average selling price of the sales of trade center units and supporting

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Rural-Urban Migration and City Re-development Operation

Our gross profit decreased by HK$388.7 million or 69.4%, from HK$560.1 million for the fiscal year ended March 31, 2015 to HK$171.4 million for the f
March 31, 2016. The increase in gross profit margin was primarily due to over provision for costs of completed properties sold in prior years of HK$89.8 m

Other Income and Other Gains/(Losses), Net

In the fiscal year ended March 31, 2015, our other income and gains were approximately HK$43.5 million, primarily from fair value gain on investment p
values of leasehold land and buildings of approximately HK$23.3 million.

In the fiscal year ended March 31, 2016, our other income and gains were approximately HK$309.5 million, primarily from Gain on deemed disposal of su
Company s share price and the approach of the maturity dates which was offset by the decrease in fair values of leasehold land and buildings of approxim

Selling Expenses

Our selling expenses increased by HK$19.5 million, or 55.2%, from HK$35.3 million for the fiscal year ended March 31, 2015 to HK$54.8 million for the

Agricultural Logistics Operation
Rural-Urban Migration and City Re-development Operation

Agricultural Logistics Operation

Our selling expenses decreased by HK$2.8 million, or 23.9%, from HK$11.7 million for the fiscal year ended March 31, 2015 to HK$8.9 million for the f
increased from 15.6% for the fiscal year ended March 31, 2015 selling expenses increased to 17.1% for the fiscal year ended March 31, 2016.

Rural-Urban Migration and City Re-development Operation

Our selling expenses increased by HK$22.3 million, or 94.5%, from HK$23.6 million for the fiscal year ended March 31, 2015 to HK$45.9 million for the
HK$15.7 million. As a percentage of revenue, selling expenses increased from 1.8% for the fiscal year ended March 31, 2015 to 27.2% for the fiscal year

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Administrative Expenses

Our administrative expenses of HK$398.4 million for the year ended March 31, 2016 was comprised of HK$310.7 million (2015: HK$197.9 million) from expenses. Administrative expenses increased by approximately HK$143.4 million, or 56.8%, from approximately HK$252.3 million in the fiscal year end deposits paid for land use right of HK$124.4 million during the fiscal year ended March 31, 2016. During the fiscal year ended March 31, 2016, we had be that the recoverability of this balance was remote and recorded the impairment.

Agricultural Logistics Operation
Rural-Urban Migration and City Re-development Operation
Corporate expenses

Agricultural Logistics Operation

Administrative expenses increased by approximately HK$117.8 million, or 61.1%, from approximately HK$192.9 million in the fiscal year ended March of HK$124.4 million, during the fiscal year ended March 31, 2016, we had been in discussions with the PRC local government about the utilization plan o impairment, which was partly offset by the decrease in provision for litigation claims of HK$14.8 million.

Rural-Urban Migration and City Re-development Operation

Administrative expenses increased by approximately HK$27.3 million, or 58.1%, from approximately HK$47.0 million in the fiscal year ended March 31, rights were owned by the Group, the increase in salaries and allowances of HK$5.4 million and the increase in rental expenses of HK$3.3 million.

Net Finance (Costs)/Income

In the fiscal year ended March 31, 2016, we received interest income from bank deposits of approximately HK$1.6 million. In the fiscal year ended March

In the fiscal year ended March 31, 2016, we incurred interest expense of approximately HK$323.1 million, out of which HK$299.3 million was capitalized March 31, 2015, we incurred interest expense of approximately HK$305.1 million, out of which HK$298.9 million was capitalized in properties under dev average borrowings and weighted average interest rate were approximately HK$1,690.5 million and 19.1% per annum (2015: approximately HK$1,916.8

Profit Before Income Tax

As a result of the foregoing, we had a profit before income tax of approximately HK$20.7 million in the fiscal year ended March 31, 2016 and HK$334.5

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Taxation

In the fiscal year ended March 31, 2016, our income tax expenses of HK$85.0 million consisted of net current income tax expenses of HK$205.2 million a
temporary difference that was attributable to the provisional tax payments made based on the balances of receipt in advance related to the sales of complet
expense, arising from utilization of tax losses and fair value gain on investment properties of HK$1.2 million and HK$1.2 million respectively, and deferr

In fiscal year ended March 31, 2016, the effective tax rate was positive 411.1%. In fiscal year ended March 31, 2015, the effective tax rate was positive 83

(Loss)/Profit for the Year

In the fiscal year ended March 31, 2016, we had a net loss of approximately HK$64.3 million as a result of the cumulative effect of the factors discussed a

Non-Controlling Interests

In the fiscal years ended March 31, 2015 and 2016, loss and profit attributable to non-controlling interests was approximately HK$7.1 million and HK$15

Fiscal Year Ended March 31, 2015 Compared with Fiscal Year Ended March 31, 2014

Revenue

Our revenue increased by HK$1,013.8 million, or 262%, from HK$387.0 million for the fiscal year ended March 31, 2014 to HK$1,400.8 million for the f

Agricultural Logistics Operation
Rural-Urban Migration and City Re-development Operation

Agricultural Logistics Operation

Revenue in the fiscal year ended March 31, 2014 was approximately HK$215.2 million, which consisted primarily of sales of trade center units and suppo
approximately HK$68.0 million. The change was attributable to a decrease in the sales of trade center units and supporting facilities. In the fiscal year end
compared with the number of units and gross floor area sold in the prior year, which were approximately 380 units and 34,000 square meters, respectively
HK$6,189 per square meter in the fiscal year ended March 31, 2014. The remainder of revenue in the fiscal year ended March 31, 2015 represented rental
remainder of revenue in the fiscal year ended March 31, 2014 represented rental income from leases of trade center units of approximately HK$4.8 millio

Rural-Urban Migration and City Re-development Operation

Revenue in the fiscal year ended March 31, 2015 was approximately HK$1,326.0 million, which was attributable to sales of trade center units. In the fisca
year ended March 31, 2014 was approximately HK$171.8 million which was attributable to revenue from servicing and assignments of development right

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Cost of Sales

Our cost of sales increased by HK$684.0 million or 513.9%, from HK$133.1 million for the fiscal year ended March 31, 2014 to HK$817.1 million for th

Agricultural Logistics Operation	
Rural-Urban Migration and City Re-development Operation	

Agricultural Logistics Operation

In the fiscal year ended March 31, 2014, our cost of sales was approximately HK$133.1 million. In the fiscal year ended March 31, 2015, our cost of sales
sales as well as the costs associated with the provision of accommodation and food and beverages services at the hotel.

Rural-Urban Migration and City Re-development Operation

In the fiscal year ended March 31, 2014, our cost of sales was nil as assignment of development rights did not incur any costs. In the fiscal year ended Ma
properties that were recognized as sales.

Gross Profit

Our gross profit increased by HK$329.7 million, or 29.8%, from HK$253.9 million for the fiscal year ended March 31, 2014 to HK$583.6 million for the
March 31, 2015. The decrease was mainly due to no revenue was generated from assignments of development rights with gross profit margin of 100% in t

Agricultural Logistics Operation

Our gross profit decreased by HK$58.5 million, or 71.3%, from HK$82.1 million for the fiscal year ended March 31, 2014 to HK$23.6 million for the fisc
31, 2015. The decrease in gross profit margin was primarily due to a decrease in the average selling price of the sales of trade center units and supporting f

Rural-Urban Migration and City Re-development Operation

Our gross profit increased by HK$388.3 million or 126.0%, from HK$171.8 million for the fiscal year ended March 31, 2014 to HK$560.1 million for the
March 31, 2015. The decrease in gross profit margin was primarily due to results for the fiscal year ended March 31, 2015 included revenue from sales of

Other Income and Other Gains/(Losses), Net

In the fiscal year ended March 31, 2014, our other income and gains were approximately HK$118.1 million, primarily from government grants of approxi

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In the fiscal year ended March 31, 2015, our other income and gains were approximately HK$43.5 million, primarily from fair value gain on investment p
values of leasehold land and buildings of approximately HK$23.3 million.

Selling Expenses

Our selling expenses increased by HK$4.1 million, or 13.1%, from HK$31.2 million for the fiscal year ended March 31, 2014 to HK$35.3 million for the

Agricultural Logistics Operation
Rural-Urban Migration and City Re-development Operation

Agricultural Logistics Operation

Our selling expenses decreased by HK$17.2 million, or 59.5%, from HK$28.9 million for the fiscal year ended March 31, 2014 to HK$11.7 million for th
increased from 13.4% for the fiscal year ended March 31, 2014 to 15.6% for the fiscal year ended March 31, 2015. The increase was primarily attributable

Rural-Urban Migration and City Re-development Operation

Our selling expenses increased by HK$21.3 million, or 926.1%, from HK$2.3 million for the fiscal year ended March 31, 2014 to HK$23.6 million for the
approximately of HK$7.2 million for sales personnel. As a percentage of revenue, selling expenses increased from 1.3% for the fiscal year ended March 3

Administrative Expenses

Our administrative expenses of HK$252.3 million for the year ended March 31, 2015 was comprised of HK$192.9 million (2014: HK$128.9 million) fron
expenses. Administrative expenses increased by approximately HK$97.4 million, or 62.9%, from approximately HK$154.9 million in the fiscal year ende
trade and other receivables from HK$43,221,000 for the fiscal year ended March 31, 2014 to HK$113,919,000 for the fiscal year ended March 31, 2015.

Agricultural Logistics Operation
Rural-Urban Migration and City Re-development Operation
Corporate expenses

Agricultural Logistics Operation

Administrative expenses increased by approximately HK$64.0 million, or 125.1%, from approximately HK$128.9 million in the fiscal year ended March
receivables of HK$58.1 million resulted from the impairment of HK$102,100,000 made for receivable arising from the sale of Qiqihar CFC and increase i
million, a decrease in consulting fee of HK$5.0 million and a general decrease in other administrative expenses.

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Rural-Urban Migration and City Re-development Operation

Administrative expenses increased by approximately HK$33.4 million, or 254.6%, from approximately HK$13.6 million in the fiscal year ended March 3 receivables of HK$12.6 million, an increase in salaries and allowances of HK$4.9 million, an increase in depreciation of approximately HK$8.0 million a

Net Finance Income/(Costs)

In the fiscal year ended March 31, 2014, we received interest income from bank deposits of approximately HK$0.7 million and interest income on other re of approximately HK$12.1 million.

In the fiscal year ended March 31, 2015, we incurred interest expense of approximately HK$305.1 million, out of which HK$298.9 million was capitalize 31, 2014, we incurred interest expense of approximately HK$212.6 million, out of which HK$195.7 million was capitalized in properties under developm average borrowings and weighted average interest rate were approximately HK$1,916.8 million and 15.9% per annum (2014: approximately HK$1,304.6

Profit Before Income Tax

As a result of the foregoing, we had a profit before income tax of approximately HK$334.5 million in the fiscal year ended March 31, 2015 and HK$194.1

Taxation

In the fiscal year ended March 31, 2015, our income tax expenses of HK$280.4 million consisted of net current income tax expenses of HK$287.7 million current year, of HK$9.7 million. In the fiscal year ended March 31, 2014, our income tax expenses of HK$86.8 million consisted of net current income ta

In fiscal year ended March 31, 2015, the effective tax rate was positive 83.8%. In fiscal year ended March 31, 2014, the effective tax rate was positive 44. HK$30,300,000 for China Northeast Logistics City Dezhou arising upon completion of the land appreciation tax clearance exercise conducted by the loc

Profit/(Loss) for the Year

In the fiscal year ended March 31, 2015, we had a net profit of approximately HK$54.0 million as a result of the cumulative effect of the factors discussed

Non-Controlling Interests

In the fiscal years ended March 31, 2015 and 2014, loss and profit attributable to non-controlling interests was approximately HK$7.1million and HK$3.0

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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 p
primarily through internally generated funds and bank and other borrowings and financing through capital markets. We expect to have sufficient sources o
(2) debt financing arrangements with banks, including project financing and working capital facilities and (3) financing through capital markets.

As detailed in Item 7.B CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS , the Company issued certain convertible bonds in 2012 wh

(i) Consolidated Tangible Net Worth shall not be less than HK$1,253,000,000;

(ii) Consolidated EBIT shall not at any time be less than 2.50 times Consolidated Finance Charges; and

(iii) Consolidated Total Borrowings shall not at any time exceed 0.85 times Consolidated Tangible Net Worth.

The financial covenants shall be: (i) calculated and interpreted on a consolidated basis in accordance with IFRS and expressed in Hong Kong dollars; and
the last day of the first half of the financial year.

The Company obtained waivers from the holders of the Bonds in prior years in respect of any non-compliance of the above covenants for the fiscal years e

The Company also issued convertible bonds in December 2013, January 2014 and March 2014 that do not include financial covenants.

Working Capital

Our current assets consist of completed properties held for sale, properties under development, trade receivables, prepayments, deposits and other receivab
other borrowings and taxes payable.

As of March 31, 2015 and 2016, we had net current assets, representing the amount by which our current assets exceeded our current liabilities, of approxi
and financing activities when development of our industrial and agricultural trade centers, supporting commercial facilities, warehouse facilities and other
bank and other borrowings related to the development of China Northeast Logistics City Tieling, China Northeast Logistics City Dezhou, China Gloriou

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Cash Flows

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

Net cash generated from /(used in) operating activities
Net cash used in investing activities
Net cash (used in)/generated from financing activities
Net increase/(decrease) in cash and cash equivalents
Effect of foreign exchange rate changes on cash and cash equivalents, net
Cash and cash equivalents at the beginning of the year
Cash and cash equivalents at the end of the year

Cash Flow Generated From /(Used in) Operating Activities

We derive cash from operating activities principally from the sale of trade center units in Agricultural Logistics Operation and revenue from servicing and

In the fiscal year ended March 31, 2016, net cash generated from operating activities was HK$68.5 million, which consisted of operating cash inflow befo negative change resulting from additions to properties under development of HK$866.7 million, additions to land use rights of HK$20.3 million and depos completed properties held for sale of HK$110.8 million, a decrease in trade and other receivables of HK$301.0 million, refund of payments from acquisiti our properties development projects. The increase in receipts in advance was attributable to proceeds received from pre-sale and sale of properties.

In the fiscal year ended March 31, 2015, net cash generated from operating activities was HK$400.7 million, which consisted of operating cash inflow bef a negative change resulting from additions to properties under development of HK$1,335.9 million, additions to land use rights of HK$172.2 million, an i other payables and accruals of HK$931.9 million and refund of payments from acquisition of land use rights of HK$288.1 million and an increase in recei properties development projects. The increase in receipts in advance was attributable to recognition of revenue on pre-sold properties upon completion of

In the fiscal year ended March 31, 2014, net cash used in operating activities was HK$950.0 million, which consisted of operating cash inflow before char negative change resulting from additions to properties under development of HK$361.4 million, additions to land use rights of HK$885.4 million, deposits for sale of HK$115.2 million, a decrease in trade and other receivables of HK$98.8 million, an increase in trade payables, other payables and accruals of H were attributable to construction activities carried out for our properties development projects. The decrease in receipts in advance was attributable to reco

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Cash Flow Used in Investing Activities

In the fiscal year ended March 31, 2016, net cash used in investing activities was HK$38.7 million, which primarily consisted of cash outflow of HK$41.3
March 31, 2015, our principal investment activity is the construction of investment properties. In the fiscal year ended March 31, 2015, net cash used in in
principal investment activity is the construction of investment properties. In the fiscal year ended March 31, 2014, net cash used in investing activities was

Cash Flow (Used In)/Generated from Financing Activities

In the fiscal year ended March 31, 2016, net cash used in financing activities was HK$134.4 million, consisted of cash outflow of HK$947.8 million resul
and loan from a shareholder of HK$350.0 million and a decrease in restricted and pledged bank deposits of HK$96.2 million. In the fiscal year ended Mar
pledged bank deposits, partially offset by cash inflow of HK$765.9 million resulting from proceeds from new bank and other loans and placement of conv
other borrowings and an increase in restricted and pledged bank deposits, partially offset by cash inflow of HK$1,122.1 million resulting from proceeds fr

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 fro
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 San
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
if the assessment differs from actual result, it may give rise to the possibility of outflow in settlement of tax by the Company. We are of the view that the l

The Group had financial guarantees as at March 31, 2016 amounting to HK$1,002,205,000(2015: HK$377,422,000). The guarantees in respect of mortgag
purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purcha
which are generally available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortg
principals together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements for the guarante

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Except as described above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any unconsol
statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity

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

As of March 31, 2016, our contractual obligations amounted to approximately HK$5,885.6 million. The following table sets forth our contractual obligatio

Trade and other payables
Debt obligations
Convertible bonds
Interest on debt obligations
Capital commitment obligations (1)
Operating lease obligations
Total

(1) Capital commitment obligations represented capital injection in respect of investment in an associate in the PRC of approximately HK$95.2
the consolidated financial statements of approximately HK$2,420.5 million.

