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

	2011	2012	2013	2014	2015	2016
Investment in real estate (RMB billion)	28.0	34.4	40.6	41.4	48.5	67.5
GFA of new developments (sq.m. in millions)	8.6	10.1	11.2	6.4	8.5	12.8
Average sales price of commodity properties (RMB per sq.m.)	5,939	6,419	7,100	6,589	7,126	8,218

Source: Statistics Bureau of Nanchang, National Bureau of Statistics.

Guangxi Zhuang Autonomous Region

According to the Statistics of Guangxi Zhuang Autonomous Region, a total GFA of approximately 16.8 million sq.m. of commodity properties was completed in Guangxi Zhuang Autonomous Region in 2015, and a total GFA of approximately 35.2 million sq.m. of commodity properties was sold in Guangxi Zhuang Autonomous Region in 2015, an increase of approximately 11.6% from 31.6 million sq.m. sold in 2014.

The table below sets forth certain information relating to the property market in Guangxi Zhuang Autonomous Region for the years indicated.

	2011	2012	2013	2014	2015	2016
GFA completed (sq.m. in millions) . .	23.0	23.3	17.1	18.7	16.8	17.4
GFA sold (sq.m. in millions)	29.6	27.6	30.0	31.6	35.2	42.2
% of total GFA sold in the PRC	2.7%	2.5%	2.3%	2.6%	2.7%	2.7%

Source: Statistics of Guangxi Zhuang Autonomous Region, National Bureau of Statistics of China.

Nanning

Nanning, the capital of Guangxi Zhuang Autonomous Region, is located in the southern region of Guangxi Zhuang Autonomous Region. According to the Nanning Municipal Bureau of Statistics, as of December 31, 2015, Nanning had a population of approximately 7.0 million. In 2015, Nanning's GDP reached approximately RMB341.0 billion, representing a per capita GDP of RMB49,066.

The table below sets forth selected economic statistics of Nanning for the years indicated.

	2011	2012	2013	2014	2015
Nominal GDP (RMB billion)	221.1	250.3	280.4	314.8	341.0
Per capita (in RMB)	33,017	37,016	41,094	43,303	49,066
Consumer price index	101.4	103.3	103.3	100.8	102.4

Source: Nanning Municipal Bureau of Statistics.

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

	2011	2012	2013	2014	2015	2016
Investment in real estate (RMB billion)	39.2	36.3	41.6	55.2	65.7	85.4
GFA of new developments (sq.m. in millions)	8.7	6.9	7.2	10.5	11.2	14.9
Average sales price of commodity properties (RMB per sq.m.)	5,196	6,003	6,959	6,627	6,646	6,887

Source: China Statistics Yearbook, Nanning Municipal Bureau of Statistics, National Bureau of Statistics.

Shaanxi Province

According to the Statistics Bureau of Shaanxi Province, a total GFA of approximately 16.8 million sq.m. of commodity properties was completed in Shaanxi Province in 2015, and a total GFA of approximately 29.8 million sq.m. of commodity properties was sold in Shaanxi Province in 2015, a decrease of approximately 3.7% from 30.9 million sq.m. sold in 2014.

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

	2011	2012	2013	2014	2015	2016
GFA completed (sq.m. in millions)	11.3	16.5	15.1	21.9	16.8	24.3
GFA sold (sq.m. in millions)	30.5	27.6	30.5	30.9	29.8	32.6

Source: Statistics Bureau of Shaanxi Province, National Bureau of Statistics.

Xi'an

Xi'an, the capital of Shaanxi Province, is located in the central region of Shaanxi Province. Located in the center of Northwest China, Xi'an is the key area of the West Development and the key stop for Eurasia Land Bridge with a long history. According to the Statistics Bureau of Xi'an, as of December 31, 2015, Xi'an had a population of approximately 8.7 million. In 2015, Xi'an's GDP reached approximately RMB581.0 billion, compared to approximately RMB549.3 billion in 2014.

The table below sets forth selected economic statistics of Xi'an for the periods indicated.

	2011	2012	2013	2014	2015
Nominal GDP (RMB billion)	386.4	436.9	488.4	549.3	581.0
Per capita (in RMB)	45,475	51,166	56,988	63,794	N/A(1)
Consumer price index	104.9	102.0	102.4	100.5	101.8

Source: Statistics Bureau of Xi'an, National Bureau of Statistics.

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

	2011	2012	2013	2014	2015	2016
Investment in real estate (RMB billion)	99.6	127.0	157.3	174.2	182.1	195.0
GFA of new developments (sq.m. in millions)	29.2	28.0	25.2	24.4	25.1	28.7
Average sales price of commodity properties (RMB per sq.m.)	6,156	6,634	6,716	6,465	6,501	6,602

Source: Statistics Bureau of Xi'an, National Bureau of Statistics.

Henan Province

According to the Statistics Bureau of Henan Province, a total GFA of approximately 53.9 million sq.m. of commodity properties was completed in Henan Province in 2015, and a total GFA of approximately 85.6 million sq.m. of commodity properties was sold in Henan Province in 2015, an increase of approximately 8.6% from 78.8 million sq.m. sold in 2014.

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

	2011	2012	2013	2014	2015	2016
GFA completed (sq.m. in millions)	55.3	58.7	59.7	73.2	53.9	63.0
GFA sold (sq.m. in millions)	62.8	59.7	73.1	78.8	85.6	113.1

Source: Statistics Bureau of Henan Province, National Bureau of Statistics of China.

Zhengzhou

Zhengzhou, the capital of Henan Province, is located in the central region of Henan Province. According to the Statistics Bureau of Zhengzhou, as of December 31, 2015, Zhengzhou had a population of approximately 9.6 million. In 2015, Zhengzhou's GDP reached approximately RMB731.5 billion, representing a per capita GDP of RMB77,217.

The table below sets forth selected economic statistics of Zhengzhou for the years indicated.

	2011	2012	2013	2014	2015
Nominal GDP (RMB billion)	491.3	554.7	620.2	677.7	731.5
Per capita (in RMB)	56,086	63,328	68,073	72,991	77,217
Consumer price index	104.2	102.2	102.5	101.8	101.2

Source: Statistics Bureau of Zhengzhou.

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

	2011	2012	2013	2014	2015	2016
Investment in real estate (RMB billion)	92.4	109.5	144.5	174.4	200.0	277.9
GFA of new developments (sq.m. in millions)	18.6	21.7	28.1	27.5	28.3	52.9
Average sales price of commodity properties (RMB per sq.m.)	5,696	6,253	7,162	7,571	7,537	8,163

Source: National Bureau of Statistics.

Heilongjiang Province

According to National Bureau of Statistics of China, a total GFA of approximately 29.2 million sq.m. of commodity properties was completed in Heilongjiang Province in 2015, and a total GFA of approximately 20.0 million sq.m. of commodity properties was sold in Heilongjiang Province in 2015, a decrease of approximately 19.4% from 24.8 million sq.m. sold in 2014.

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

	2011	2012	2013	2014	2015	2016
GFA completed (sq.m. in millions)	32.3	32.5	29.3	30.0	29.2	23.8
GFA sold (sq.m. in millions)	34.3	38.1	33.4	24.8	20.0	21.2

Source: National Bureau of Statistics of China.

Harbin

Harbin, the capital of Heilongjiang Province, is located in the southwest region of Heilongjiang Province. According to the Statistics Bureau of Harbin, as of December 31, 2012, Harbin had a population of approximately 10.6 million. In 2015, Harbin's GDP reached approximately RMB575.1 billion, representing a per capita GDP of RMB59,027.

The table below sets forth selected economic statistics of Harbin for the years indicated.

	2011	2012	2013	2014	2015
Nominal GDP (RMB billion)	424.2	455.0	501.7	534.0	575.1
Per capita (in RMB)	42,736	45,810	50,435	53,872	59,027
Consumer price index	103.4	103.2	102.4	102.1	101.4

Source: Statistics Bureau of Harbin.

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

	2011	2012	2013	2014	2015	2016
Investment in real estate (RMB billion)	57.0	78.9	85.8	68.7	59.4	52.6
GFA of new developments (sq.m. in millions)	25.3	18.3	15.5	10.7	11.6	9.0
Average sales price of commodity properties (RMB per sq.m.)	5,398	5,518	6,194	6,182	6,419	6,680

Source: Harbin Statistical Yearbook, National Bureau of Statistics.

Anhui Province

According to the National Bureau of Statistics of China, a total GFA of approximately 55.4 million sq.m. of commodity properties was completed in Anhui Province in 2015, representing an increase of approximately 6.6% compared to 2014, and a total GFA of approximately 61.7 million sq.m. of commodity properties was sold in Anhui Province in 2015, representing a decrease of approximately 0.5% compared to 2014.

The table below sets forth certain information relating to the property market in Anhui Province for the years indicated.

	2011	2012	2013	2014	2015	2016
GFA completed (sq.m. in millions)	36.3	39.7	51.8	52.0	55.4	53.8
GFA sold (sq.m. in millions)	46.1	48.3	62.7	62.0	61.7	85.0

Source: National Bureau of Statistics of China.

Hefei

Hefei, the capital of Anhui Province, is located in the center of Anhui Province. According to the Statistics Bureau of Hefei, as of December 31, 2015, Hefei had a population of approximately 7.8 million. In 2015, Hefei's GDP reached approximately RMB566.0 billion, representing a per capita GDP of approximately RMB73,102.

The table below sets forth selected economic statistics of Hefei for the years indicated.

	2011	2012	2013	2014	2015
Nominal GDP (RMB billion)	363.7	416.4	467.3	518.1	566.0
Per capita GDP (RMB)	48,540	55,182	61,555	67,689	73,102
Consumer price index	103.8	102.1	102.5	101.5	101.9

Source: Statistics Bureau of Hefei.

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

	2011	2012	2013	2014	2015	2016
Investment in real estate (RMB billion)	89.0	91.4	110.6	112.7	125.9	135.3
GFA of new developments (sq.m. in millions)	19.0	14.9	22.1	20.5	19.8	21.1
Average sales price of commodity properties (RMB per sq.m.)	6,326	6,156	6,284	7,157	7,695	9,369

Source: National Bureau of Statistics.

Real estate market in Chongqing

According to National Bureau of Statistics of China, a total GFA of approximately 46.3 million sq.m. of commodity properties was completed in Chongqing in 2015, and a total GFA of approximately 53.8 million sq.m. of commodity properties was sold in Chongqing in 2015, an increase of approximately 5.5% from the approximately 51.0 million sq.m. sold in 2014.

The tables below set forth certain information relating to the property market in Chongqing for the years indicated.

	2011	2012	2013	2014	2015	2016
GFA completed (million sq.m.)	34.2	39.9	38.0	37.2	46.3	44.2
GFA sold (million sq.m.) . .	45.3	45.2	48.2	51.0	53.8	62.6
% of total GFA sold in the PRC	4.1%	4.1%	3.7%	4.2%	4.2%	4.0%

Source: Chongqing Municipal Statistics Bureau, National Bureau of Statistics of China.

	2011	2012	2013	2014	2015	2016
Investment in real estate (RMB billion)	202	251	301	363	375	373
GFA of new developments (million sq.m.)	68.2	58.1	76.4	62.5	58.1	48.8
Average sales price of commodity properties (RMB per sq.m.)	4,734	5,080	5,569	5,519	5,486	5,485

Source: Chongqing Municipal Statistics Bureau, National Bureau of Statistics of China.