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 pers

Name
Mr. Sio Kam Seng
Mr. Ho Min Sang
Mr. Lai Chau Ming, Matthew
Mr. Wong Gee Hang, Henry
Mr. Yuen Ka Lok, Ernest

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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

Name
Mr. Sio Kam Seng
Mr. Lin Xianfu
Mr. Lung Hei Man, Alex

Business Experience of Directors and Executive Officers

Mr. SIO Kam Seng has served as Chairman of the Board and Chief Executive Officer of the Company since August 25, 2011, and Acting Chief Financial 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 B Public Accountants, a member of the Institute of Certified Management Accountants, a member of the Chartered Institute of Building, a member of the S 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 manager of Accette Insurance Hong Kong from 1998 to June 2009 and has remained as its director since then.

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 Comp retail, wholesale and manufacturing. Mr. Ho has served as the Chairman of CARINE FRANCOIS France since 1985. CARINE FRANCOIS is the second areas of enterprise management and business development.

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 h Limited, an investment company in Hong Kong. Mr. Lai has over 30 years experience in investment. He is experienced in the areas of financial managem

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 property development, investment and management. Mr. Wong had been a member of senior management in a Hong Kong property developer for more t Management Association.

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 s Law Society of Hong Kong.

Mr. LIN Xianfu has served as our President of Greater China since August 1, 2014. Before joining our Company, he was appointed as the general manage from 2006 to 2011. He has almost 30 years of experience in management including jewelry industry and in other industrial and logistics real estate project graduated from Guangdong Jiesi Fengjiang Secondary School in 1984.

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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-F 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 o

Family Relationships

There are no family relationships among our directors and executive officers.

B. Executive Compensation

For fiscal year ended March 31, 2016, the Company or its subsidiaries paid an aggregate of US$0.9 million in total compensation to its executive officers

C. Board Practices

Board Composition

Our board of directors consists of five members as of July 31, 2016.

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 governa

We have determined that three of the members of the board of directors, Mr. Lai Chau Ming, Matthew, Mr. Wong Gee Hang, Henry and Mr. Yuen Ka Lok 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 over as well as reviewing their independence and evaluating their fees, reviewing financial information that is provided to our shareholders and others, reviewin 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 and Mr. Lai Chau Ming, Matthew. The audit commi

The audit committee held 2 meetings and acted by unanimous written consent on 6 occasions during the fiscal year ended March 31, 2016 and 2 meetings

The board of directors has, in its reasonable judgment, (1) determined that all members of the audit committee are financially literate, (2) determined that I 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 definiti

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With respect to the fiscal year ended March 31, 2016, the audit committee has:

reviewed and discussed with our independent registered public accounting firm and with management the audited consolidat

discussed with our independent registered public accounting firm the matters relevant with us in the Statement on Auditing S

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 acco

Based on the audit committee s review and discussions noted above, the audit committee recommended to the board of directors that audited consolidate

Compensation Committee

The compensation committee consists of Mr. Lai Chau Ming, Matthew, as Chairman, Mr. Wong Gee Hang, Henry 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 com statement for the compensation of the executives and a proposed executive compensation framework for the year. When establishing the proposed compe undertakes the review of comparative compensation offered by peer companies that may compete with our company for executive talent. The peer group committee periodically reviews the comparative compensation offered by the peer group and makes changes as appropriate to reflect changes in the mark

During the fiscal year ended March 31, 2016, the compensation committee acted by unanimous written consent on 2 occasions.

The board of directors has determined that each member of the compensation committee satisfies the definition of independent as established in the NY

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 with the approval of the Board of Directors. Mr. Wong Gee Hang, Henry is the Ch

During the fiscal year ended March 31, 2016, the nominating committee acted by unanimous written consent on 1 occasion.

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The board of directors has determined that each member of the nominating committee satisfies the definition of independent as established in the NYSI

A current copy of our nomination charter is posted on our website at www.chinametrorural.com. We do not expect to hold an annual meeting if the Privati
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 bi
Company not less than 120 days nor more than 180 days before the first anniversary of the mailing date of our proxy statement for our 2016 annual meetin

Attendance of the Board of Directors

During the year ended March 31, 2016, our board of directors held 2 meetings and acted by unanimous written consent on 12 occasions.

2 of our directors attended our 2015 annual meeting of shareholders held at Suite 2204, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsu

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 h
with our Memorandum and Articles of Association and the class rights vested thereunder in the holders of the shares. A shareholder may in certain circum

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

- convening shareholders 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.

D. Employees

As of March 31, 2016, the Company and all of its direct and indirect subsidiaries had a total of 682 employees. The following table sets forth a breakdowr

Senior management
Marketing and sales
Purchasing
Finance and accounting
Legal and Compliance
Construction
Human resources and administration
Property management

Information technology	
Total	

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We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty

We are required under PRC law to make defined contributions to the employee benefit plans including housing funds, pension, work-related injury benefit 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

As of March 31, 2016, 6 of our management and employees were located in Hong Kong. We operate a defined contribution Mandatory Provident Fund re the employees basic salaries. The assets of the MPF Scheme are held separately from our assets in an independently administered fund, and our employe

The total amount of contributions we made to employee benefit plans in fiscal years 2014, 2015 and 2016 was approximately US$418,000 (or HK$3,261,

E. Share Ownership

Please see Item 7.A.

Item 7. Major Shareholders and Related Party Transactions

SECURITIES OWN

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 wh group, as of July 1, 2016.

Name and Address of Beneficial Owner (1)
Kind United Holdings Limited (3)(4)
Willis Plus Limited (3)(4)
Ampleton Developments Limited
Luck Merit Holdings Limited
Zhong Ying Limited (5)
Mr. Cheng Chung Hing, Ricky (3)
Mr. Leung Moon Lam (4)
Mr. Lin Xianfu
Mr. Sio Kam Seng
Mr. Ho Min Sang
Mr. Su Shaobin (5)
Mr. Lai Chau Ming, Matthew
Mr. Wong Gee Hang, Henry
Mr. Yuen Ka Lok, Ernest
Mr. Lung Hei Man, Alex
All executive officers and directors as a group (7 persons)

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(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, Tsi
(2) Represents our ordinary shares held. As of July 1, 2016, we had 73,543,782 ordinary shares outstanding and none of these individuals or en include securities that may be acquired under options or other rights more than 60 days after July 1, 2016. This disclosure is made pursuant indicated in these footnotes, each named individual has sole voting and dispositive power with respect to such ordinary shares, subject to co
(3) Mr. Cheng Chung Hing, Ricky, owns approximately 50.1% of an entity that holds approximately 72.3% of the outstanding shares of Kind U may be deemed to be the beneficial owner of 37,338,104 ordinary shares of the Company issued to Kind United Holdings Limited upon con shares of the Company beneficially owned by Willis Plus Limited which consists of 55,499,028 ordinary shares issuable pursuant to conver convertible bonds due 2016 (2016 Bonds). As a result, Mr. Cheng Chung Hing may be deemed to be the beneficial owner of 11,538,460
(4) Mr. Leung Moon Lam owns approximately 61.2% of an entity that holds approximately 27.7% of the outstanding shares of Kind United Ho Merger on March 22, 2010.
(5) Zhong Ying Limited holds directly 5,900,000 ordinary shares of the Company. Mr. Su Shaobin, owns 100% of the outstanding shares of Zh Zhong Ying Limited.

Preferred Shares

The following table sets forth information with respect to beneficial ownership of our preferred shares as of July 1, 2016, by (1) each of our shareholders v

Name and Address of Beneficial Owner (1)
Cafoong Limited (3)
Mr. Cheng Chung Hing, Ricky (3)
Mr. Cheng Tai Po
Mr. Sio Kam Seng
Mr. Ho Min Sang
Mr. Lai Chau Ming, Matthew
Mr. Wong Gee Hang, Henry
Mr. Yuen Ka Lok, Ernest
Mr. Lin Xianfu
Mr. Lung Hei Man, Alex
All executive officers and directors as a group (7 persons)

(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, Tsi
(2) Represents our preferred shares held. As of July 1, 2016, we had 100,000 preferred shares outstanding and none of these individuals or entit options or other rights more than 60 days after July 1, 2016. This disclosure is made pursuant to certain rules and regulations promulgated b individual has sole voting and dispositive power with respect to such preferred shares, subject to community property laws, where applicabl
(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 dire

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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, e

Certain agreements with Cafoong Limited provide Cafoong Limited with certain pre-emptive rights to purchase, upon the issuance of our ordinary shares

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7.B CER

Our board of directors is responsible for reviewing relationships and transactions in which we and our directors and executive officers or their immediate f 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 develo circumstances, whether a related person has a direct or indirect material interest in the transaction. Our board of directors reviews and approves or ratifies

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 fo

No material related person transactions have occurred since the beginning of fiscal year 2010 up to and including the date of this Annual Report or are cur

On August 15, 2012 we issued US$60,000,000 principal amount, 14 per cent. guaranteed secured convertible bonds (the Bonds) due 2017 and 6,000,00 at an initial conversion price of US$1.0811 per share and the CB Warrants are exercisable to purchase ordinary shares at an initial exercise price of $1.297 Opportunity VII Limited (PAG). The use of proceeds is intended for project development costs for several property development projects in mainland Guarantors that are owned by the Company.

Prior to the issuance of the Bonds and CB Warrants, we originally sought the investment directly from PAG. In the negotiation process, PAG demanded t collateral from them. As a result of that dialogue, the Majority Shareholders sought consideration from PAG and us in connection with the guarantee and s arrangement, PAG is entitled to receive 20% of any gross return realized by the Investor on the Bonds and CB Warrants, net of certain permitted expenses

The Investor is categorized as our affiliate since both shareholders of the Investor, Mr. Cheng and Mr. Leung are together deemed to be our largest shareh constitutes a transaction with our affiliate (the Affiliate Transaction) which is subject to, amongst other things, the review and approval of our board of

Our board and our Audit Committee are of the opinion that the Affiliate Transaction is in our best interests and our shareholders as a whole and our board

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The Company filed a Form 6-K on August 3, 2012 to report its execution of the subscription agreement and related documents in connection with the prop

On October 15, 2012, we, through our subsidiary, entered into an agreement for the disposition of 100% of our equity interest in China Focus City (H.K.) Purchasers) (collectively the Sale). Pursuant to the agreement, we, through our subsidiaries, are to receive considerations of RMB150,000,000 plus a payment. In addition, the Purchasers are to enter into a legally binding guaranty with respect to our remaining 25% interest in Qiqihar CFC that we will re

The Purchasers shall have the right to purchase the remaining 25% interest in Qiqihar CFC at any time for RMB50,000,000 (plus any amounts due and pa described above shall be guaranteed by the Purchasers and Qiqihar CFC, as well as Mr. Su Shaobin, who was one of our directors. The disposition was ap

On December 20, 2013, January 27, 2014 and March 20, 2014, the Company issued an aggregate amount of US$30,000,000, 10 per cent convertible bond Hing and the remainder to certain independent third parties and an existing shareholder. Interest is payable on the principal amount of the 2016 Bonds sem

All (but not less than all) of the principal amounts of the 2016 CBs of each of the investors will be convertible into ordinary shares of the Company at an i issuable upon conversion of the 2016 CBs.

Under the terms of the 2016 CBs, the Investors has the right to put back the 2016 CBs to the Company after 18 months of the date of issue of the 2016 CB include adjustments for consolidation, subdivision or reclassification.

The board and the Audit Committee of the Company are of the opinion that the issuance of the 2016 CBs is in the best interests of the Company and its sh

On September 19, 2014, the Company entered into an HK$30,000,000 loan agreement with one of its major shareholders, Mr. Cheng Chung Hing, Ricky, the Company in order to repay maturing loans and bears an interest rate of 16% per annum with interest payable semi-annually.

On September 22, 2014, the Company entered into an HK$35,000,000 loan agreement with one of its major shareholders, Mr. Cheng Chung Hing, Ricky, the Company in order to repay maturing loans and bears an interest rate of 16% per annum with interest payable semi-annually.

On April 1, 2015, the Company entered into an HK$45,000,000 loan agreement with one of its major shareholders, Mr. Cheng Chung Hing, Ricky, under order to repay maturing loans and bears an interest rate of 16% per annum with interest payable semi-annually.

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On August 4, 2015, the Company entered into an HK$55,000,000 loan agreement with one of its major shareholders, Mr. Cheng Chung Hing, Ricky, unde
order to repay loan interest and bears an interest rate of 15% per annum with interest payable semi-annually.

On November 3, 2015, one of our subsidiaries, China Glorious City Holdings Limited, entered into an HK$200,000,000 loan agreement with one of its ma
from November 3, 2015 to November 9, 2015. This loan bore an interest rate of 6% per annum with interest payable upon repayment and was fully repaid

On January 20, 2016, the Company entered into an HK$50,000,000 loan agreement with one of its major shareholders, Mr. Cheng Chung Hing, Ricky, un
Company in order to repay loan interest and bears an interest rate of 15% per annum with interest payable semi-annually.

The terms of all six HK$ loan agreements (the Loan Affiliate Transactions) were reviewed by the Company s audit committee which determined that t
September 19, 2014, April 1, 2015, August 4, 2015, November 3, 2015 and January 20, 2016.

In addition to their investments in the Company, Mr. Cheng Chung Hing, Ricky owns all of the outstanding shares of Accurate Gain Developments Limite
Chung Hing, Ricky, and Mr. Cheng Tai Po owned an aggregate of 2,451,116,976 of the 7,999,321,999 outstanding shares of China South City Holdings L
international wholesale suppliers, buyers, manufacturers, distributors and end-users of products from raw materials to finished products. It sells and leases
range of facilities and services such as offices, residential, conference and exhibition facilities, hotels and restaurants, warehousing and on-site logistics se
City. In addition, Mr. Leung Moon Lam, is a Co-Founder and Executive Director 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 Shen
Anhui Province, Chongqing Municipality and attracts clientele from these regions. In addition, China South City and China Northeast Logistics Cities wer
City. Also, the PRC subsidiaries of China South City has entered into master agreements and/or project agreements with local government in Shenzhen, G
Province and Chongqing Municipality that set out each party s commitments and expectations and a proposed framework for these integrated logistics an

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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 dee interests in China Northeast Logistics Cities at any time until September 30, 2014 or two years after the completion of the development of China Northeas 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, Ric 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 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 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 request, China South City held an extraordinary general meeting in which its independent shareholders approved, confirmed and ratified its non-exercise o 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

On June 1, 2012, Shenzhen Northeast Logistics City Co., Ltd., an indirect wholly-owned subsidiary of ours, entered into a rental agreement with China So from China South International Industrial Materials City (Shenzhen) Co., Ltd. an office premises located at 21/F, Global Logistics Center, Pinghu, Shenzh RMB22,563 per month and RMB4,514 per month, respectively. Shenzhen Northeast Logistics City Co., Ltd. is entitled to a rent-free period from June 1, 2 entered into a rental agreement with China South International Industrial Materials City (Shenzhen) Co., Ltd. pursuant to which Shenzhen Northeast Logis term of three years from August 1, 2014 to July 31, 2017 with monthly rental and management fee of RMB66,751 per month and RMB11,867 per month, Logistics Center after April 15, 2016. During the fiscal year ended March 31, 2016, Shenzhen Northeast Logistics City Co., Ltd. paid and payable to Chin party transaction policy) pursuant to the terms of this rental agreement.

On November 14, 2013, China Dezhou Northeast, an indirect non wholly-owned subsidiary of ours, entered into a design contract with Shenzhen Huanuo Company Limited agreed to provide various design services, including facade design proposals and interior design of certain trade centers and administrat

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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

Our subsidiary China Tieling Northeast is involved in a PRC court case brought about by a contractor, Kaiyuan Wei Min Construction Engineering Co., L
of this report. Although a judgement is yet to be issued by local PRC court, we are of the opinion that the full provision for the claim shall be made and ac

Our subsidiary China Tieling Northeast is involved in a PRC court case brought about by a contractor, Tieling Xin Hai Construction Engineering Co., Ltd
statement for the fiscal year ended March 31, 2015. During the current fiscal year, a judgement was issued by the PRC court in favour of Xin Hai and the
balance remained outstanding as at March 31, 2016.

We have filed a Hong Kong court case (Action No. 755 of 2015) against Run Xing Investments Limited (Run Xing), Honour Noble Holdings Limited
is a guarantor for the aforesaid sum. A judgement from the Hong Kong Court of First Instance was issued in our favour and demanded Mr. Su Shaobin to
recoverability of the aforesaid sum is in doubt and full provision for the aforesaid sum and a loan receivable of RMB50,000,000 should be made and acco

As of March 31, 2016, except for the foregoing, we did not have any litigation, arbitration or claim of material importance, and the Directors were not awa

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 o
financial condition, operating results, capital requirements, any applicable contractual restrictions and such other factors as our board of directors deems re

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 subsidiari
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.