HISTORY AND CORPORATE STRUCTURE

History

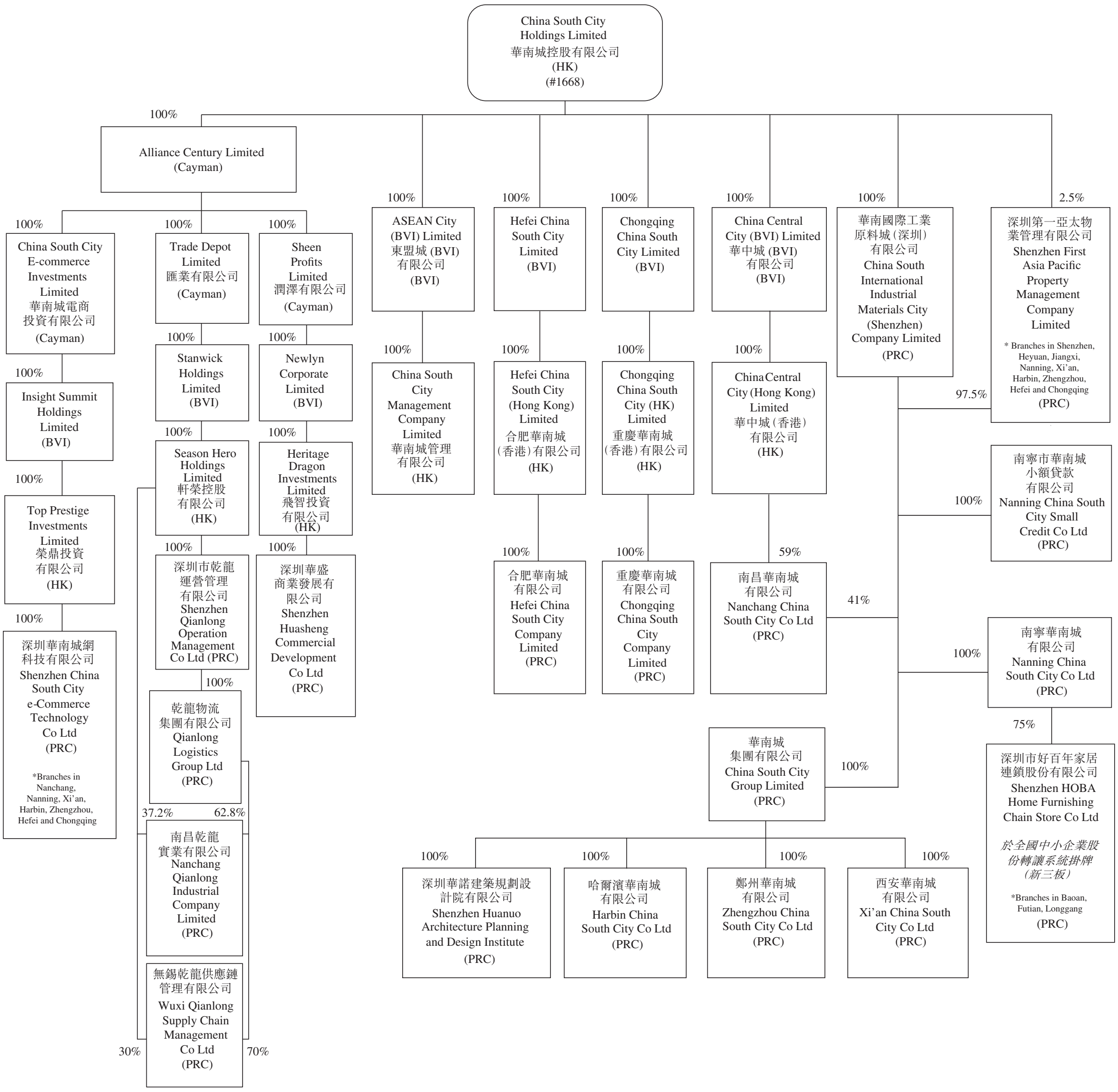
Our business model and concept was initially developed by Messrs. Cheng Chung Hing and Leung Moon Lam. Following various discussions among Messrs. Cheng Chung Hing, Ma Kai Cheung, Leung Moon Lam, Sun Kai Lit and Ma Wai Mo (who we collectively refer to as our founding shareholders), our founding shareholders formalized and carried out our business plan. Our five founding shareholders are either chairman or executive directors of leading manufacturing and industrial companies based in Hong Kong with operations in the Greater China Pearl River Delta region, and have extensive experience and a well-developed network of contacts in their respective industries.

Our Company was incorporated on May 8, 2002. We are listed on the Hong Kong Stock Exchange and completed our initial public offering in September 2009.

We conduct our business primarily through our subsidiaries and associated entities established in the PRC.

Corporate Structure

The following chart sets forth our corporate structure for each of our material subsidiaries, with the jurisdiction of each entity in parenthesis, as of the date of this offering memorandum:



Note: The English names of all PRC-incorporated companies are for identification purpose only

Overview

We are a leading developer and operator of large-scale, integrated logistics and trade centers in the PRC, based on GFA, industry coverage and range of ancillary services and facilities offered. Leveraging our successful experience and brand reputation, we currently have eight projects in different stages of development located in regional economic hubs in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing, China, with a total planned GFA of approximately 81.8 million sq.m., out of which we have acquired land use rights of approximately 36.2 million sq.m. attributable GFA as of September 30, 2016, of which approximately 13.1 million sq.m. has been completed and approximately 7.4 million sq.m. is under development as of September 30, 2016.