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

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 ra

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

B. Significant Changes

After the end of the fiscal year ended March 31, 2016, on May 20, 2016, the Company announced plans to effectuate the Privatization. The Company inte
which the Company is a party, holders of the Company s ordinary shares other than certain specified affiliates, other holders and holders who properly p
obligations (and associated costs) under the Exchange Act and to delist from the NYSE MKT.

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

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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. Our preferred shares are not listed.

The following table sets forth, for the periods indicated, the high and low share prices (in U.S.$) for our ordinary shares from April 1, 2012 to June 30, 20

Yearly Highs and Lows for the Year Ended March 31,
2016
2015
2014
2013
2012
Quarterly Highs and Lows
2016
First Quarter (April-June 2015)
Second Quarter (July-September 2015)
Third Quarter (October-December 2015)
Fourth Quarter (January-March 2016)
2015
First Quarter (April-June 2014)
Second Quarter (July-September 2014)
Third Quarter (October-December 2014)
Fourth Quarter (January-March 2015)
Monthly Highs and Lows
January 2016
February 2016
March 2016
April 2016
May 2016
June 2016

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 tim

The following statements are summaries of our share capital structure and of the more important rights and privileges of shareholders conferred by our Me
available for examination at our registered office and are on file with the SEC.

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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. Ou

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 acti

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 dividen 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 is not c

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 a 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 distribu

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 combinatio

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 sh

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 Ac

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 for distribution are insufficient to repay all of the paid-up shares, the assets will be distributed so that the losses are borne by our shareholders proportionat

Voting Rights

Each ordinary share is entitled to one vote on all matters upon which our shares are entitled to vote.

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Convertible Bonds December 2013, January 2014 and March 2014

General

On December 20, 2013, January 27, 2014 and March 20, 2014, the Company issued an aggregate amount of US$30,000,000, 10 per cent convertible bond
Hing and the remainder to certain independent third parties and an existing shareholder. Interest is payable on the principal amount of the 2016 Bonds sem

Conversion Price of Bonds

All (but not less than all) of the principal amounts of the 2016 CBs of each of the investors will be convertible into ordinary shares of the Company at an i
issuable upon conversion of the 2016 CBs, representing approximately 31.38% of the total issued share capital of the Company and approximately 23.88%

Company Covenants and Investor Put Right

Under the terms of the 2016 CBs, the Investors has the right to put back the 2016 CBs to the Company after 18 months of the date of issue of the 2016 CB
include adjustments for consolidation, subdivision or reclassification.

Anti-dilution protection

The 2016 Bonds will have limited anti-dilution protection, which will include adjustments for consolidation, reclassification or subdivision.

Listing of Shares

The ordinary shares underlying the 2016 Bonds have been listed on the NYSE MKT.

Affiliate Transaction

Mr. Cheng Chung Hing is our affiliate by his deemed beneficial ownership of over 50% of our issued and outstanding ordinary shares through Kind Unite
review and approval of our board of the Company and our Audit Committee.

Our board and our Audit Committee are of the opinion that the 2016 Affiliate Transaction is in our best interests and our shareholders as a whole and our l

Rights as a Shareholder

Except as otherwise provided in the 2016 Bonds or by virtue of such holder s ownership of our ordinary shares, a holder of a 2016 Bond does not have th

Convertible Bonds August 2012

General

On August 15, 2012 we issued US$60,000,000 principal amount, 14 per cent. guaranteed secured convertible bonds (the Bonds) due 2017 and 6,000,00
at an initial conversion price of US$1.0811 per share; and the CB Warrants are exercisable to purchase ordinary shares at an initial exercise price of $1.29
Limited. The use of proceeds is intended for project development costs for several property development projects in mainland China.

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We filed a registration statement with the Securities & Exchange Commission (SEC) covering the public resale of a portion of the ordinary shares issua
2013. As ordinary shares are sold into the market, the Company will have the right to file subsequent registration statements to register the resale of additi

The Bonds are jointly and severally guaranteed by M.S. Electronic Emporium Limited, China Metro-Rural Limited, China Metro-Rural Exchange Limitec
Limited, China Glorious City (No.1) Limited, China Glorious City (No.2) Limited, China Glorious City (No.3) Limited, China Glorious City (No.4) Limit
No.5 Limited (the Subsidiary Guarantors , being our non-PRC subsidiaries) and secured by share pledges over the issued share capital of the Subsidiary

Conversion Price of Bonds

All (but not part only) of the principal amount of the Bonds are convertible into our ordinary shares at an initial conversion price per Ordinary Share equal
approximately 75.46% of the total issued share capital of the Company and approximately 43.01% of the total issued share capital of the Company as enla

Company Covenants and Investor Put Right

Under the terms of the Bonds, the Company undertakes to comply with certain financial covenants and will need to seek consent of holders of Bonds in re
third anniversary of the date of issue of the Bonds at an amount equal to 100 percent of the principal amount outstanding of the Bonds to be repaid with ac

PIK Payment

On the earlier of the date on which the Bonds are put back to the Company, or maturity, the Company shall also pay a premium on the principal amount of

(a) an amount representing interest accrued through the date ending on the earlier of the anniversary of the issue date of the Bonds or the relevant date of r

(b) each PIK Principal Portion shall bear interest from the relevant date on which the PIK Principal Portion is first incurred at a rate of 21 per cent. per ann

Issuance of CB Warrants

Simultaneously with the issue of the Bonds, we issued to the Investor warrants, or CB Warrants, exercisable to purchase up to 6,000,000 ordinary shares o
August 15, 2013 (the first anniversary of the date of issue of the Bonds). The terms of the CB Warrants further provide that in case no registration stateme
pursuant to which the difference of the Current Market Value (as defined under the terms of the CB Warrants) of the Exercise Shares and the exercise pric
cash instead of issued ordinary shares. In the event the Company seeks an alternate listing on a recognized stock exchange and the listing of the shares to b
compensating the holder of the CB Warrants with one Ordinary Share for every three CB Warrants tendered for surrender, credited as fully paid.

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Anti-dilution protection

The Bonds and CB Warrants will have customary anti-dilution protection, which will include adjustments for (i) consolidation, reclassification or subdivis net profit attributable to our equity holders immediately preceding fiscal year), and (B) dividend yield of 6% of the volume weighted average prices of eac securities at a discount of more than 5% to Current Market Price, (vii) modification of rights of conversion, exchange, etc, where the consideration per sha discount of more than 5% of the prevailing conversion price in which case adjustment of the conversion price shall occur on a full ratchet basis, and (x) an result in such adjustment.

Listing of Shares

The ordinary shares underlying the Bonds and the CB Warrants have been listed on the NYSE MKT.

Affiliate Transaction

Prior to the issuance of the Bonds and CB Warrants, we originally sought the investment directly from PAG. In the negotiation process, PAG demanded th guarantee and security requested by PAG. The net result was that PAG would make a loan of US$60,000,000 to the Investor and the Investor would use th is in excess of 21% per annum internal rate of return payable on the PAG bond.

The Investor is categorized as our affiliate since both shareholders of the Investor, Mr. Cheng and Mr. Leung are together deemed to be our largest shareho constitutes a transaction with our affiliate (the Affiliate Transaction) which is subject to, amongst other things, the review and approval of our board of

Our board and our Audit Committee are of the opinion that the Affiliate Transaction is in our best interests and our shareholders as a whole and our board

General Provisions of Our Shares

Voting and Quorum. Subject to the rights attached to the preferred shares whose holders shall as a class be entitled to such number of votes as shall const representing such shareholder by proxy shall have one vote for each issued and outstanding voting ordinary share registered in his name, or the name of th our ordinary shares and preferred shares shall vote together as one class. If the Chairman shall have any doubt as to the outcome of any resolution put to th the Chairman of the result of any vote may immediately following such announcement demand that a poll be taken and the Chairman shall thereupon caus

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 authori
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 re
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 (inc
shares (including preferred shares which represent ordinary shares). An ordinary resolution is required for matters such as an amendment of the Memoran
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 contai
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 sh

Redemption of Shares. The directors may, on our behalf, subject to an ordinary resolution of members (including the written consent of all the members v
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

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 otherw
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

Inspection of Register of Members. Our register of members and branch register of members shall be open for inspection by shareholders for such times a
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 Associ
such consideration and upon such terms and conditions as our board may in its absolute discretion determine.

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 BV

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Ownership Threshold. There are no provisions governing the ownership threshold above which shareholder ownership must be disclosed imposed by BV

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 share

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 sha

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

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 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 affect the 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 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 ab 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 me 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 o

Directors Power to Manage Business

The board of directors have all the powers necessary for managing and for directing and supervising the business and affairs of the Company and may, fro debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party, and may exer

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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 off
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, in

is or was a party or is threatened to be made a party to any threatened, pending or completed proceeding, whether civil, crimi

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 actin
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 ha

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 a

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us under the foregoi

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 right

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 pa

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 of

These provisions, which include a business combination provision, are expected to discourage coercive takeover practices and inadequate takeover bids
Section 203 and generally prohibit business combinations between us and an interested shareholder. These provisions are also designed to encourage
or restructure us outweigh the disadvantages of discouraging those proposals because negotiation of them could result in an improvement of their terms.

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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

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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

On June 6, 2012, one of our subsidiaries, China Tieling Northeast entered into an RMB syndicated loan contract with ICBC and China Merchant Bank (

On July 24, 2012, we entered into certain agreements in connection with the issuance of US$60,000,000 principal amount, 14 per cent. guaranteed secured Shareholders. The Investor borrowed from PAG the funds used to purchase the Bonds. The use of proceeds is intended for project development costs for s

Prior to the issuance of the Bonds and CB Warrants, we originally sought the investment directly from PAG. In the negotiation process, PAG demanded th guarantee and security requested by PAG. The net result was that PAG would make a loan of US$60,000,000 of bonds to the Investor and the Investor wo certain permitted expenses, that is in excess of 21% per annum internal rate of return payable on the PAG bond.

On October 15, 2012, we, through our subsidiary, entered into an agreement for the disposition of 100% of our equity interest in China Focus City (H.K.) Purchasers) (collectively the Sale). Pursuant to the agreement, we, through our subsidiaries, are to receive considerations of RMB150,000,000 plus a payment. In addition, the Purchasers are to enter into a legally binding guaranty with respect to our remaining 25% interest in Qiqihar CFC that we will re

The Purchasers shall have the right to purchase the remaining 25% interest in Qiqihar CFC at any time for RMB50,000,000 (plus any amounts due and pa described above shall be guaranteed by the Purchasers and Qiqihar CFC, as well as Mr. Su Shaobin, who was one of our directors.

On October 24, 2012, one of our subsidiaries, China Dezhou Northeast entered into an RMB loan contract with Bank of China, under which Bank of Chin

On October 25, 2012, one of our subsidiaries, China Tieling Northeast entered into an RMB syndicated loan contract with ICBC and CMB, under which I

On March 15, 2013, one of our subsidiaries, China Metro-Rural Limited, entered into six HK$ loan agreements, where the terms and conditions of the loa term of these loans is from March 15, 2013 to March 14, 2015. These loans were unsecured and interest bearing at 18% per annum. These loans were fully

On May 8, 2013, one of our subsidiaries, China Hengyang Glorious, entered into an RMB loan contract with ICBC, under which ICBC extended an amou

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On June 21, 2013, one of our subsidiaries, China Dezhou Northeast, entered into an RMB loan contract with AVIC Trust Co., Ltd., under which AVIC Tr

On June 26, 2013, one of our subsidiaries, China Hengyang Glorious, entered into an RMB loan contract with ICBC, under which ICBC extended an amo

On July 1, 2013, one of our subsidiaries, China Tieling Northeast, entered into an RMB loan contract with Bank of Tieling, under which Bank of Tieling e

On October 24, 2013, one of our subsidiaries, China Tieling Northeast, entered into an RMB loan contract with Bank of Tieling, under which Bank of Tie

On November 21, 2013, one of our subsidiaries, China Hengyang Glorious, entered into an RMB loan contract with ICBC, under which ICBC extended a

On November 21, 2013, the Company entered into a HK$ loan agreement with an independent third party, under which this third party extended an amou
during the fiscal year ended March 31, 2015.

On December 20, 2013 and March 20, 2014, the Company issued an aggregate amount of US$15,000,000, 10 per cent convertible bonds (the 2016 Bond

On December 20, 2013 and January 27, 2014, the Company issued an additional aggregate amount of US$15,000,000 of 2016 Bonds in a private placeme

On March 17, 2014, one of our subsidiaries, China Tieling Northeast, entered into an RMB loan contract with Bank of Tieling, under which Bank of Tieli

On April 2, 2014, one of our subsidiaries, Shenzhen Northeast Logistics City Co., Ltd., entered into an RMB loan contract with an independent third party
unsecured, interest bearing at 15% per annum.

On April 2, 2014, one of our subsidiaries, Shenzhen Northeast Logistics City Co., Ltd., entered into an RMB loan contract with an independent third party
unsecured, interest bearing at 15% per annum.

On April 4, 2014, one of our subsidiaries, Shenzhen Northeast Logistics City Co., Ltd., entered into an RMB loan contract with an independent third party
unsecured, interest bearing at 15% per annum.

On April 8, 2014, the Company entered into a HK$ loan agreement with an independent third party, under which this party extended an amount of HK$45

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On April 10, 2014, one of our subsidiaries, Shenzhen Northeast Logistics City Co., Ltd., entered into an RMB loan contract with an independent third part
is unsecured, interest bearing at 15% per annum.

On May 4, 2014, one of our subsidiaries, China Zhoukou Glorious Investments, entered into an RMB loan contract with ICBC, under which ICBC extend

On June 30, 2014, one of our subsidiaries, China Zhoukou Glorious Investments, entered into an RMB loan contract with Bank of China, under which Ba

On June 30, 2014, one of our subsidiaries, China Zhoukou Glorious Investments, entered into an entrusted debt investment agreement with BOC Internati
Investments. The term of this loan is from date of drawn down (June 30, 2014) to June 30, 2015.

On July 7, 2014, one of our subsidiaries, Tieling Shengtai Hotel Co., Ltd., entered into an RMB loan contract with Tieling Xinxing Village Bank, under w

On August 7, 2014, the Company entered into a HK$ loan agreement with an independent third party, under which this party extended an aggregate amou

On September 19, 2014, the Company entered into a HK$ loan agreement with one of its major shareholders, Mr. Cheng Chung Hing, Ricky, under which
in order to repay maturing loans and bears an interest rate of 16% per annum with interest payable semi-annually.

On September 22, 2014, the Company entered into a HK$ loan agreement with one of its major shareholders, Mr. Cheng Chung Hing, Ricky, under which
in order to repay maturing loans and bears an interest rate of 16% per annum with interest payable semi-annually.

On February 11, 2015, the Company entered into a HK$ loan agreement with an independent third party, under which this party extended an aggregate am
with interest payable upon maturity.

On March 12, 2015, one of our subsidiaries, China Tieling Northeast, entered into an RMB loan contract with Bank of Tieling, under which Bank of Tieli

On April 1, 2015, the Company entered into an HK$45,000,000 loan contract with one of its major shareholders, Mr. Cheng Chung Hing, Ricky, under w
repay maturing loans and bears an interest rate of 16% per annum with interest payable semi-annually.

On April 15, 2015, one of our subsidiaries, China Hengyang Glorious, entered into an RMB loan contract with ICBC, under which ICBC extended an am

On July 1, 2015, one of our subsidiaries, China Zhoukou Glorious Investments, entered into an RMB loan contract with Bank of China under which Bank

On August 4, 2015, the Company entered into an HK$55,000,000 loan agreement with one of its major shareholders, Mr. Cheng Chung Hing, Ricky, unde order to repay loan interest and bears an interest rate of 15% per annum with interest payable semi-annually.

On November 3, 2015, one of our subsidiaries, China Glorious City Holdings Limited, entered into an HK$200,000,000 loan agreement with one of its ma from November 3, 2015 to November 9, 2015. This loan bore an interest rate of 6% per annum with interest payable upon repayment and was fully repaid

On January 20, 2016, the Company entered into an HK$50,000,000 loan agreement with one of its major shareholders, Mr. Cheng Chung Hing, Ricky, un Company in order to repay loan interest and bears an interest rate of 15% per annum with interest payable semi-annually.

On March 25, 2016, one of our subsidiaries, China Nanyang Glorious, entered into an RMB loan contract with Bank of China, under which Bank of China

D. Exchange Controls

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, as amended in August 200 for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the prior app Foreign Exchange promulgated a notice, Circular No. 142, regulating the conversion by a foreign-invested company of foreign currency into Renminbi by purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. In add 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 c

The dividends paid by the subsidiary to its overseas shareholder are deemed income of the shareholder and are taxable in China. Pursuant to the Administr Administration of Foreign Exchange, for settlement of current account transactions without the approval of the State Administration of Foreign Exchange. Governmental authorities.

All of our revenues are denominated in Renminbi, while a portion of our expenditures are denominated in foreign currencies, primarily the U.S. dollar. Flu Renminbi terms. Where our operations conducted in Renminbi are reported in dollars, such fluctuations could result in changes in reported results which d 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 currenci 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 whic an even more flexible currency policy, which could result in a further revaluation and a significant fluctuation of the exchange rate of the Renminbi agains impact our results of operations.

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In October 2005, SAFE promulgated regulations that require registration with local SAFE in connection with direct or indirect offshore investment by PR

The SAFE regulations retroactively require registration by March 31, 2006 of direct or indirect investments previously made by PRC residents in offshore
from making distributions of profit to the offshore parent and from paying the offshore parent proceeds from any reduction in capital, share transfer or liqu

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 investm
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*

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
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

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 t

- 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 un
- 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 au

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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. fed
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. T
recommend that partners in such a partnership and beneficial owners of other pass-through entities holding our ordinary shares or warrants consult their ov

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

This summary is based on the Internal Revenue Code, its legislative history, U.S. Treasury regulations promulgated thereunder, published rulings and cou

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 warrant
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 conseq

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 transacti

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 he

BECAUSE OF THE COMPLEXITY OF THE TAX LAWS AND BECAUSE THE TAX CONSEQUENCES TO ANY PARTICULAR HOLDER
WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF ACQUISITION, OWNERSHIP AND DISPOSITION OF OF OUR SECUR

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 serie corporation own at least 80% of either the voting power or the value of the stock of the acquiring corporation after the acquisition by reason of owning sha 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 reasor 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.

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 purpose

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 s 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 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, in respect of our ordinary shares dividends may be taxed at the low 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 treat 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 ar 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

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 P Dividends would constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as di tax rate applicable to qualified dividend income and divided by the highest tax rate normally applicable to dividends. The limitation on foreign taxes eligib but could, in the case of certain U.S. Holders, constitute general category income.

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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

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 constructive distribution that could be taxable as a dividend to a U.S. Holder of the warrant. Conversely, the absence of an appropriate anti-dilution adjust 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 re 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 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 limitat 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 betw 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 war 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

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 in 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, eith

at least 75% of the Company s gross income for such taxable year consists of passive income (e.g., dividends, interest, capit

at least 50% of the average value of the assets held by the corporation during such taxable year produce, or are held for the pr

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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

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
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 fo
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
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 belo

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 th
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 hol

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

the amount allocated to each other taxable year will be subject to the highest tax rate in effect for individuals or corporations,
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 fo

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
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 y

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 di
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 deduct
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 el
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
to distributions by corporations which are not PFICs would apply to distributions by us, except that the lower capital gains rate applicable to qualified divi

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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 d 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 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 p

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 makin 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 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 sharehol information must be included in such annual filing. If we are a PFIC for a given taxable year, you should consult your tax advisor concerning the tax cons

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 o 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$2 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 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 (or such higher amount as is specified in U.S. T 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 fina U.S. holders that are individuals are urged to consult their tax advisors regarding the application of these reporting rules to their ownership of our ordinary

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 c 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 r

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 sub number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their withholding rules. Backup withholding is not an additional tax.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign sta

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 c

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 invest with such establishment or place of business) to the extent such dividends are sourced within China and the enterprise that distributes dividends is conside 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

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Our corporate website is www.chinametrorural.com. We make available free of charge on or through our website our Annual Reports, current reports, and 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 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 th

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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 th

Foreign Exchange Risk

We conduct our business primarily in Renminbi. In addition, our expenses are also primarily denominated in Renminbi, although a portion of expenses ar Kong, rental expenses for our office space in Hong Kong and other general office expenses. However, our reporting currency is the Hong Kong dollar bec approximately 95.3% of our expenses (excluding tax) were denominated in Renminbi, approximately 1.7% were denominated in Hong Kong dollars and a Renminbi, approximately 56.0% was denominated in Hong Kong dollars and approximately 22.6% were denominated in U.S. dollars. We believe the imp

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 and other borrowings, none that bore interest at fixed rates.

Additional increases in interest rates could potentially result in an increase in our cost of float rate borrowings, which could negatively affect our business one-to-three-year Renminbi loans was ranging from 4.4% to 9.8% per annum. The PBOC-published benchmark one-to-three-year lending rates in China a payable would increase by HK$4.6 million on an annual basis in the event interest rates were to increase by 1.0% per annum assuming our borrowings co

We closely monitor interest rate risk and consider using appropriate financial instruments to hedge any exposure. However, we do not currently use any d

Item 12. Description of Securities Other Than Equity Securities.
Not applicable.

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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) des
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
March 31, 2016, the end of the period covered by this Annual Report. Based on such evaluation, management with the participation of the Chief Executiv
laws and regulations is (1) recorded, processed, summarized and reported in a timely manner; and (2) accumulated and communicated to our management
year ended March 31, 2016 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.
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
realities that judgments in decision-making can be faulty, and that breakdown can occur because of simple error or mistake. Additionally, controls can be
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 potenti

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
reflect our transactions and dispositions of assets; (ii) providing reasonable assurance that transactions are recorded as necessary for preparation of our fina
(iv) providing reasonable assurance that unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial stateme

Under the supervision and with the participation of our management, including Chief Executive Officer and Chief Financial Officer, we conducted an eva
the Treadway Commission using the criteria in *Internal-Control Integrated Framework (2013)*. Based on this evaluation, our management concluded that

Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair pre
reasonable assurance with respect to financial statement preparation and presentation. In addition, projections of any evaluation of effectiveness to future

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This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting due t

No change was made in our internal control over financial reporting during fiscal year ended March 31, 2016 that has materially affected, or is reasonably

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 expe
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
sending the request to: China Metro-Rural Holdings Limited, Suite 2204, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, H

Item 16C. Principal Accountant Fees and Services.

Audit Fees

Audit services of PricewaterhouseCoopers for fiscal year 2016 included the examination of the consolidated financial statements prepared in accordance w
and Exchange Commission and other regulatory bodies. The aggregate fees for professional services rendered by PricewaterhouseCoopers for fiscal year

Audit services of PricewaterhouseCoopers for fiscal year 2015 included the examination of the consolidated financial statements prepared in accordance w
and Exchange Commission and other regulatory bodies. The aggregate fees for professional services rendered by PricewaterhouseCoopers for fiscal year e

Tax and Other Service Fees

The Company and its subsidiaries have not engaged PricewaterhouseCoopers to perform other non-audit professional services for fiscal year 2015 or 201

Audit-Related Fees and All Other Fees

The aggregate fees for audit-related or other fees to PricewaterhouseCoopers for fiscal year ended March 31, 2015 and 2016 are nil and nil, respectively.

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
these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the r
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

Shareholder Approval Requirement: Sections 711-713 of the NYSE MKT Company Guide require shareholder approval prior to an issuance of securities
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 o
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 Articl
date the shareholder became such Interested Shareholder as described in Article 71 of our Articles of Association which may include any transaction whic
an Interested Shareholder or any affiliate or associate of the Interested Shareholder is (unless it comes within the exemptions set out in Article 71) require

Board Independence Requirement: Section 802(a) of the NYSE MKT Company Guide requires a board of directors with a majority of independent directo

Shareholder Meeting Quorum Requirement: The NYSE MKT minimum quorum requirement for a shareholder meeting is one-third of the outstanding sha
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 entitle

Proxy Delivery Requirement: NYSE MKT requires the solicitation of proxies and delivery of proxy statements for all shareholder meetings, and requires t
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 i

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
disclosure of such transactions available on the our website at www.chinametrorural.com. Information contained on our website is not part of this Annual

Item 16H. **Mine Safety Disclosure**

Not Applicable.

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Item 17. **Financial Statements**

Our Audited Financial Statements as of March 31, 2016 and 2015 and for the years ended March 31, 2016, 2015 and 2014, including the notes thereto and

Item 18. **Financial Statements**

Not Applicable.

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Item 19. **Exhibits.**

Exhibit Number	
1.1	Amended and Restated Memorandum of Association.[1]
1.2	Amended and Restated Articles of Association.[2]
4.1	Agreement and Plan of Dissolution and Liquidation as of July 24, 2009, company incorporated under the International Business Companies Act Companies Act, 2004.[3]
4.2	Agreement and Plan of Merger, dated February 19, 2010, by and among shareholders of China Metro.[4]
4.10	Cooperative Framework Agreement between China Metro-Rural Develo
4.23	Loan Contract between China Tieling Northeast and ICBC/China Merch
4.24	Subscription Agreement for the Convertible Bonds dated July 24, 2012.
4.25	Form of Terms and Conditions relating to the Convertible Bonds.[7]
4.26	Form of Warrant Instrument.[8]
4.27	Form of Registration Rights Agreement.[9]
4.28	Definitive Form of Subsidiary Guarantee.[10]
4.29	Subscription and Investor Rights Agreement relating to the PAG Bonds,
4.30	Deed of Undertakings and Negative Pledge Agreement, dated July 24, 2
4.31	Form of Terms and Conditions relating to the PAG Bonds.[13]
4.32	Form of Guarantee relating to the PAG Bonds.[14]
4.35	Sale and Purchase Agreement for the dispositions of HKCFC and Qiqiha
4.36	Loan Contract between China Dezhou Northeast and Bank of China date
4.37	Loan Contract between China Tieling Northeast and ICBC/China Merch
4.39	Loan Agreements between China Metro-Rural Limited and independent
4.40	Loan Contract between China Hengyang Glorious and ICBC dated May
4.41	Loan Contract between China Dezhou Northeast and AVIC Trust Co., L
4.42	Loan Contract between China Hengyang Glorious and ICBC dated June
4.43	Loan Contract between China Tieling Northeast and Bank of Tieling dat
4.44	Loan Contract between China Tieling Northeast and Bank of Tieling dat
4.47	Loan Contract between China Hengyang Glorious and ICBC dated Nove
4.48	Loan Agreement between China Metro-Rural Holdings Limited and an i
4.49	Form of 2016 Bond Certificate.[16]
4.50	Loan Contract between China Tieling Northeast and Bank of Tieling dat
4.51	Loan Contract between Shenzhen Northeast Logistics City Co., Ltd. and
4.52	Loan Contract between Shenzhen Northeast Logistics City Co., Ltd. and
4.53	Loan Contract between Shenzhen Northeast Logistics City Co., Ltd. and

4.54	Loan Agreement between China Metro-Rural Holdings Limited and an i
4.55	Loan Contract between Shenzhen Northeast Logistics City Co., Ltd. and

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4.56	Loan Contract between China Zhoukou Glorious Investments and ICBC d
4.57	Loan Contract between China Zhoukou Glorious Investments and Bank of
4.58	Entrusted Debt Investment Agreement between China Zhoukou Glorious I
4.59	Loan Contract between Tieling Shengtai Hotel Co., Ltd. and Tieling Xinx
4.60	Loan Agreement between China Metro-Rural Holdings Limited and an ind
4.61	Loan Agreement between China Metro-Rural Holdings Limited and Chen
4.62	Loan Agreement between China Metro-Rural Holdings Limited and Chen
4.63	Loan Agreement between China Metro-Rural Holdings Limited and an ind
4.64	Loan Contract between China Tieling Northeast and Bank of Tieling dated
4.65	Loan Agreement between China Metro-Rural Holdings Limited and Chen
4.66	Loan Contract between China Hengyang Glorious and ICBC dated April 1
4.67	Loan Contract between China Zhoukou Glorious Investments and Bank of
4.68	Loan Agreement between China Metro-Rural Holdings Limited and Chen
4.69	Loan Agreement between China Glorious City Holdings Limited and Che
4.70	Loan Agreement between China Metro-Rural Holdings Limited and Chen
4.71	Loan Contract between China Nanyang Glorious and Bank of China dated
8.1	List of Subsidiaries.
12.1	Certification of Chief Executive Officer and Acting Chief Financial Office
13.1	Certification of Chief Executive Officer and Acting Chief Financial Office Sarbanes-Oxley Act of 2002.
15.1	Consent of Valuation Firm.
15.2	Consent of Valuation 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 the registrant s Annual Report on Form 20-F filed on July 16, 2012.

3 Incorporated by reference to Annex A to the registrant s Registration Statement on Form F-4 (Registration No. 333-160777) filed with the SEC on July 24, 2009.

4 Incorporated by reference to Annex B to Exhibit 99.1 to the registrant s Form 6-K filed with the SEC on March 1, 2010.

5 Incorporated by reference to the registrant s Annual Report on Form 20-F filed on July 11, 2011.

6 Incorporated by reference to Exhibit 99.2 to the registrant s Form 6-K filed with the SEC on August 3, 2012.

7 Incorporated by reference to Exhibit 99.3 to the registrant s Form 6-K filed with the SEC on August 3, 2012.

8 Incorporated by reference to Exhibit 99.4 to the registrant s Form 6-K filed with the SEC on August 3, 2012.

9 Incorporated by reference to Exhibit 99.5 to the registrant s Form 6-K filed with the SEC on August 3, 2012.

10 Incorporated by reference to Exhibit 99.6 to the registrant s Form 6-K filed with the SEC on August 3, 2012.

11 Incorporated by reference to Exhibit 99.7 to the registrant s Form 6-K filed with the SEC on August 3, 2012.

12 Incorporated by reference to Exhibit 99.8 to the registrant s Form 6-K filed with the SEC on August 3, 2012.

13 Incorporated by reference to Exhibit 99.9 to the registrant s Form 6-K filed with the SEC on August 3, 2012.

14 Incorporated by reference to Exhibit 99.10 to the registrant s Form 6-K filed with the SEC on August 3, 2012.

15 Incorporated by reference to the registrant s Annual Report on Form 20-F filed on July 18, 2013.

16 Incorporated by reference to the registrant s Annual Report on Form 20-F filed on July 11, 2014.

17 Incorporated by reference to the registrant s Annual Report on Form 20-F filed on July 31, 2015.

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 si

Date: August 1, 2016

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REPORT OF

To the Board of Directors and the Shareholders of

China Metro-Rural Holdings Limited

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of income, of comprehensive incor
Group) at March 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 20
responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with th
statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financia
basis for our opinion.

/s/ PricewaterhouseCoopers

Hong Kong

August 1, 2016.

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Revenue
Cost of sales
Gross profit
Other income, net
Other gains, net
Selling expenses
Administrative expenses
Operating profit
Finance income
Finance costs
Finance (costs)/income net
Share of loss of an associate
Profit before income tax
Income tax expenses
(Loss)/profit for the year
Attributable to:
Equity holders of the Company
Non-controlling interests
(Loss)/earnings per share attributable to ordinary share holders of the Company during the year
Basic earnings per share
Diluted (loss)/earnings per share
Dividend (HK$ 000)

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(Loss)/profit for the year
Other comprehensive income, net of tax:
Item that will not be subsequently reclassified to income statement:
Increase in fair values of leasehold land and buildings, net of deferred income tax
Item that may be subsequently reclassified to income statement:
Exchange difference on translation of foreign operations
Item that was subsequently reclassified to income statement:
Release of reserves upon deemed disposal of subsidiaries
Total comprehensive (loss)/income for the year
Total comprehensive (loss)/income for the year attributable to:
Equity holders of the Company
Non-controlling interests

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Non-current assets
Investment properties
Property, plant and equipment
Land use rights
Deposit for investment properties
Goodwill
Deposits for acquisition of land use rights
Trade and other receivables
Interest in an associate
Interests in joint ventures
Deferred income tax assets
Current assets
Completed properties held for sale
Properties under development
Land use rights
Deposits for acquisition of land use rights
Trade and other receivables
Due from joint ventures
Restricted and pledged bank deposits
Cash and cash equivalents
Non-current asset held for sale
Current liabilities
Trade payables, other payables and accruals
Receipt in advance
Current income tax liabilities
Derivative financial liabilities
Bank and other borrowings
Convertible bonds
Loans from a shareholder
Net current assets
Total assets less current liabilities

Non-current liabilities	
Deferred income tax liabilities	
Convertible bonds	
Bank and other borrowings	
Loans from a shareholder	
Loan from a non-controlling interest of a subsidiary	
Net assets	

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Equity	
Equity attributable to equity holders of the Company	
Share capital	
Reserves	
Non-controlling interests	
Total equity	

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Cash flows from operating activities
Profit before income tax
Adjustments for:
Interest income
Interest expense
Depreciation of property, plant and equipment
Amortization of land use rights
Share of loss of an associate
Decrease/(increase) in fair values of investment properties
Decrease in fair values of warrants
Decrease in fair values of derivative components of convertible bonds
Loss on disposal of property, plant and equipment
Decrease in fair values of leasehold land and buildings
Provision for impairment of trade and other receivables
Provision for impairment of deposit for land use right
Provision for impairment of deposit for investment properties
Gain on deemed disposal of subsidiaries
Release of reserves upon deemed disposal of subsidiaries
Transaction costs related to the derivative components of convertible bonds
Operating cash flows before movements in working capital
Additions of properties under development
Additions of land use rights
Refunds of payments from acquisition of land use rights
Deposits paid for acquisition of land use rights
Decrease in completed properties held for sale
Decrease/(increase) in trade and other receivables
(Decrease)/increase in trade payables, other payables and accruals
Increase/(decrease) in receipt in advance
Cash generated from/(used in) operations
Interest received
Interest paid
Income tax paid
Net cash generated from/(used in) operating activities

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Cash flows from investing activities	
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	
Purchases of property, plant and equipment	
Proceeds from disposal of property, plant and equipment	
Government grant for investment properties	
Additions to investment properties under construction	
Net cash used in investing activities	
Cash flows from financing activities	
Decrease/(increase) in restricted and pledged bank deposits	
Proceeds from bank and other borrowings	
Repayments of bank and other borrowings	
Proceeds from loans from a shareholder	
Repayment of loans from a shareholder	
Proceeds from issuance of convertible bonds, net of direct expenses	
Net cash (used in)/generated from financing activities	
Net (decrease)/increase in cash and cash equivalents	
Cash and cash equivalents at beginning of the year	
Effect of foreign exchange rate changes	
Cash and cash equivalents at end of the year	

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	Issued capital HK$ 000 Note (a)
Balance at April 1, 2013	573
Profit for the year	
Other comprehensive income:	
Exchange difference on translation of foreign operations	
Total comprehensive income for the year	
Appropriation of profit to PRC statutory reserve	
Balance at March 31, 2014 and at April 1, 2014	573
Profit/(loss) for the year	
Other comprehensive income:	
Increase in fair values of leasehold land and buildings, net of deferred income tax	
Exchange difference on translation of foreign operations	
Total comprehensive income/(loss) for the year	
Appropriation of profit to PRC statutory reserve	
Balance at March 31, 2015 and at April 1, 2015	573
Loss for the year	
Other comprehensive income/(loss):	
Increase in fair values of leasehold land and buildings, net of deferred income tax	
Exchange difference on translation of foreign operations	
Release of reserves upon deemed disposal of subsidiaries (Note 42)	
Total comprehensive income/(loss) for the year	
Appropriation of profit to PRC statutory reserve	
Balance at March 31, 2016	573

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Note:

(a) Issued capital included ordinary shares of HK$572,000 and preferred shares of HK$1,000 as at March 31, 2015 and 2016.