Our business model is built on the premise of "One Body with Two Wings," with the "One Body" represented by our large-scale integrated logistics and trade centers, designed to serve as key commercial hubs to satisfy the economic and industrial needs of the regions in which we operate, and the "Two Wings" represented by the ancillary residential and commercial facilities, designed to facilitate the operations of our trade center occupants and their customers. We serve wholesale markets for multiple industries at our trade centers, which are complemented by residential developments and comprehensive ancillary commercial facilities including hotel, office, warehouse, exhibition and conference facilities as well as E-commerce services. Our residential facilities further complement our trade center operations by providing convenient, high-quality accommodations for our trade center occupants, as well as generating cash flows to cover a portion of project-related capital expenditures. Our business model is further augmented by the on-site presence of PRC government agencies, banks and securities firms, which offer a diverse range of services to trade center occupants and other customers.

Our "One Body with Two Wings" business model is supported by five pillars of ancillary services, namely our logistics and warehousing services, E-commerce services, outlet and furnishing center, property management services and exhibition and conference facilities, that complement our core business of developing and operating trade centers. We provide one-stop logistics services such as warehousing, integrated inbound/outbound services, on-site delivery and freight forwarding to our customers. We provide an E-commerce platform, namely CSC86.com, which combines the advantages of physical and online stores, through which our clients can promote their businesses and products online. Following the success of trade fairs at our various projects, we established a one-stop exhibition platform for organizing convention and exhibition at our projects, through which we have hosted a number of significant events which has enhanced our reputation and facilitated traffic through our trade centers. In addition, our outlet and furnishing center operations have also boosted overall traffic at our related projects and expanded our operations. We plan to further boost overall traffic by building upon our successful outlet centers, expanding and replicating this further at our other projects. Our property management services help maintain a safe and comfortable business environment at our trade centers and ancillary facilities. We believe that this expansion of the scope of services provided will enable us to build a self-sustaining business strategy that will strengthen our overall business model.

Our first project, China South City Shenzhen, has a planned GFA of approximately 2.6 million sq.m. As of September 30, 2016, it had approximately 2.4 million sq.m. of GFA of trade centers and ancillary facilities completed and in operation, with approximately 165,000 sq.m. of GFA under development. China South City Shenzhen is strategically located in the Pearl River Delta and centered within an extensive transportation network of airports, railways, port facilities and highways that facilitate trade in the region.

Leveraging our success, experience and brand recognition from our China South City Shenzhen project, we have added seven additional projects:

- China South City Nanchang, with a planned GFA of approximately 7.3 million sq.m., is currently under Phase Two development in Nanchang, the capital of Jiangxi Province. As of September 30, 2016, it had approximately 1.7 million sq.m. of GFA completed and approximately 1.1 million sq.m. of GFA under development. As it is strategically located to serve both the Pearl River Delta and Yangtze River Delta regions, we believe that China South City Nanchang is well positioned to develop in line with the expected increase in trade within and among these regions.

- China South City Nanning, with a planned GFA of approximately 4.9 million sq.m., is currently under Phase One development in Nanning, the capital of Guangxi Zhuang Autonomous Region. As of September 30, 2016, it had approximately 1.4 million sq.m. of GFA completed and approximately 558,500 sq.m. of GFA under development. Strategically located in close proximity to Southeast Asia, we believe China South City Nanning will serve as a key hub for cross-border commodity trade with ASEAN countries.

- China South City Xi'an, with a planned GFA of approximately 17.5 million sq.m., is under Phase One development in Xi'an, the capital of Shaanxi Province, at the Xi'an International Trade and Logistics Park with access to a railway container terminal. As of September 30, 2016, it had approximately 1.4 million sq.m. of GFA completed and approximately 601,200 sq.m. of GFA under development. China South City Xi'an is positioned to capitalize on the opportunities arising from China's strategic development of its western regions and the "One Belt, One Road" initiative, catering to the growing development needs in the region.

- China South City Harbin, with a planned GFA of approximately 12.0 million sq.m., is under Phase One development in Harbin, the capital of Heilongjiang Province. As of September 30, 2016, it had approximately 1.2 million sq.m. of GFA completed and approximately 1.0 million sq.m. of GFA under development. We believe that the site's location in Northeast China makes it a premier hub for cross-border trade with countries in Northeast Asia, and we intend to capitalize on opportunities arising from the area's emerging development potential due to its proximity to the China-Russia border.

- China South City Zhengzhou, with a planned GFA of approximately 12.0 million sq.m., is under Phase One development in Zhengzhou, the capital of Henan Province. As of September 30, 2016, it had approximately 2.6 million sq.m. of GFA completed and approximately 1.5 million sq.m. under development. Zhengzhou is highly accessible as a primary passenger and freight hub, a convenient trading platform to promote trade among cities in central China.

- China South City Hefei, with a planned GFA of approximately 12.0 million sq.m., is under Phase One development in Hefei, the capital of Anhui Province. As of September 30, 2016, it had approximately 1.2 million sq.m. of GFA completed with approximately 2.2 million sq.m. of GFA under development. Hefei is a transport and economic hub at the heart of Eastern China and China South City Hefei benefits from its strategic location in the Hefei Taohua Industrial Park.

- China South City Chongqing with a planned GFA of approximately 13.5 million sq.m., located in Chongqing Municipality. As of September 30, 2016, it had approximately 1.3 million sq.m. of GFA completed and approximately 217,200 sq.m. of GFA under development. China South City Chongqing is highly accessible from the city center and other regions given its strategic location in the Chongqing Highway Logistics Base.

We expect the aggregate planned GFA of these eight projects will be sufficient to support several years of development.