(b) Capital reserve as at March 31, 2015 and 2016 comprises (1) a deficit of HK$703,648,000 arising from the merger with China Metro-Rural Limited (China Met
(2) other capital reserve amounted HK$66,325,000 arising from the corporate restructuring in 1997.
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
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

(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 th
required when the amount of the PRC statutory reserve reaches 50% of the corresponding subsidiaries registered capital. The PRC statutory reserve shall only b
subsidiaries may convert their PRC statutory reserve into registered capital and issue bonus capital to the existing owners in proportion to the existing ownership

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NOTES

Note 1 General Information of China Metro-Rural Holdings Limited

China Metro-Rural Holdings Limited (the Company , or we or us or our) was incorporated in the British Virgin Islands as an international busi through its subsidiaries (collectively referred to as the Group) is principally engaged in the: 1) development and operations of large-scale and integrated comprise of the development and sales of residential and commercial properties and servicing and assignment of development rights to developers.

The shares of the Company are listed on the NYSE MKT under the ticker symbol of CNR . The Company s principal place of business and executive o

The directors of the Company consider Kind United Holdings Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding co

The consolidated financial statements have been approved and authorized for issue by the Board of Directors on August 1, 2016.

Note 2 Summary of Significant Accounting Policies

(a) Basis of preparation and presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the Internat investment properties under construction and leasehold land and buildings, which are stated at fair value as explained in the accounting policies set out bel

The IASB has issued certain new and revised IFRS, which are generally effective for accounting periods beginning on or after April 1, 2015. Details of ma

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to ex consolidated financial statements are disclosed in note 4 to the consolidated financial statements.

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Reorganization transaction

The Company was previously a wholly-owned subsidiary of Man Sang Holdings, Inc. (MSHI), a United States domestic company incorporated in the S States to the British Virgin Islands, the shareholders of MSHI resolved to carry out a group reorganization (the Reorganization) whereby, inter alia, MS 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 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 Group continued to conduct the business previously conducted by the MSHI Group (including the Com financial condition or operating results, other than the costs incurred in connection with its dissolution and liquidation. As the Company shall contractually benefits to the ultimate controlling owners that existed prior to the planned dissolution and liquidation of MSHI.

Merger with China Metro

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 L Merger, Creative Gains ceased and China Metro became a wholly-owned subsidiary of the Company. On March 19, 2010, the Merger Agreement was ado the Company s ordinary shares equivalent to 57,443,234 divided by the number of China Metro ordinary shares outstanding immediately prior to the Mer (with cash paid for fractional shares), of which 37,338,104 ordinary shares were issued to Kind United Holdings Limited (Kind United), the controlling

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 financial statements of the Company for periods prior to the Merger were restated to include, to the extent of the equity interest of China Metro held by M the consolidated financial statements or when the Company and China Metro became under common control by Mr. Cheng, whichever was later, and all a equity transaction at the completion date of the Merger.

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(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 subsidiaries prior to acquisition. On initial recognition, the assets and liabilities of the subsidiaries are included in the consolidated statements of financial

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous e interest is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognized directly in the co

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year. A subsidia

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other memb

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

The Group treats transactions with non-controlling interest as transactions with equity owners of the Group. For purchases from non-controlling interest, t 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 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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in

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(c) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or h

(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 v 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 discontinues recognising 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 C

(e) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each inve

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group s share of interest in a joint venture, any difference between the cost of the joint venture and the Group s share of the net fair value of the joint venture s identifiabl form part of the Group s net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payr

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group s interest in the joint ventures. Unreal consistency with the policies adopted by the Group.

NOTES TO T

(f) 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 p

(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 fe
One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member o
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 r
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 s

(g) 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 und

Investment properties are stated at fair value at the consolidated statement of financial position date. Any gain or loss arising from a change in fair value is 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 t

Subsequent expenditure is charged to the asset s carrying amount only when it is probable that future economic benefits associated with the item will flov

Properties under construction or development for future use as investment properties are classified as investment properties under construction. Such prop reliably. Any gains or losses arising from changes in the fair values of completed investment properties and investment properties under construction are i

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The fair values of investment properties are determined by management based in part on valuation by independent valuers who hold recognized professior 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 l

If investment properties and/or investment properties under construction become owner-occupied, they are reclassified as property, plant and equipment u their deemed cost for accounting purposes.

(h) Property, plant and equipment

Property, plant and equipment, other than leasehold land and buildings, are stated at cost less accumulated depreciation and accumulated impairment losse

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 co 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 st

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 would be determined using fair values at the statement of financial position date. Any revaluation increase is credited to the property revaluation reserve, e 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 excee 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, t

Construction-in-progress is stated at historical cost, and includes construction expenditures incurred and other direct costs capitalized during the constructi transferred to appropriate categories of property, plant and equipment.

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Leasehold land outside of Hong Kong is recognized in accordance with the Group s policies in note 2(k) to the consolidated financial statements. Amorti
their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease and buildings
Leasehold improvements
Plant and machinery
Furniture, fixtures and equipment
Motor vehicles
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

An item of property, plant and equipment is derecognized upon disposals or when no future economic benefits are expected to arise from the continued us
statement in the year in which the item is derecognized.

(i) Properties under development

Property that is being constructed or developed for future use as held-for-sale is classified as properties under development and stated at lower of costs and
land use rights, amortization of land use rights and professional fees incurred during the development period. If properties under construction become own

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of

(j) Completed properties held for sale

Completed properties remained unsold at the end of the year are stated at the lower of cost, net realisable value and deemed cost.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling ex

If investment properties and/or investment properties under construction become properties held for sale, they are reclassified as completed properties held

NOTES TO T

(k) 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 co development or investment properties under construction when the corresponding properties are ready to be constructed. Amortization of land use rights d

(l) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carry an expense and is not subsequently reversed.

(m) Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statements of financial position when the Group becomes a party to the contrac 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 th 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, loans and receivables a 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

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. T premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

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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 consolidate interest method, less any identified impairment losses.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds that can be converted into share capital at the option of the holder, ar

The derivative component of the convertible bonds is recognized initially at fair value. The liability component is recognized initially at the difference bet components in proportion to their initial carrying amounts.

Impairment of financial assets

At each statement of financial position date, financial assets other than those carried at fair value through profit or loss are reviewed to determine whether

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

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; an

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,

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 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 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 t

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and t

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

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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 perio

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 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

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 specifi 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. Subse and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 Revenue .

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offse be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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 tran received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in the consolidated income statement. If t proceeds received.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the

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(n) Impairment of 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 whene 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 a reversal of the impairment at each reporting date.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions.

Restricted bank deposits are not included as cash and cash equivalents.

(p) 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 tha effect is material.

(q) 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 constr collectability of such receivable is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are in

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 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 received with a corresponding debit to prepaid operating lease payments. However, since the fair value of lease payments the Group would ordinarily mak 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 rentals it could earn by letting out these properties, which are insignificant relative to the value of the property.

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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;
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 f

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 w
development by such independent third parties.

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 governme
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 righ

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 relevan

Revenue from property management services

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

Hotel income

Hotel revenue from room rental and other ancillary services is recognized when the services are rendered.

Others

Interest income from a financial asset is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate appli

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

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(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating de

(s) Share-based payments

The Group operates a number of equity-settled, share based compensation plans, under which the entity receives services from employees as consideration 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 e

the impact of any non-vesting conditions is included.

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 expected to vest based on non-market vesting conditions and service conditions. It recognizes the impact of the revision to original estimates, if any, in the

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 transac

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When th

No share option has been granted under the plans.

(t) 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

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 cu denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair val are not retranslated.

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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 ir
equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included i
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 pres
the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. I
which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and transla

(u) 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 be
financial position date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the correspond
differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary
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 al

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable th

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 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
charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO T

(v) 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

(w) Retirement benefits scheme

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and

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 define to make monthly contributions to these plans calculated as a percentage of the employees salaries, ranging from 10% to 15% of the average basic salary

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees 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), 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 earned.

(x) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, including properties under development and invest Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrow

(y) 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 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

(z) Non-current assets held-for-sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is consider

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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 revised IFRS, which are relevant to its operations:

Amendments to IAS 19 (2011), Defined Benefit Plans: Employee Contributions

Annual Improvements to IFRSs 2010-2012

Annual Improvements to IFRSs 2011-2013

The adoption of these newly effective amendments to existing standards does not have significant impact to the Group s accounting policies or financial r

(b) New or revised standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the

The following new or revised standards, interpretations and amendments to existing standards have been published by the IASB and are relevant to the Gr

Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and 38	Clarification of Acceptable Metho
Amendments to IAS 16 and 41	Agriculture: Bearer Plants
Amendments to IFRS 11	Accounting for Acquisitions of In
IFRS 14	Regulatory Deferral Accounts
Amendments to IAS 27	Equity Method in Separate Financ
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets bet
Amendments to IFRSs	Annual Improvements to IFRSs 2
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the
Amendments to IAS 12	Recognition of Deferred Tax Asse
IFRS 15	Revenue from Contracts with Cus
IFRS 9	Financial Instruments
IFRS 16	Leases

The Group has already commenced an assessment of the related impact of adopting the above new or revised standards and amendments to standards, but 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, estima
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 e

In the process of applying the Group s accounting policies, management has made the following judgments, which have the most significant effect on the

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 ba
in response to market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write-o

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

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 supp
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 investme

Classification between investment properties and properties held for sale

The Group develops properties held to earn rentals and/or for capital appreciation and properties held for sale. Judgment is made by management on deter
During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intende
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 rea
at fair value (where fair value can be reliably measured) and subject to revaluation at the end of each reporting period.

NOTES TO T

Fair value of leasehold land and buildings and investment properties

The leasehold land and buildings and investment properties of the Group are stated at fair value in accordance with the Group s accounting policies statec independent professional valuers, and the fair values of investment properties, investment properties under construction and leasehold land and buildings a

The valuation is based upon assumptions including estimated rental values, future rental income, and appropriate discount rates. The valuers also make ref estimates. In making its judgment, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions sinc

In the case of investment properties under construction, their fair value reflects the expectations of market participants of the value of the properties when market conditions at the statement of financial position date. The key assumptions include value of completed properties, period of development, outstand by reference to independent valuation.

In making the judgment, reasonable consideration has been given to the underlying assumptions based on market conditions existing at the statement of fi

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 i not impaired, majority of which are related to sales of properties in the PRC, for which it takes longer than normally required for customers to apply for m additional resources have been invested to monitor the progress of mortgage application, management considered that these receivables are fully recoveral

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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 manag the net realisable value of completed properties held for sale and properties under development, management refers to the latest economic measures introd properties, market survey reports available from independent property valuers, internally available information and management s expectation on future s

Impairment of long-lived assets

The Group conducts impairment reviews of assets when events or changes in circumstances indicate that their carrying amounts may not be recoverable or 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 as deposit for land use right and deposit for investment properties during the year ended March 31, 2016 are set out in Note 11 and 22 to the consolidated fin

Fair value of convertible bonds

The fair value of convertible bonds are determined using valuation techniques including reference to other instruments that are substantially the same, disc fair values.

Fair value of derivative financial instruments

The Group has issued certain warrants and convertible bonds where derivative financial liability components are classified as derivative financial liabilitie based on performance conditions of the Group. The key assumptions are made by reference to the nature of the warrants and convertible bonds, share pric increased or decreased by 1% (2015: 1%), the impact on profit or loss would be a loss of HK$204,000 (2015: HK$305,000) and a gain of HK$204,000 (20 HK$1,905,000 (2015: HK$7,280,000) and a gain of HK$1,905,000 (2015: HK$2,404,000), respectively.

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 t of the property development projects. The Group has not finalized its land appreciation tax calculations and payments with the tax authorities for certain p the period in which the differences realize. Further details are set out in note 14 to the consolidated financial statements.

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Current and deferred income taxes

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 o these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the peri

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit assets and income tax expense in the period in which such estimate is changed. As at March 31, 2016 and 2015, management recognized certain deferred t

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures except for deferred income and 2015, management did not recognize any deferred income tax liability with respect to these temporary differences as management considered these te

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 he 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 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 lo

Government grant

Government grants are recognized as income over the periods necessary to match with the related costs. The Group generally receives two types of gover re-development as recognition of the Group s contribution to the local communities. The Group considers such grants generally relate to properties succe land use rights, the Group would deduct the grants received from the land use rights as they are granted with respect to the costs incurred by the Group in a

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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

The capital structure of the Group consists of net debt and equity attributable to equity holders of the Company, comprising issued share capital, share pre

The management of the Group reviews the capital structure periodically. As part of this review, the management of the Group considers costs of capital, it borrowings, the repayment of existing bank and other borrowings or the adjustment of dividend policy.

The management of the Group monitors its capital structure on the basis of net debt. Net debt is set out as follows:

Bank and other borrowings
Loans from a shareholder
Loans from a non-controlling interest of a subsidiary
Convertible bonds
Restricted and pledged bank deposits
Cash and cash equivalents
Net debt

Note 6 Financial Risk Management

The Group s major financial instruments include trade and other receivables, restricted and pledged bank deposits, cash and cash equivalents, trade and o respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity ris formulate measures to manage the Group s exposure to different risks arising from the use of financial instruments. Generally, the Group employs conse

(a) Market risk

(i) Currency risk

Currency risk arises when recognized assets and liabilities are denominated in a currency other than the functional currency of the Group s entities to wh addition, the Group has certain assets, liabilities and transactions denominated in US$. Given the exchange rate is pegged between HK$ and US$, it is not

NOTES TO T

(ii) Interest rate risk

The Group s exposure to interest rate risk relates primarily to variable-rate bank borrowings of HK$464,023,000 (2015: HK$626,436,000) which were de HK$218,223,000 (2015: HK$430,318,000) which were dominated in HK$ and RMB, respectively, and fixed-rate shareholder loans of HK$215,000,000 (2 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 who borrowings with fixed interest rate.

The tenure of the fixed-rate bank and other borrowings and fixed-rate shareholder loans ranges from one to two years. The management considers the fair

At March 31, 2016, if interest rates had been 0.25% (2015: 0.25%) higher/lower with all other variables held constant, interest payment on floating rate bo HK$1,683,000) higher/lower (2015: lower/higher) mainly as a result of an increase/decrease in the fair value of fixed rate borrowings. Since a majority of 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, restricted and pledged bank deposits and cash and cash equivalents.

In respect of restricted and pledged bank deposits and cash and cash equivalents, the Group will place cash in banks and financial institutions with high cre

Most of the Group s customers do not have independent rating. Before accepting certain new customers, where available at reasonable cost, the Group ob the credit risk, the management of the Group has established credit limits, credit approvals and other monitoring procedures to ensure that follow-up action loans financing procedures are being arranged unless strong credit records of the customers could be established. The Group has policies in place to ensure overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment pr

For all trade receivables in connection with sales of properties, the Group has the right to repossess the properties when the repayments of trade receivable standing.

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(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 mitig

As at March 31, 2016 and 2015, the Group s financial liabilities which have contractual maturities are summarized below:

Trade and other payables
Bank and other borrowings
Loans from a shareholder
Convertible bonds
Interest obligations

(d) Fair value estimation

The financial instruments carried at fair values by valuation method which are categorized into different category 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 p

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at March 31, 2016, the Group s derivative financial instruments, including warrants and derivative financial liability components of the convertible bo convertible bonds that are not traded in an active market is determined by way of valuation techniques. These valuation techniques maximize the use of ob instrument which is substantially the same, discounted cash flow analysis, and option pricing models. As one or more of the significant inputs is not based

As at March 31, 2016 and 2015, the Group did not have any financial instruments categorized as level 1 or level 2 and there were no transfers among level

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The following table presents the changes in level 3 instruments for the years ended March 31, 2016 and 2015.

At April 1, 2014	
Decrease in fair values of derivative components/warrants	
Amortization of deferred loss on warrants and derivative components of convertible bonds	
At March 31, 2015 and at April 1, 2015	
Decrease in fair values of derivative components/warrants	
Amortization of deferred loss on warrants and derivative components of convertible bonds	
At March 31, 2016	
Total gain for the year included in the consolidated income statement for liabilities held at the end of the year:	
March 31, 2015	
March 31, 2016	
Changes in unrealized gain for the year included in profit or loss at the end of the year:	
March 31, 2015	
March 31, 2016	

The higher the Company s share price and the expected volatility used in determining the fair values of the level 3 instruments, the higher the fair values

For disclosures of investment properties, investment properties under construction and property, plant and equipment that are measured at fair values, plea

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangement and similar agreements durin

The carrying amounts of the Group s other financial assets and liabilities approximate their fair values.

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Note 7 Revenue

Revenue represents (i) the amounts received and receivable from customers in respect of the sale of properties during the year, (ii) the amounts received ar receivable from servicing and assignments of development rights.

Sales of properties	
Rental and property management income	
Hotel income	
Revenue from servicing and assignments of development rights	

Note 8 Segment Information

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

As at and for the year ended March 31, 2016, the Group has two reportable operating segments. The Group s operating businesses are structured and man that are different from the other reportable operating segment. Details of the reportable operating segments are as follows:

Agricultural logistics Development, sales and leasing properties of integrated agricultural logistics and trade centers in Northeast China and hotel operatic

Rural-urban migration and city re-development Development, sales and leasing of residential and commercial properties and servicing and assignments o

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Segment information for these businesses is presented below:

The segment results for the year ended March 31, 2016

Profit and loss items	
Segment revenue and revenue from external customers	
Segment operating (loss)/profit	
Finance income	
Finance costs	
Share of losses of an associate	
Segment (loss)/profit before income tax	
Income tax expenses	
Segment (loss)/profit after taxation	
Other information:	
Depreciation	
Amortization	
(Decrease)/increase in fair values of investment properties	
Provision for impairment of deposit for land use rights	
Provision for impairment of deposit for investment properties	
Provision for impairment of trade and other receivables	

The segment results for the year ended March 31, 2015

Profit and loss items	
Segment revenue and revenue from external customers	
Segment operating (loss)/profit	
Finance income	
Finance costs	
Share of losses of an associate	

Segment (loss)/profit before income tax
Income tax expenses
Segment (loss)/profit after taxation
Other information:
Depreciation
Amortization
(Decrease)/increase in fair values of investment properties
Provision for impairment of trade and other receivables

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The segment results for the year ended March 31, 2014

Profit and loss items
Segment revenue and revenue from external customers
Segment operating (loss)/profit
Finance income
Share of losses of an associate
Segment (loss)/profit before income tax
Income tax expenses
Segment (loss)/profit after taxation
Other information:
Depreciation
Amortization
Increase in fair values of investment properties
Provision for impairment of trade and other receivables
Impairment of deposit for investment properties

The segment assets and liabilities at March 31, 2016

Statements of financial position items
Total segment assets
Total segment assets include:
Interest in an associate
Interests in joint ventures
Additions to non-current assets
Total segment liabilities

The segment assets and liabilities at March 31, 2015

Statements of financial position items	
Total segment assets	
Total segment assets include:	
Interest in an associate	
Interest in a joint venture	
Additions to non-current assets	
Total segment liabilities	

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A reconciliation of the reportable segments profit before income tax to the Group s profit before income tax is as follows:

Total (loss)/profit before income tax for reportable segments
Decrease in fair value of the warrants
Decrease in fair value of derivative components of convertible bonds
Corporate finance costs
Corporate expenses, net
Profit before income tax of the Group

A reconciliation of the total of reportable segments assets to the Group s total assets is as follows:

Total for reportable segments
Unallocated:
Corporate assets
Total assets for the Group

A reconciliation of the total of the reportable segments liabilities to the Group s total liabilities is as follows:

Total for reportable segments
Unallocated:
Corporate liabilities
Derivative financial liabilities
Convertible bonds
Total liabilities for the Group

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

As of March 31, 2016, the total of non-current assets located in Hong Kong and places other than Hong Kong are HK$4,000 (March 31, 2015: HK$25,00

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During the years ended March 31, 2016, 2015 and 2014, all of the Group s revenue were from external customers located in the PRC.

During the year ended March 31, 2016, there was no revenue (2015: Nil and 2014: HK$171,761,000) derived from a single external customer amounted to

Note 9 Other Income, Net

The Group s other income, net, as presented on the face of the consolidated income statements is analyzed as follows:

Government grants (Note)
Others

Note:
The Group received government grants from local governments on its contribution to the overall developments and operations of integrated agricultural logistic and trade cen

Note 10 Other Gains, Net

The Group s other gains, net, as presented on the face of the consolidated income statements is analyzed as follows:

Exchange gain /(loss)
Decrease in fair values of derivative components of convertible bonds (Note (i))
Decrease in fair values of the warrants (Note (ii))
(Decrease)/increase in fair values of investment properties and investment properties under construction
Decrease in fair values of leasehold land and buildings
Loss on disposal of property, plant and equipment
Transactions costs related to the derivative components of convertible bonds
Gain on deemed disposal of subsidiaries (Note 42)
Release of reserve upon deemed disposal of subsidiaries

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Note:

(i) As discussed in note 34, the Company issued certain convertible bonds which contained a derivative component during the years ended March 31, 2014 and 2013
HK$55,098,000 mainly arising from decrease in the Company s share price and the approaching in maturity dates and 2014: a gain of HK$74,894,000 mainly ar

(ii) As discussed in note 32, the Company issued certain warrants during the years ended March 31, 2013 and 2012. In the current year, due to a decrease in fair valu
gain of HK$12,991,000 mainly arising from the decrease in the Company s share price). The assumptions used in determining the fair value of these warrants ar

Note 11 Expenses by Nature

The Group s expenses by their nature as presented on the face of the consolidated income statements is analyzed as follows:

Costs of completed properties sold
Over provision for costs of completed properties sold in prior years (Note i)
Cost of property management
Employee benefit expenses (including directors emoluments) (Note 12)
Auditor s remuneration
Provision for current year
Depreciation of property, plant and equipment (Note 19)
Amortization of land use rights (Note 20)
Provision for impairment of trade and other receivables (Note 28)
Provision for impairment of deposit for land use right (Note 22)
Provision for impairment of deposit for investment properties (Note ii)
Operating lease rental on rented premises
Advertising, promotion and related expenses
Land use tax
Heating costs
Legal and professional fees
Others
Total cost of sales, selling expenses and administrative expenses

Note:

(i) During the current year, there is a change in estimate on construction cost arising from the management of the Group negotiated with several of its contractors an
provision for costs of completed properties sold in prior years of HK$79,611,000 was credited to the consolidated income statement during the fiscal year ended M

(ii) In prior years, the Group paid RMB11,925,000 as deposit for the acquisition of certain investment properties and the amount of RMB 1,925,000 was impaired du
deposit is remote and therefore a provision of approximately RMB10,000,000 was recognized in the consolidated income statement.

Note 12 Employee Benefit Expenses (Including Directors Emoluments)

Salaries, wages and other benefits	
Pension costs defined contribution plans and social security costs	

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Note 13 Finance Income and Costs

The Group s finance (costs)/income, net, as presented on the face of the consolidated income statements is analyzed as follows:

Finance income	
Interest income on short-term bank deposits	
Interest income on other receivables (Note)	
Finance costs	
Interest expense on bank borrowings	
Interest expense on other borrowings	
Interest expense on convertible bonds	
Amounts capitalized on qualifying assets	
Net finance (costs)/income	

Note:

During the fiscal year ended March 31, 2013, the Company disposed of its equity interests in China Focus City (H.K.) Holdings Limited and China Focus City Holdings (Gro
During the fiscal year ended March 31, 2015, the directors of the Company decided to record a provision for impairment against this entire balance as the directors of the Co

The capitalization rate of borrowings is 21.0% for the year ended March 31, 2016 (2015: 22.2% and 2014: 16.3%). The decrease is mainly attributable to t

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Note 14 Income Tax Expenses

The Group s income tax expenses as presented on the face of the consolidated income statements is analyzed as follows:

Current income tax:
PRC enterprise income tax
PRC land appreciation tax
Under provision in prior years:
PRC land appreciation tax
Deferred income tax (credit)/charge for the current year (Note 25)
PRC enterprise income tax
PRC land appreciation tax

The PRC enterprise income tax in respect of operations in Mainland China has been provided at the tax rate of 25% (2015: 25% and 2014: 25%) on the es

No income tax in respect of operations in Hong Kong has been provided as the Group has no assessable profits for the year based on existing legislation, i

PRC land appreciation tax is levied and provided for in the consolidated financial statements at progressive rates ranging from 30% to 60% on the apprecia

The tax charge for the year can be reconciled to the profit before income tax using the enacted tax rates of the home countries where the subsidiaries opera

Profit before income tax
Tax calculated at tax rates applicable to profits in the respective entities
Tax effect of:
Associate s losses reported net of tax
PRC land appreciation tax deductible for PRC corporate income tax purposes
Expenses that are not deductible for tax purpose
Income not subject to tax
Utilization of tax loss not previously recognized
Tax loss for which no deferred income tax was recognized

Land appreciation tax

Income tax charge for the year

The effective tax rate during the fiscal year ended March 31, 2016 was positive of 411.1% (2015: positive of 83.8% and 2014: positive of 44.7%). The inc

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Note 15 Earnings Per Share (EPS)

Basic earnings per share:	
Net (loss)/profit attributable to ordinary shares	
Net (loss)/profit attributable to preferred shares	
Net (loss)/profit attributable to equity holders	
Effect of dilutive convertible bonds	
Diluted earnings/(loss) per share:	
Net (loss)/profit attributable to ordinary shares, including assumed exercise	
Net (loss)/profit attributable to preferred shares, including assumed exercise	

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 a

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive pote eliminate the interest expense and changes in fair value of derivative components of convertible debt less the tax effect, if applicable. For the warrants, a c subscription rights attached to outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have bee

Note 16 Dividend

No dividends were paid, declared or proposed during the years ended March 31, 2016, 2015 and 2014.

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Note 17 Investment Properties

At fair value
At beginning of the year
Exchange difference
Transferred from land use rights (Note 20)
Transferred from investment properties under construction (Note 18)
Refund of government grant
(Decrease)/increase in fair values (Note 10)
At end of the year

The following amounts have been recognized in the consolidated income statements for investment properties:

Rental income
Direct operating expenses arising from investment properties that generate rental income

As at March 31, 2016 and 2015, the Group had no unprovided contractual obligations for future repairs and maintenance.

Independent valuations of the Group s investment properties were performed by an independent professional property valuer, Savills Valuation and Profe
(2015: HK$633,544,000). The valuations were arrived at by making reference to comparable market transactions or construction costs and where appropri
HK$7,222,000 (2015: HK$4,252,000 increase) has been debited (2015: credited) to other gains, net in the consolidated income statement.

The investment properties and investment properties under construction of the Group were carried at fair values, by valuation method, which are categoriz

Quoted prices in active markets for identical assets (level 1).

Significant other observable inputs (level 2).

Significant unobservable inputs (level 3).

As one or more of the significant inputs is not based on observable market data, the investment properties and investment properties under construction of

The Group s policy is to recognize transfers between fair value hierarchy levels as of the date of the event or change in circumstances that caused the tran
and 3 during the years ended March 31, 2016, 2015 and 2014.

The Group s investment properties and investment properties under construction were valued at March 31, 2016 and 2015 by independent professional qu
valued. For all investment properties and investment properties under construction, they have been on the basis of highest and best use and reflective of th

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The Group s finance department includes a team that review the valuations performed by the independent valuers. Discussions of valuation processes and investment properties and investment properties under construction have been determined by Savills Valuation and Professional Services Limited.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuers.

The fair value of certain investment properties in China Northeast Logistics City Tieling amounted to HK$385,487,000 (2015: HK$416,482,000) was de 7% to 8%) and the monthly market rental used ranged from RMB3.4 to RMB31.0 (2015: RMB3.4 to RMB32.0) per month per square meter. The higher t

The fair value of certain investment properties in China Northeast Logistics City Tieling amounted to HK$535,605,000 (2015: HK$575,026,000) was de the capitalization rate, the lower the fair value. The higher the rental value, the higher the fair value.

The fair value of an investment property in China Northeast Logistics City Dezhou amounted to HK$164,267,000 (2015: HK$173,904,000) was determi obsolescence and optimization. The DRC approach generally provides the most reliable indication of value of the properties in the absence of known mar

The fair value of investment properties in China Glorious City Zhoukou amounted to HK$30,096,000 (2015: HK$32,623,000) was determined by using i used was RMB4.5 (2015: RMB5.0) per month per square meter. The higher the capitalization rate, the lower the fair value. The higher the rental value, th

The fair value of an investment property in China Glorious Logistics City Zhoukou amounted to HK$4,076,000 (2015: Nil) was determined by using dep optimization. The DRC approach generally provides the most reliable indication of value of the properties in the absence of known market based on comp

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yiel

There were no changes to the valuation techniques during the years ended March 31, 2016 and 2015.

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, on which these investment properties are located, was held under leases of 40

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Note 18 Investment Properties Under Construction

At fair value	
At beginning of the year	
Additions	
Transfer to investment properties (Note 17)	
At end of the year	

Note 19 Property, Plant and Equipment

Cost or valuation	
At April 1, 2014	
Exchange difference	
Additions	
Acquisition of a subsidiary (Note 41)	
Disposals	
Reclassification upon completion	
Revaluation decrease, net	
At March 31, 2015 and at April 1, 2015	
Exchange difference	
Additions	
Disposals	
Reclassification upon completion	
Revaluation decrease, net	
At March 31, 2016	
Comprising:	
At cost March 31, 2015	
At valuation March 31, 2015	
At cost March 31, 2016	
At valuation March 31, 2016	

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Accumulated depreciation
At April 1, 2014
Exchange difference
Depreciation charged for the year
Eliminated on disposals
Eliminated on revaluation
At March 31, 2015 and at April 1, 2015
Exchange difference
Depreciation charged for the year
Eliminated on disposals
Eliminated on revaluation
At March 31, 2016
Net book amount
At March 31, 2015
At March 31, 2016

All the Group s leasehold land and buildings are located in the PRC and the land, on which these buildings are located, was held under leases of 40 years.

The depreciation for the fiscal year ended March 31, 2016 of HK$7,445,000 (2015: HK$8,655,000), HK$1,844,000 (2015: HK$2,543,000) and HK$21,93

The fair value of the hotel located at Tieling, Liaoning Province amounted to HK$117,506,000 (2015: HK$140,900,000) was determined by using the inco was RMB270 (2015: RMB300) per day per room. The higher the capitalization rate, the lower the fair value. The higher the rental value, the higher the fai

Certain properties of the Group regarded as operational such as sales center and showroom located at Tieling, Liaoning Province and Dezhou, Shandong P sales with the benefit of immediate vacant possession. The higher the capitalization rate, the lower the fair value. The higher the rental value, the higher th

Certain properties of the Group regarded as operational such as Water Plant and Heating Station located at Tieling, Liaoning Province and sales center and HK$55,219,000) as there were no comparable market transaction for such properties. DRC is based on an estimate of the current replacement costs of imp absence of known market based on comparable sales. The DRC is subject to adequate potential profitability of the business.