Recent Developments

Centralcon Holding Share Transfer

On January 11, 2017, the Board of Directors of the Company announced that a sale and purchase agreement was entered into among Mr. Cheng Chung Hing, the Co-Chairman and Executive Director of the Company, his wholly-owned company Accurate Gain, Centralcon Holding, and its wholly-owned subsidiary Best Wisdom to transfer an aggregate of 1,857,196,831 of the shares of the Company beneficially owned by Mr. Cheng to Best Wisdom. Upon completion of the transaction, Shenzhen Centralcon Investment Holding Co., Ltd. will beneficially own through Best Wisdom approximately 23.20% of the total issued share capital of the Company and will be the single largest shareholder of the Company. Mr. Cheng will be appointed as the General Manager of Best Wisdom and is expected to direct or cause the direction of the management and policies of Best Wisdom. As such, Best Wisdom is expected to be an "Affiliate" of Mr. Cheng and, as a result, a "Permitted Holder" under the Indentures for the 2014 Notes and the 2016 Notes. Mr. Cheng is also expected to continue to lead and manage the Company as he did prior to the share sale described in this paragraph. The completion of the transfer is subject to, among other conditions, approval from shareholders of Centralcon Holding and obtaining all necessary third party, governmental and regulatory authorizations, consents, permissions, agreements and approvals in connection with the transaction, including but not limited to the filings made to the NDRC and Ministry of Commerce in the PRC in accordance with the laws and regulations of the PRC. If any of the conditions precedents have not been satisfied (or waived where applicable) on or before 30 April 2017 the sale and purchase agreement will terminate immediately and be of no further effect.

Partial Redemption of the 2014 Notes

On January 5, 2017, the Board of Directors of the Company announced that pursuant to the terms of the indenture entered into in connection with the issuance of the 2014 Notes, an aggregate amount of US$200,000,000 of outstanding 2014 Notes were to be redeemed on February 9, 2017 at a redemption price equal to 104.1250% of the principal amount thereof, plus accrued and unpaid interest on such 2014 Notes to (but not including) February 9, 2017.

Signing of Strategic Cooperation Agreement with JD Group

On November 29, 2016, the Board of Directors of the Company announced the signing of a strategic cooperation agreement with JD Group. The cooperation is an effort to foster a long-term and comprehensive partnership on B2B E-commerce, warehouse and logistics and financial services, combining the strengths of both the Company and JD Group. The cooperation focuses around B2B professional services sectors (including construction materials, hardware and machinery, automobiles and parts, electronics and parts, as well as leather and accessories) on an exclusive basis.

Our Competitive Strengths

We believe that we are well-positioned to take advantage of the continuing modernization of the domestic trade and logistics facilities in China as a result of China's call for a more efficient and consumption driven economy. Our flexible business model enables us to mitigate the impact arising from the cyclical fluctuations in the market and keep pace with market changes. We believe that we have the following competitive strengths:

Our unique "One Body with Two Wings" business model provides an integrated platform for our trade center occupants and their customers to receive a comprehensive range of trade, logistics and ancillary services

Our business model is built on a premise of "One Body with Two Wings," with the "One Body" represented by our large-scale integrated logistics and trade centers, designed to serve as key commercial hubs to satisfy the economic and industrial needs of the regions in which we operate, and the "Two Wings" represented by our residential and commercial facilities, designed to facilitate the operations and accommodation of our trade center occupants and their customers. The scale and scope of our projects attract buyers and sellers seeking to take advantage of the synergies within our integrated logistics and trade centers. Buyers are able to meet their purchasing needs for a wide range of finished and unfinished goods in multiple industries as well as effectively diversify and tailor their sourcing needs. Sellers are able to streamline their business operations by taking advantage of the full range of on-site logistics and trade solutions available at our integrated logistics and trade centers.

We believe the comprehensive range of trade, logistics and residential and commercial facilities and services offered at our trade center projects provides us with diverse revenue streams and differentiates our business model from that of traditional property developers. Furthermore, we expect sales of our residential properties to provide us with an effective means to generate cash flows to cover a portion of the capital expenditures of our projects. We have replicated the success of our China South City Shenzhen business model in Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing.

The provision of ancillary services to complement our trade centers further strengthens our business model

We have implemented our strategy to extend our "One Body with Two Wings" business model to include five pillars of ancillary services that complement our core business of developing and operating trade centers. These ancillary services include:

- one-stop logistics services such as warehousing, integrated inbound/outbound services, on-site delivery and freight forwarding, which provide various services to customers;

- an E-commerce platform, combining the advantages of physical and online stores, which has allowed our clients to promote their businesses and products online;

- outlet and furnishing center operations which we believe have boosted overall traffic and expanded our operations;

- property management services that have enabled us to maintain a safe and comfortable business environment at our projects, which differentiates us from traditional wholesale markets and other trade centers; and

- a one-stop exhibition platform for organizing convention and exhibition services, through which we have hosted a number of significant events which enhanced our reputation and facilitated traffic through our trade centers.

We believe that these five pillars of ancillary services will enhance our self-sustaining business strategy and strengthen our overall business model by providing value-added services to our customers and increasing traffic throughout our projects. Through these services, we are able to generate a stable source of recurring income. See "— Five Pillars of Ancillary Services."

We are a solution provider for local governments and enjoy strong municipal and regional government support in the locations in which we currently operate

When selecting new sites for our projects, we strategically seek out locations in which local and regional governments have proactively expressed a desire to develop integrated logistics and trade centers in their long-term plans. We believe that our development of trade centers will help bring employment opportunities and contribute to GDP growth by generating traffic and business through our trade centers. We assist local governments with the implementation of their urbanization plans by relocating and consolidating traditional wholesale markets in the region as we develop our new trade centers. In doing so, we are able to better align our business operations with the long-term economic development plans and urbanization of the regions in which we develop and operate our projects. For example, we have been working with the local government in Zhengzhou to relocate traditional trade centers and wholesale markets as they carry out their urban planning. Such consolidation and relocation are intended to improve the efficiency of the infrastructure and transportation in the region, as well as to improve health and safety conditions such as pollution or fire safety.