If the leasehold land and buildings had not been revalued, they would have been included in the consolidated financial statements at historical cost less acc

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Note 20 Land Use Rights

At beginning of the year
Exchange difference
Amortization for the year
Additions (Note (i))
Refunds of payments from acquisition of land use rights (Note (ii))
Injection into a joint venture (Note 24)
Deemed disposal of subsidiaries (Note 42)
Reclassified as non-current asset held for sale (Note 30(b))
Transferred to investment properties (Note 17)
Transferred to properties under development (Note 27)
At end of the year
Represented by:
Amount included under current assets
Amount included under non-current assets

Note:

(i) During the years ended March 31, 2016 and 2015, the additions included certain up-front payments and related costs incurred in acquiring a portion of China Nor

(ii) During the years ended March 31, 2016 and 2015, majority of the refunds represented governments grants received from the local governments and money recei

As at March 31, 2016, the amount of land use rights included in current assets expected to be recovered after more than one year amounted to HK$258,93

The land use rights are situated in the PRC and held under the lease of between 40 and 70 years.

Note 21 Goodwill

Cost
At beginning of the year
Acquisition of a subsidiary (note 41)
At end of the year

Note 22 Deposits for Acquisition of Land Use Rights

During the year ended March 31, 2009, the Group disposed of all assets and liabilities, together with all related commitment and contingent liabilities ther
and the Group entered into a memorandum pursuant to which the PRC local government and the Buyer agreed that the Group would be able to utilize the
31, 2010 and the amount as at March 31, 2016 was approximately HK$121,821,000 (March 31, 2015: HK$128,968,000). During the fiscal year ended Ma
plan nor agree on a payment schedule. It is in the opinion of the Company s directors that the recoverability of this balance is remote. Accordingly, a prov

During the fiscal year ended March 31, 2014, the Group paid an aggregate amount of RMB161,409,000 to the PRC local government as a deposit for purc
purchase of land use right. During the fiscal year ended March 31, 2014, the Group paid an aggregate amount of RMB343,164,000 to the PRC local gover
land use right. During the fiscal year ended March 31, 2016, the Group paid an aggregate amount of RMB16,150,000 to the PRC local government as a de
RMB16,150,000 or approximately HK$19,364,000 (March 31, 2015: HK$201,417,000).

During the fiscal year ended March 31, 2014, the Group paid an aggregate amount of RMB23,500,000 to the PRC local government as a deposit for purch
fiscal year ended March 31, 2015. During the fiscal year ended March 31, 2016, the Group paid an aggregate amount of RMB35,800,000 to the PRC local

During the fiscal year ended March 31, 2016, the Group paid an aggregate amount of RMB613,887,000 to the PRC local government as a deposit for purc

During the fiscal year ended March 31, 2016, the Group paid an aggregate amount of RMB329,477,000 to the PRC local government as a deposit for purc

As at March 31, 2016, the amount of deposits for acquisition of land use rights included in current assets expected to be recovered after more than one yea

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Note 23 Interest in an Associate

Non-current assets:	
Unlisted investment, at cost	
Share of losses of an associate	
Exchange difference	
Share of net assets	

Financial information of the associate for the years ended March 31, 2016 and March 31, 2015 is summarized as follows:

Current assets	
Non-current assets	
Current liabilities	
Equity	

Turnover	
Net loss	

The above financial information is presented before the elimination of unrealized gain between the Company and the associate in prior years.

There are no contingent liabilities relating to the Group s interest in an associate.

At March 31, 2016, details of the Group s investment in an associate are as follows:

Name of Company

Tieling Motor Vehicles Trading Co., Ltd.*
鐵嶺機動車交易有限責任公司

* For identification purpose only.

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Note 24 Interests in Joint Ventures

Non-current assets:
Unlisted investment, at cost
Share of losses
Exchange difference
Share of net assets

Details of the Group s investments in joint ventures which are accounted for using equity method are as follows:

Name of Company
Tieling Jiacheng Agricultural Development Co., Ltd.* 鐵嶺嘉成農業發展有限公司 (Note (i))
Hengyang Huayan Property Co., Ltd.* 衡陽 雁置業有限公司 (Note (ii))
Hengyang Huaqian Property Co., Ltd.* 衡陽 乾置業有限公司 (Note (ii))

* For identification purpose only.

Note:

(i) This joint venture company is an unlisted limited liability company registered in the PRC and there is no quoted market price available for its shares. The princip control over this joint venture company.

(ii) During the fiscal year ended March 31, 2016, the Company s subsidiary, China Glorious City (Hengyang) Co., Ltd. entered into two co-operation agreements (th shareholder of Hengyang Huayan Property Co., Ltd. (Huayan) and Hengyang Huaqian Property Co., Ltd. (Huaqian) by injecting additional capital into Hu from 100% to 40%, and the Company is deemed to have disposed of 60% of its equity interests in Huayan and Huaqian. Huayan and Huaqian are unlisted limite Province. Furthermore, contractual arrangements between the Group and the Hengyang JV Partners establish share of control over these companies.

There are no commitments and contingent liabilities relating to the Group s interests in joint ventures.

Financial information of the Group s significant joint ventures for the years ended March 31, 2016 and March 31, 2015 is summarized as follows:

Cash and cash equivalents	
Prepayment	
Land use rights	
Total current assets	
Other payable and accruals	
Total current liabilities	
Net assets	

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As Huayan and Huaqian had not yet commenced operations during the year ended March 31, 2016, there were no turnover and insignificant amount of los

Note 25 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:

At April 1, 2014
Net credit to the consolidated income statement for the year
Exchange difference
At March 31, 2015 and at April 1, 2015
Net credit to the consolidated income statement for the year
Exchange difference
At March 31, 2016

Note:

The temporary difference was attributable to the provisional tax payments made based on the balances of receipt in advance related to the sales of completed properties durin

As at March 31, 2016, the amount of deferred tax assets included in non-current assets expected to be recovered after one year is HK$1,525,000 (2015: HI

Deferred tax liabilities:

At April 1, 2014
Net charge to the consolidated income statement for the year

Net charge to the consolidated statement of comprehensive income for the year
Exchange difference
At March 31, 2015 and at April 1, 2015
Net credit to the consolidated income statement for the year
Net charge to the consolidated statement of comprehensive income for the year
Exchange difference
At March 31, 2016

As at March 31, 2016 and 2015, the deferred taxes liabilities recognized by the Group were expected to be recovered in the period of beyond one year. As
HK$325,715,000) that can be carried forward against future taxable income as future taxable profits of certain of the Group s subsidiaries where these los
HK$106,070,000 and HK$95,263,000 will expire by 2017, 2018, 2019, 2020 and 2021, respectively (March 31, 2015: an amount of HK$13,819,000, HK$

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At March 31, 2016, deferred income tax liabilities of HK$27,687,000 (March 31, 2015: HK$41,009,000) has not been recognized for the withholding tax
distributed in the foreseeable future. Unremitted earnings totaled HK$553,756,000 as of March 31, 2016 (March 31, 2015: HK$820,194,000).

Note 26 Completed Properties Held for Sale

All the Group s properties held for sale are located in the PRC and are held under lease term of 40 to 70 years. All the properties held for sale are stated a

Note 27 Properties Under Development

At beginning of the year
Exchange difference
Additions
Interest capitalized
Transferred from land use rights (Note 20)
Transferred to completed properties held for sale
At end of the year

All the Group s properties under development are located in the PRC and the land, on which these properties under development are located, are held und

As at March 31, 2016, the amount of properties under development included in current assets expected to be recovered after more than one year is HK$4,1

Note 28 Trade and Other Receivables

Trade receivables
Less: provision for impairment of trade receivables
Trade receivables, net
Prepaid expenses
Loans receivable (Note (i))
China tax receivable
Deposits and other receivables (Notes (i) and (ii))
Prepayments for construction costs
Less: provision for impairment of other receivables

Represented by:

Amount included under current assets	
Amount included under non-current assets	

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Note:

(i) During the fiscal year March 31, 2013, the Company disposed of the entire equity interest in China Focus City Holdings (Group) Co., Ltd. (Qiqihar CFC) in r
interest rate of 21% per annum, to the Qiqihar Buyers as a result of the disposal of Qiqihar CFC. As of March 31, 2016, an amount of RMB80,955,000 (2015: RM
During the fiscal year ended March 31, 2015, the directors of the Company decided to record a provision for impairment against this entire balance as the directo
statement during the fiscal year ended March 31, 2015.
The Group has filed a Hong Kong court case (Action No. 755 of 2015) against the Qiqihar Buyers and the Guarantor for the amount due totalling RMB30,955,00
current fiscal year, the Guarantor has lodged a petition to the Hong Kong court and the Group is currently in the progress of preparing for the hearing. Given the

(ii) During the fiscal years ended March 31, 2011 and 2012, the Group paid an aggregate amount of approximately RMB69,636,000 on behalf of the PRC local gove
outstanding sum but was unable to reach a settlement plan nor agree a payment schedule. It is in the opinion the Company s directors that the recoverability of th

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 ap

At each statement of financial position date, the recoverability of the Group s trade receivables due from individual customers is assessed based on the cr

The carrying amounts of the Group s trade and other receivables are denominated in the following currencies:

Hong Kong dollars	
Renminbi	

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 reco

Movements in the provision for impairment of trade receivables are as follows:

At beginning of the year	
Exchange difference	
Amount written off as uncollectible	
Write-back of provision for impairment	
Provision for impairment losses	
At end of the year	

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Included in trade and other receivables of the Group are trade receivables of HK$35,565,000 (2015: HK$418,801,000) and their ageing analysis is as follo

Not past due	
More than 120 days past due	

As of March 31, 2016, trade receivables of HK$10,527,000 (2015: HK$4,225,000) were past due but not impaired. These relate to a number of independe subsidiaries operated and management believes that no impairment provision is necessary in respect of these balances as there has not been a significant cl

More than 120 days past due	

As March 31, 2016, trade receivables of HK$24,114,000 (2015: HK$22,245,000) were impaired and provided for. The individually impaired receivables r

More than 120 days past due	

Movements in the provision for impairment of other receivables are as follows:

At beginning of the year	
Exchange difference	
Provision for impairment loss	
Amount written off as uncollectible	
At end of the year	

Note 29 Restricted and Pledged Bank Deposits and Cash and Cash Equivalents

(a) Restricted and pledged bank deposits

As at March 31, 2016, the Group s bank balances amounting to approximately HK$48,065,000 (March 31, 2015: HK$24,972,000) were deposited at desi

As at March 31, 2016, no bank balances (March 31, 2015: HK$125,668,000 carried interest at deposit rate of approximately 3% per annum) was pledged f

The carrying amounts of the Group s restricted and pledged bank deposits are denominated in RMB.

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(b) Cash and Cash Equivalents

Bank balances and cash	

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

Hong Kong dollars	
Renminbi	
United States dollars	
Others	

The carrying amounts of restricted and pledged 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 th

Note 30 Trade Payables, Other Payables and Accruals

Trade payables	
China taxes payable	
Accrued payroll and employee benefits	
Guarantee deposits	
Accrued loan interest payable	
Accrued charges and other payables (Note)	

Note:

Balance included the following:

(a) During the fiscal year ended March 31, 2015, an aggregate amount of RMB200,000,000, or approximately HK$253,875,000 was received from a local governme

(b) During the fiscal year ended March 31, 2015, an amount of RMB35,000,000, or approximately HK$44,428,000 was received from an independent third party for land use right with carrying amount of RMB10,956,000, or approximately HK$13,411,000 to this independent third party in return for a compensation of RMB4

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(c) During the fiscal year ended March 31, 2015, an aggregate amount of approximately RMB12,193,000, or approximately HK$15,478,000 was provided for trade

(i) The Company s subsidiary, China Tieling Northeast is involved in a PRC court case brought about by a contractor, Kaiyuan Wei Min Construct this report. Although a judgement is yet to be issued by local PRC court, the Group is of the opinion that full provision for the claim shall be mac

(ii) The Company s subsidiary, China Tieling Northeast is involved in a PRC court case brought about by a contractor, Tieling Xin Hai Constructio statement for the fiscal year ended March 31, 2015. During the current fiscal year, a judgement was issued by the PRC court in favour of Xin Ha outstanding as at March 31, 2016.

(d) During the fiscal year ended March 31, 2016, the Group has received funds from various PRC local governments or their branches located in Nanyang, Dezhou a these subsidies.

(e) During the fiscal year ended March 31, 2016, certain of the Group s construction related guarantee deposits at the amount of RMB16,095,000 was released and Subsequent to March 31, 2016, the contractors issued a memorandum to the Group that the Group could settle the outstanding balance by way of transferring son

The carrying amounts of trade payables, other payables and accruals approximate their fair values and are denominated in the following currencies:

Hong Kong dollars
Renminbi
United States dollars

Note 31 Receipt in Advance

As at March 31, 2016 and 2015, receipt in advance represented amounts received from potential buyers of properties under development and completed pr

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Note 32 Derivative Financial Liabilities

Derivative components of convertible bonds (Note (i))	
Warrants issued in August 2012 (Note (ii))	

Note:

(i) Derivative components of convertible bonds comprised of:

(a) On August 15, 2012, the Company issued the 2017 CBs (as defined in note 34(a)) to Willis Plus Limited, a company owned by the majority shar
As at March 31, 2016, the derivative component of the 2017 CBs was recognized at fair value of HK$66,462,000 (March 31, 2015: HK$155,713

(b) On December 20, 2013, January 27, 2014 and March 20, 2014, the Company issued the 2016 CBs (as defined in note 34(b)) to certain independe
out in note 34(b) to the consolidated financial statements. As at March 31, 2016, the derivative components of the 2016 CBs were recognized at f

(ii) On August 15, 2012, together with the 2017 CBs (as defined in note 34(a)) issued by the Company, the Company issued warrants to Willis Plus Limited, a comp
issuance. At the issuance of these warrants, derivatives financial liabilities were recognized at fair value which approximated HK$26,267,000. As at March 31, 20

The fair values of the warrants as at August 15, 2012 were determined using the binomial valuation model (Binomial Model). The significant inputs into the m

The fair values of the warrants as at March 31, 2016 and 2015 were determined using Binomial Model. The significant inputs into the models were volatility of 7

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Note 33 Bank and Other Borrowings

Current	
Short-term bank loan Secured	
Portion of long-term bank loans repayable within one year Secured	
Other borrowings Unsecured	
Non-current	
Portion of long-term bank loans repayable after one year Secured	
Other borrowings Unsecured	
Total bank and other borrowings	

The interest-bearing bank borrowings are carried at amortized cost. The Group does not have any bank borrowings which contain a repayable on demand

The Group s bank and other borrowings are repayable as follows:

Within 1 year	
Between 1 and 2 years	

Some of the banking facilities are subject to restrictions including restriction on dividend payments, which are commonly found in lending arrangements v

The Group regularly monitors its compliance with these covenants and is up to date with the scheduled repayments of the term loans. Further details of the
March 31, 2015: Nil).

The carrying amounts of bank borrowings approximate their fair values. All bank borrowings are denominated in RMB (March 31, 2015: All bank borrow
6.4% to 9.8% per annum) and none (March 31, 2015: HK$199,292,000) are carried at fixed interest rate (March 31, 2015: fixed interest rate ranging from

The carrying amounts of other borrowings approximate their fair values. Other borrowings of HK$35,000,000 (March 31, 2015: HK$93,000,000) and HK
6% to 17% per annum). The other borrowings are unsecured.

As at March 31, 2016, no bank borrowings (March 31, 2015: HK$116,782,000) were guaranteed by a former director and a shareholder of the Company.

As at March 31, 2016, other borrowings with carrying amount of approximately HK$218,223,000 (March 31, 2015: HK$231,026,000) were guaranteed by

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Note 34 Convertible Bonds

2017 CBs (Note (a))
2016 CBs (Note (b))

(a) 2017 CBs

On August 15, 2012, the Company issued (1) US$60,000,000 principal amount, 14 per cent. guaranteed secured convertible bonds due on August 15, 201
Bondholder). In addition, the Bondholder has options to convert the 2017 CBs into the ordinary shares of the Company or require the Company to rede
its first anniversary at the option of the Bondholder.

The fair value of the derivative component of the 2017 CBs was estimated at the issuance date using Binomial model and its changes in fair value is recog
August 2012 Warrants at date of their issuance.

The 2017 CBs recognized in the consolidated statements of financial position is calculated as follows:

At April 1, 2014
Decrease in fair value of derivative component/August 2012 Warrants
Amortization of deferred loss on derivative component/August 2012 Warrants
Interest expense
Interest paid
At March 31, 2015 and at April 1, 2015
Decrease in fair value of derivative component/August 2012 Warrants
Amortization of deferred loss on derivative component/August 2012 Warrants
Interest expense
Interest paid
At March 31, 2016

The liability component of the 2017 CBs is carried at amortized cost at an effective interest rate of 37.2% per annum. The liability component of the 2017
was reclassified back to non-current liabilities due to the same one-off redemption right was expired without being exercised by the holders of 2017 CBs.

The fair value of the derivative component of the 2017 CBs as at March 31, 2016 was determined using Binomial Model. The significant inputs into the m

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As of March 31, 2016, the fair values of the liability component of the 2017 CBs were approximately HK$641,753,000 (March 31, 2015: HK$484,230,00

Under the terms of the 2017 CBs, the Company undertakes to comply with financial covenants as follows:

(i) Consolidated Tangible Net Worth shall not be less than HK$1,253,000,000;

(ii) Consolidated EBIT shall not at any time be less than 2.50 times Consolidated Finance Charges; and

(iii) Consolidated Total Borrowings shall not at any time exceed 0.85 times Consolidated Tangible Net Worth.

The financial covenants shall be: (i) calculated and interpreted on a consolidated basis in accordance with IFRS and expressed in Hong Kong dollars; and the last day of the first half of the financial year.

The Company obtained waivers from the holders of the 2017 CBs in prior years in respect of any non-compliance with the above covenants for the year e

(b) 2016 CBs

On December 20, 2013, January 27, 2014 and March 20, 2014, the Company issued an aggregate amount of US$30,000,000, unsecured, 10 per cent conve Company, where US$15,000,000 of which was issued to the majority shareholder. In addition, each of the investors has an option to convert the 2016 CBs less than all) of the principal amounts of the 2016 CBs of each of the investors are convertible into ordinary shares of the Company at an initial conversio the 2016 CBs.

The fair value of the derivative component of the 2016 CBs was estimated at the issuance date using Binomial Model and its changes in fair value is reco of their issuance.

The 2016 CBs recognized in the consolidated statements of financial position is calculated as follows:

At April 1, 2014
Decrease in fair value of derivative component
Amortization of deferred loss on derivative component
Interest expense
Interest paid
At March 31, 2015 and at April 1, 2015
Decrease in fair value of derivative component
Amortization of deferred loss on derivative component
Interest expense
Interest paid

At March 31, 2016

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Each of the liability components of the 2016 CBs issued on December 20, 2013, January 27, 2014 and March 20, 2014 are carried at amortized cost at an e

The liability components of the 2016 CBs was classified as current liabilities as at March 31, 2015 and 2016 due to the redemption right feature after 18 m

The fair value of each of the derivative components of the 2016 CBs issued on December 20, 2013, January 27, 2014 and March 20, 2014 at each of their 0.73% and 0.90% per annum, respectively.

The fair value of the derivative components of the 2016 CBs as at March 31, 2016 was determined using Binomial Model. The significant inputs into the m

The fair value of liability components of the 2016 CBs as at March 31, 2016 was HK$226,699,000 (March 31, 2015: HK$181,193,000), which was calcul

The 2016 CBs do not contain any financial covenants.

Note:

During the fiscal year ended 31 March 2014, total transaction costs directly attributable to the issuance of the 2016 CBs amounted to HK$352,000 of which HK$224,000 was fiscal year ended 31 March 2014.

Note 35 Share Capital

Authorized:
Preferred share at US$0.001 each at end of year
Ordinary share at US$0.001 each at end of year
Issued and fully paid:
Preferred share
At beginning and at end of the year
Ordinary shares
At beginning and at end of year

The Company s share capital consists of ordinary shares and preferred shares.

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Note 36 Non-Controlling Interests

The total non-controlling interests as at March 31, 2016 is HK$7,644,000 (2015: HK$26,933,000), which is attributable solely to China Northeast Logistic

As at March 31, 2016, cash and short term deposits of HK$5,556,000 (2015: HK$3,645,000) are held in China and are subject to local exchange control re

Set out below are the summarized financial information for Dezhou Group that has non-controlling interests that are material to the Group. There were no

Summarized consolidated statements of financial position

Current
Assets
Liabilities
Total
Non-current
Assets
Liabilities
Total
Net assets

Summarized consolidated income statements

Revenue
Loss before income tax
Income tax expense
Post-tax loss
Other comprehensive (loss)/income
Total comprehensive loss
Total comprehensive loss allocated to non-controlling interests

Summarized consolidated cash flows

Cash flows from operating activities
Cash generated from operations
Interest paid
Interest received
Income tax paid

Net cash (used in)/generated from operating activities	
Net cash used in investing activities	
Net cash generated from/(used in) financing activities	
Net increase/(decrease) in cash and cash equivalents	
Cash and cash equivalents at beginning of year	
Effect on foreign exchange rate changes	
Cash and cash equivalents at end of year	

The financial information above is presented before inter-company eliminations.

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Note 37 Share Incentive Plan

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
business. Options granted under the 2011 Share Incentive Plan may be incentive stock options (Incentive Stock Options) or non-statutory stock options
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,

(1) In the case of Incentive Stock Options:

a. granted to an employee who at the time of grant is a person who owns stock representing more than 10% o
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 V

(2) In the case of a Non-statutory Stock Option, the per share exercise price shall be such price as is determined by the administr
requirements, including, but not limited to, all applicable United States federal or state laws, any stock exchange rules or regu
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

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 Co
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
expire or become unexercisable for any reason without having been exercised in full, or is surrendered pursuant to an option exchange program, the unpur
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
Incentive Plan and later repurchased by the Company at the original purchase price paid to the Company for the shares (including, without limitation, upon

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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.

No share option has been granted under the 2011 Share Incentive Plan since its adoption.

Note 38 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:

Land use rights
Investment properties
Completed properties held for sale
Property, plant and equipment
Properties under development
Pledged bank deposits (Note 29)

Note 39 Capital Commitments

Capital injection in respect of investments in subsidiaries in the PRC
Capital injection in respect of investment in an associate in the PRC (Note)

Capital expenditure in relation to construction of properties contracted for but not provided in the consolidated financial statements

Note:

During the year ended March 31, 2015, the Group entered into an agreement with an independent third party pursuant to which the Group has committed to inject in form of c

Note 40 Notes to the Consolidated Cash Flows Statements

Major Non-Cash Transactions

The Group has the following major non-cash transactions:

(i) During the fiscal year ended March 31, 2015, the Company has acquired 100% equity interest in Tieling Shengtai (as defined

(ii) During the fiscal year ended March 31, 2015, the Company injected capital of approximately HK$7,417,000 into a joint vent

(iii) During the fiscal year ended March 31, 2015, the Company utilized the deposits for purchase of land use rights of approxima

(iv) During the fiscal year ended March 31, 2016, the Company is deemed to have disposed of 60% of its equity interests in two c

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Note 41 Acquisition of a Subsidiary

During the fiscal year ended March 31, 2015, the Group entered into an agreement with an independent third party (Seller) to acquire 100% equity inte
Shengtai, amounting to RMB15,000,000 (the Hotel Acquisition). The Hotel Acquisition was completed on May 20, 2014.

The goodwill arising from the Hotel Acquisition is attributable to the Group s expectation on Tieling Shengtai to enable the Group to provide better integ

The following table summarizes the consideration paid for Tieling Shengtai, the fair value of assets acquired, and liabilities assumed at the acquisition dat

Consideration at May 20, 2014	
Other payable assumed	
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	
Property, plant and equipment	
Trade and other receivables	
Trade and other payables	
Receipt in advance	
Bank loan	
Total identifiable net assets	
Goodwill (Note 21)	
Total	

Insignificant acquisition-related costs have been charged to administrative expenses in the consolidated income statement for the fiscal year ended March

The revenue included in the consolidated statement of comprehensive income since May 20, 2014 contributed by Tieling Shengtai was HK$1,057,000. Ti

Had Tieling Shengtai been consolidated from April 1, 2014, the consolidated statement of comprehensive income for the year ended March 31, 2015 woul

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Note 42 Deemed Disposal of Subsidiaries

During the fiscal year ended March 31, 2016, the Company s subsidiary, China Glorious City (Hengyang) Co., Ltd. entered into two co-operation agreem
Huaqian which entitle the Hengyang JV Partners to own 60% equity interests in each of Huayan and Huaqian. As a result of the new shareholding structur

The following is an analysis of the net assets on the date which Huayan and Huaqian were being deemed to be disposed of:

Carrying amount of net assets deemed to be disposed of:
Land use rights
Prepayment
Cash and cash equivalents
Other payables and accruals
Net assets
Gain on deemed disposal of subsidiaries (Note 10)
Satisfied by:
Interests in joint ventures measured at fair value
Release of reserve upon deemed disposal of subsidiaries

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

Cash consideration received
Cash and bank balances disposed of
Net outflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries

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Note 43 Operating Lease Arrangements

The Group as lessee

At the statement of financial position date, the Group had outstanding commitments for the future minimum lease payments in respect of non-cancellable

Operating leases which expire:	
Within one year	
In the second to fifth year inclusive	
Beyond 5 years	

The Group as lessor

Property rental income earned during the year was HK$4,189,000 (2015: HK$2,944,000). Most of the investment properties held have committed tenants

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

Within one year	
In the second to fifth year inclusive	

Note 44 Contingent Liabilities

The Group had financial guarantees as at March 31, 2016 amounting to HK$1,002,205,000 (2015: HK$377,422,000) in respect of mortgage facilities gran
Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the bank
generally available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgage loans
together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements for the guarantees.

Save as disclosed above and elsewhere in the consolidated financial statements, the Group had no other significant contingent liabilities at March 31, 2016

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Note 45 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	
Key management personnel including directors	
	Salar
	Retir
	Inter
An entity which is controlled by the majority shareholder of the Company	
	Oper
	Desi
	Inter
The majority shareholder	Inter
	Inter

Save as disclosed in notes 32, 33, 34 and 46 to the consolidated financial statements, there were no other significant related party transactions.

Note 46 Balances with Related Parties and Equity Holders

The loan from a non-controlling interest of HK$58,800,000 is unsecured and interest-free which is not repayable within one year as at March 31, 2016 (20

The loan from the majority shareholder as at March 31, 2016 of HK$50,000,000 is unsecured, bears a fixed interest rate of 15% p.a. and is repayable withi

The loans from the majority shareholder as at March 31, 2016 of HK$30,000,000, HK$35,000,000 and HK$45,000,000 are unsecured, bear a fixed interes same terms).

The loan from the majority shareholder as at March 31, 2016 of HK$55,000,000 is unsecured, bears a fixed interest rate of 15% p.a. and repayable within

The amounts due from joint ventures are unsecured, interest-free and have no fixed terms of repayment as at March 31, 2016 (2015: Nil). The amounts du

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The Group also had the following significant balances with other related parties.

Related party relationship
An entity which is controlled by the majority shareholder of the Company
The majority shareholder
Key management personnel

Save as disclosed above, there were no other significant balances with related parties.

Note 47 Post Balance Sheet Events

On May 20, 2016, the Company announced plans to effectuate a going-private transaction (the Privatization) through a merger with an indirect wholly-
cash, without interest upon the consummation of the Privatization. Following the Privatization, the Company plans to terminate the Company s public rep

Note 48 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$7.8
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.

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Note 49 Particulars of Subsidiaries

Particulars of the Company s principal subsidiaries at March 31, 2016 and 2015 are as follows:

Name of **subsidiary**
M.S. Electronic Emporium Limited
China Metro-Rural Limited
China Metro-Rural Exchange Limited
China Northeast Logistics City Co., Ltd. ^ 鐵嶺 有限公司 (Note (ii))
Tieling North Asia Development Co., Ltd. ^ 鐵嶺 亞發展有限公司
Tieling Northeast City Advertising Co., Ltd. ^ 鐵嶺 廣告有限公司
Tieling North Asia Property Management Co., Ltd.^ 鐵嶺 亞 業管理有限公司
Tieling Northeast City Motor Vehicle Trading Co., Ltd.^ 鐵嶺 機動車交易有限公司
Tieling Shengtai Hotel Co., Ltd. ^ 鐵嶺市晟泰酒店有限公司
China Metro-Rural Development Limited
China Northeast Logistics City Dezhou Co., Ltd.^ 德州 貿 有限公司 (Note (ii))
Dezhou Northeast City Property Co., Ltd.^ 德州 貿置業有限公司
Dezhou North Asia Property Management Co., Ltd.^ 德州 亞 業管理有限公司

Dezhou North Asia Property Co., Ltd.^
德州 亞置業有限公司

China Northeast Logistics City Shenzhen Co., Ltd.^
深圳 貿有限公司

China Glorious City Construction Limited

China Glorious City Development Limited

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Name of subsidiary
China Glorious City (Hengyang) Co., Ltd.^ (衡陽)有限公司 (Note (ii))
Hengyang Huayan Property Co., Ltd.^ 衡陽 雁置業有限公司 (Note (iv))
Hengyang Huaqian Property Co., Ltd.^ 衡陽 乾置業有限公司 (Note (iv))
Hengyang Glorious City Business Co., Ltd.^ 衡陽 業有限公司
Hengyang Glorious City Logistics Co., Ltd.^ 衡陽 有限公司
China Glorious City Investments Limited
China Glorious City Investments (Zhoukou) Co., Ltd.^ (周口)有限公司 (Note (ii))
Zhoukou China Glorious Property Co., Ltd.^ 周口 置業有限公司
Zhoukou Dongyao Industries Co., Ltd.^ 周口 實業有限公司 (Note iii))
China Glorious City Strategic Limited
China Glorious City Strategic (Zhoukou) Co., Ltd. ^ 策劃(周口)有限公司 (Note (ii))
Zhoukou Huayu Industries Co., Ltd. ^ 周口 裕實業有限公司

Zhoukou Huahui Commercial Real Estates Co., Ltd. ^
周口市 滙 業地產有限公司
(Note (iii))

China Glorious City Holdings Limited
控股有限公司
(Note (iii))

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Name of subsidiary
China Glorious City (Shenzhen) Industries Co., Ltd. ^ (深圳)實業有限公司 (Note (iii))
China Glorious City (Handan) Industries Co., Ltd. ^ (邯鄲)實業有限公司 (Note (iii))
China Glorious City (Handan) Business Co., Ltd. ^ (邯鄲) 業有限公司 (Note (iii))
Handan Huahui Business Co., Ltd. ^ 邯鄲 滙 業有限公司 (Note (iii))
Handan Yaomin Logistics Co., Ltd. ^ 邯鄲 有限公司 (Note (iii))
China Glorious City (Nanyang) Industries Co., Ltd. ^ (南陽)實業有限公司 (Note (iii))
China Glorious City (HK) Industries Limited (香港)實業有限公司 (Note (iii))

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 Com
(ii): These subsidiaries registered or operated in the PRC are wholly foreign owned enterprises.
(iii): Incorporated/registered during the current year.
(iv): During the current year, the Company is deemed to have disposed of 60% equity interests in these subsidiaries and accordingly they have been accounted for as j

The symbol of ^ represents the English name of the subsidiary for identification purpose only.

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Note 50 Condensed financial information of the parent company

Statements of Comprehensive Income

For the years ended March 31, 2016, 2015 and 2014

Other gains, net
Administrative expenses
Operating profit
Finance income
Finance costs
Finance costs net
Loss before income tax
Income tax expense
Total comprehensive loss for the year

Statements of Financial Position

As at March 31, 2016 and 2015

Non-current assets
Investments in subsidiaries
Current assets
Due from subsidiaries
Prepayments and other receivables
Cash and cash equivalents
Current liabilities
Other payables and accruals
Derivative financial liabilities
Due to subsidiaries
Other borrowings

Loans from a shareholder
Convertible bonds (Note 34)
Net current assets/(liabilities)
Total assets less current liabilities
Non-current liabilities
Convertible bonds (Note 34)
Loans from a shareholder
Net assets
Equity
Share capital
Reserves

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Statements of Cash Flows

For the years ended March 31, 2016, 2015 and 2014

Cash flows from operating activities
Cash from/(used in) operations
Interest received
Interest paid
Net cash used in operating activities
Cash flows from investing activities
Decrease/(increase) in amounts with subsidiaries and net cash generated from/(used in) from investing activities
Cash flows from financing activities
Proceeds from other borrowings
Repayments of other borrowings
Loans from a shareholder
Proceeds from issuance of convertible bonds, net of direct expenses
Net cash generated from financing activities
Net (decrease)/increase in cash and cash equivalents
Cash and cash equivalents at beginning of the year
Cash and cash equivalents at end of the year

1. Note 50 has been provided pursuant to the requirements of Rule 12-04(a) and 5-04(c) of Regulation S-X, which require condensed financial statements have been presented when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of

2. The condensed financial information of China Metro-Rural Holdings Limited has been prepared using the same accounting policies as set o
A reconciliation of the (loss)/profit and equity of the parent company only between cost method of accounting and equity method of accounting for investr

(Loss)/Profit Reconciliation
Loss of the parent company only under cost method of accounting
Additional (loss)/profit if subsidiaries had been accounted for using equity method of accounting as opposed to cost method of accounting

(Loss)/profit of the parent company only under equity method of accounting	

Equity Reconciliation

Equity of the parent company only under cost method of accounting	
Additional profit if subsidiaries had been accounted for using equity method of accounting as opposed to cost method of accounting	
Equity of the parent company only under equity method of accounting	

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3. Certain information and footnote disclosures normally included in financial statements prepared in accordance with IFRSs have been conde consolidated financial statements of the Company.

4. As of March 31, 2016 and 2015, there were no material contingencies, significant provisions of long-term obligations, mandatory dividend