As part of the relocation initiative, we are also re-grouping trade centers by industry as the traditional trade centers are relocated. As we relocate traditional wholesale markets, which typically only cover a single industry with limited management and less value-added services to suburban areas, we expect to promote our services by serving a broader range of industries and adding value by providing ancillary services for our customers. We promote our fully integrated procurement and logistics services for manufacturers, wholesalers and distributors, which we believe will attract them to our trade centers by allowing them to reduce their trading and logistic costs.

With local administrative support, we have been able to secure large plots of land under master agreements by leveraging our demonstrated strong track record. Pursuant to the terms of our master agreements and corresponding supplementary agreements, representatives of the local governments undertake responsibility for relocating all prior occupants of the land as well as improving or establishing roads, subways, railways, bus stations and other infrastructure within the project area. For example, as part of a broader effort to improve local transportation infrastructure, government authorities have undertaken construction of new roads and other supporting infrastructure surrounding our projects as well as underground subway connection to our projects. Several PRC government agencies also maintain an on-site presence at certain of our projects to assist trade center occupants and other visitors.

We provide sufficient ancillary residential properties at our projects

At each of our projects, we allocated approximately 50% of the total buildable GFA for the development of trade center units and the remaining 50% for the development of ancillary residential and commercial facilities, of which approximately 20% is allocated for the development of residential properties, approximately 15% for logistics and warehousing facilities and the remaining 15% for other commercial facilities. This diversified and flexible business model enables us to mitigate the impact of, and capitalize on, changes in consumer demand for commercial and residential properties as well as changes in governmental policies. For example, during the fiscal year ended March 31, 2016, the PRC government introduced measures to reduce housing inventory and promote rational consumption, which led to positive developments in the residential property market. We were able to adjust our product mix to keep pace with market changes and launched more residential properties during that year. As a result, sales of our residential properties as a percentage of total Contracted Sales increased from 22.6% for the fiscal year ended March 31, 2015 to 35.0% for the fiscal year ended March 31, 2016, partially offsetting our decline in sales of trade center units due to the downturn in the overall PRC economy that year.

Our land costs are lower than many other PRC property developers, allowing us to minimize downside risk and providing us with high potential for appreciation in our targeted markets

Our trade center projects are strategically located in fast growing first tier, provincial capital cities and municipalities. Due to the nature of our business and the site of our projects, whereby we build our trade center projects to become primary hubs for trade of raw materials and finished goods, we are able to acquire large parcels of land for relatively low cost. The low cost of land provides us with significant potential for profitability, allows us to minimize downside risk, helps increase the appreciation potential of our land reserves and allows us to offer more attractive sales and leasing terms than those offered by our competitors. We were able to maintain a high gross profit margin of 48.6%, 53.0%, 48.2%, 51.3%, 43.0%, and net profit margin attributable to the owner of the parent (excluding fair value gains on investment properties, and their related tax effects, fair value gain on derivative financial instrument and profit or loss on purchase and redemption of the senior notes) of 19.9%, 19.0%, 19.7%, 9.2% and 8.9%, respectively, for the fiscal years ended March 31, 2014, 2015 and 2016 and the six months ended September 30, 2015 and 2016, respectively.

The following table sets forth the cost of our land acquired by project as of September 30, 2016.

Project	Land Cost (per GFA)
	(RMB/sq.m. of GFA)
China South City Shenzhen	119
China South City Nanning	409
China South City Nanchang	327
China South City Xi'an	513
China South City Harbin	438
China South City Zhengzhou	202
China South City Hefei	254
China South City Chongqing	175
Weighted average	301

Our integrated logistics and trade centers are strategically located in accessible, fast growing first tier, provincial capital cities and municipalities

Our integrated logistics and trade centers are situated in first tier, provincial capital cities and municipalities near well-developed transportation networks with increasing trade and economic activities. The Pearl River Delta, where China South City Shenzhen is located, represents one of the leading manufacturing and export regions in China. Similarly, China South City Nanchang, Nanning, Harbin, Xi'an, Zhengzhou, Hefei and Chongqing are located in first tier, provincial capital cities and municipalities which have sizeable populations and are centers of economic activities and industries in their respective province.

Within the Pearl River Delta, China South City Shenzhen is situated within 35 to 180 kilometers of four international airports as well as five container ports, including Kwai Chung Container Terminal in Hong Kong and Yantian Port in Shenzhen. In addition, China South City Shenzhen is connected to each of the major railway arteries in Southern China as well as at least 10 major highways linking each of the major cities in the Greater Pearl River Delta region. China South City Nanchang, which is currently under development, is located in Nanchang, which is one of China's important transportation hubs, and is situated at the intersection of two of China's major railway arteries, the Jingjiu and Zhegan Railways, with ready access to major highways, airports and the largest port on the Gan River. There is a complete freight network including a cargo marshall yard, a container terminus and an international airport, together with Nanchang West Railway Station, a principal high-speed rail station located just 1.2 km away from our project site. China South City Nanning, which is also under development, is located in Nanning. Nanning is located in close proximity to the Fangchenggang heavy port facility as well as other Southern Chinese sea ports and is emerging as a core regional trade center between Southeast and Southwest China and neighboring countries in Southeast Asia. China South City Xi'an is located in the Xi'an International Trade and Logistics Park in Shaanxi Province, which is well-equipped with a railway container terminal and the largest bonded area in the northwestern regions of China. The subway line 3 passes through this area with one of the subway stations next to our planned Phase One buildings. China South City Harbin is strategically located in Harbin, a premier hub for cross-border trade with countries in Northeast Asia; China South City Zhengzhou is located in Zhengzhou, which is highly accessible with extensive land and air networks as it is a main passenger and freight hub via the extensive highway and railway networks in China and its international airport; China South City Hefei is located in Hefei, near the city's railway and highway; and China South City Chongqing is our first project in China's municipalities.

We have a proven track record of successful development and launch of our projects, which has earned us brand name recognition and diversified our revenue streams

China South City Shenzhen is in its third phase of development, with a total of 2.4 million sq.m. of GFA completed, including trade centers, office, residential and warehouse facilities as well as a number of hotels, restaurants and other ancillary facilities as of September 30, 2016. Over the years, we have grown from one project in Shenzhen to an industry leader with eight projects across China. We believe that this diversification of our revenue streams allows us to minimize our operational and financial risks.

We have adopted international practices and applied stringent quality control procedures with respect to the design and quality of the construction of our trade centers, which are well supported by conveniently located transportation and infrastructure. Furthermore, our complementary five pillars of ancillary services ensure that our trade centers offer a comprehensive range of convenient and value-added services for our occupants and customers. We believe that due to the size and scale of our projects, we are able to boost employment and tax revenue and contribute to GDP growth in each region in which are operate. We believe these successes have garnered us brand name recognition as an operator and developer of integrated logistics and trade centers and earned us the support of local governments. This in turn has given us leverage in negotiating the key contractual terms applicable to our projects. We believe that our continued participation in the China-ASEAN Expo and Light Industrial Exhibitions and other trade fairs have helped us in our efforts to solidify our brand as the leading developer and operator of large-scale, integrated logistics and trade centers in the PRC.

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

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

We have a prudent development strategy for each project and for our Group as a whole

We carefully select our project locations, targeting first tier, provincial capital cities and municipalities with growth potential, supported by a sufficient population base, favorable government plans and strong regional demand. Each of our projects is developed in phases in order to maintain sustainable growth and development from site selection and land acquisition to planning and development. We sell approximately 30% to 50% of our completed GFA of trade center units and all of our completed GFA of our residential units and commercial facilities in order to recover our capital expenditures, while generating recurring income from the unsold portions to ensure sustainable long term revenue. We also employ a prudent development strategy on an overall basis. Since our first project in Shenzhen began to provide sustainable cash flow and revenues, we have raised funds for our expansion through our initial public offering in 2009 and various debt offerings to finance investment in our other projects in Nanchang, Nanning, Xian, Zhengzhou, Harbin, Hefei and Chongqing. As such, we tried to ensure that we have sufficient funding, experience and resources prior to expanding the phases or locations of our investments and operations.

Our Strategies

Our objective is to strengthen our position as one of the leading developers and operators of large-scale, integrated logistics and trade centers in the PRC. We intend to implement the following strategies:

Differentiate project positioning and functions across our eight projects

Subject to the economic status of surrounding regions, the industry basis of the respective cities, the demand for our products and services and supportive government policies, we have adopted a custom tailored approach of differentiating product functions, business offerings and project layouts across our eight projects. Economic development in China showed disparities across regions in 2016. As such, local governments took varying development approaches and extended their support to industries with comparative advantages in their respective regions. As an influential market player in the regions in which we operate, we took full advantage of their respective local strengths and implemented differentiated strategies in different projects. For example:

- *China South City Shenzhen* — Due to the rapid growth of cross-border E-commerce business in China in recent years, we have successfully positioned China South City Shenzhen as a cross-border E-commerce hub, attracting a number of leading domestic cross-border E-commerce enterprises to our project. Its outlet has also become an influential outlet player in Southern China, with increasing visitor traffic and enhanced market position.

- *China South City Zhengzhou* — Located at the heart of an intricate network of transportation in Zhengzhou, which has long been a major logistics hub in Central China, it has become our largest project, in terms of the number of SME occupants and GFA completed. We intend to capitalize on our competitive advantages in location, facilities and scale to strengthen its core market position for trading in Central China for industries such as automobile and parts, machinery and hardware and building materials.

- *China South City Nanning* — Strategically located in the economic and political center of ASEAN, China South City Nanning is poised to capitalize on the increasing importance of cross-border trading between China and ASEAN countries. The China-ASEAN Expo and Light Industrial Exhibition has been held at China South City Nanning for seven consecutive years and attracted numerous visitors and a number of local government bodies, reflecting its importance in the local economic and political aspect.

- *China South City Xi'an and Harbin* — Based on their respective locations, we aim to further expand their reach to cover Western and Northern China, respectively.

- *China South City Nanchang* — With support from the local government, it has strived to become an important platform embodying the provincial initiative of "Go Global".

Develop each of our projects in phases and optimize property mix to balance timely cost recovery

Although each of our projects has a sizeable planned GFA, we develop each of them in phases in respect of acquiring land and developing and constructing the facilities. This allows us to lower the capital expenditures incurred in any given period and lowers our operation risk. We intend to achieve an optimal mix of properties generating long-term recurring income and capital appreciation with properties generating profit from sales. In view of the large scale of our projects, we intend to continue to develop our projects in phases, and to vary our property mix, so as to cater to local market conditions and demand as well as to generate cash flows for project development. We expect to sell no more than half of our trade center units, and all of our residential properties.

Continue to grow our recurring businesses for sustainable development and enhance cost control

Recurring businesses, which include rental, property management, E-commerce, logistics and warehousing services, outlet operations and other services, have been part of our key initiatives contributing to our sustainable and long term development. We plan to continue to grow our recurring businesses to provide a more stable and diversified mix of revenue stream in the future. As our recurring businesses mature, we may seek to unlock their latent value by seeking independent listing of the shares or fund raising platform of such businesses to support their development strategies. For example, in November 2015, the shares of HOBA Furnishing, one of our recurring businesses, were quoted on the National Equities Exchange and Quotation System in China.

In addition, we also plan to continue to implement cost control measures such as more stringent cash collection control and reduction in our sale and administrative staff to improve our overall profitability in the long term.

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

We plan to optimize occupancy rates, rental rates and traffic in our existing and planned integrated logistics and trade centers by implementing the following initiatives:

- *Provide preferential rental terms to optimize occupancy rates and increase rental rates as occupancy rates increase*. Our operating strategy at our integrated logistics and trade centers is to achieve high occupancy rates and attract a high-quality tenant base first and then increase rental rates steadily as occupancy rates increase. We attract quality occupants to our trade centers by offering preferential rental rates and other more attractive leasing terms than those offered by our competitors, such as rent-free periods based on advance rental payments made by occupants. We generally increase rental rates after the expiration of the initial lease agreement, by which time we believe our occupants who have established their business in our trade centers and are benefiting from the full range of integrated logistics, trade and ancillary facilities will have strong incentives to renew their leases.

- *Leverage our outlets to promote traffic*. We expect that we will be able to increase our occupancy rates and facilitate more traffic through our trade centers by leveraging our outlet operations. Upon completion of the acquisition of HOBA Furnishing, we also expect to leverage their customer base and operational networks to promote traffic and increase occupancy rates at our trade centers. See — "Five Pillars of Ancillary Services — Outlet Center Operations and Furnishing Centers — Acquisition of Shenzhen HOBA Home Furnishings Chain Store Co., Ltd."

- *Consolidate existing wholesale markets*. Several of our projects are located in cities where local governments have plans to relocate and upgrade traditional wholesale markets. We expect this will help us boost our occupancy rates at a faster pace in those cities as we will be able to provide improved facilities in response to existing demand by local occupants.

- *Continue to offer integrated logistics services to increase customers' access to the global marketplace*. We intend to optimize our offerings of integrated logistics services, including warehouse, liaison and on-site logistics services and transportation providers, in order to facilitate the individual needs and order requirements of trade center occupants and their customers. By integrating logistics and trade functions and providing ready access to necessary services for trade center occupants and their customers, we believe we are able to outperform our competitors in advancing and expediting the business interests of trade center occupants.

- *Attract and secure high quality long-term occupants*. We plan to continue to use our strong relationships with industry trade associations and manufacturers, as well as our own in-depth knowledge of the industries represented at our trade centers, to secure high-quality, domestic and international suppliers of finished and unfinished goods as part of our tenant base. We believe that securing such high-quality occupants will increase the stability of our tenant base and help raise the profile and reputation of our trade centers, as well as increase the flow of trade within these centers, thereby enhancing our projects' status as centers of trade and ultimately allowing us to augment rental rates and sales prices for our trade center units.

- *Leverage and improve supporting infrastructure*. We will seek to enhance the market demand for our trade center units by leveraging and improving the auxiliary services available to our trade center occupants and their customers. In developing supporting infrastructure at our eight trade center projects, we have entered into strategic alliances and arrangements with local governments. Under the terms of our master agreements and the corresponding supplementary agreements, we have secured government support in the development of the transportation infrastructure surrounding our trade centers. For example, China South City Nanchang is located approximately 1.2 kilometers from the Nanchang West railway station, and China South City Zhengzhou is located approximately 16 kilometers from the nearest airport. We will continue to cooperate with the local government to continue improving the transportation infrastructure surrounding our trade centers.

Further develop our five pillars of ancillary services to support and enhance our projects

Our trade centers, ancillary residential properties and commercial facilities are supported by our five pillars of ancillary services. By providing an E-commerce platform, logistics services, property management services, outlet and furnishing center operations and exhibition and conference services, we expect to continue to distinguish ourselves from traditional wholesale markets and other trade centers. These businesses not only add value to our facilities, but provide sources of revenue. We expect to further develop services to increase visitor traffic through our projects and provide conveniences for our customers.

- We plan to enhance our E-commerce platform, namely CSC86.com, to give our customers an online platform for promoting their products and businesses beyond the limitation and geographical reach of their physical stores.

- We plan to continue to enhance our property management services to help maintain a safe, efficient and comfortable business environment for occupants of our projects.

- We plan to continue to expand our logistics and warehousing network to help those SMEs operating within our projects to reduce their logistics and distribution costs and create key cost advantages.

- We plan to continue to develop and enhance our Logistics Information Exchange Platform ("LIEP"), which helps cargo owners match their freight plans more effectively and cut logistics costs by utilizing empty trucks of Heavy Goods Vehicles ("HGV") on their return journeys. With the increasing maturity of the nationwide network of our projects, the demand for our LIEP services from SMEs and HGV drivers has gradually increased.

- We plan to continue to grow our outlet and HOBA Furnishing operations to continue to attract and increase traffic at our projects.

- We plan to continue to strengthen our one-stop exhibition platform for organizing exhibitions and conferences to enhance our reputation and facilitated traffic through our trade centers.

By expanding these services to each of our locations, we believe we can attract additional customers to our trade centers, strengthen the loyalty of our existing customers and ensure a stable source of recurring income.

Continue to expand our operations by broadening our industry coverage

We have expanded our operations at each of our projects by broadening our industry coverage, which ranges from raw materials such as textiles to finished goods such as leather goods and clothing and themed products. For example, in order to gain access to the home furnishings industry, we acquired a 75% equity interest in HOBA Furnishing, which has ten home furnishings stores in six cities across China. In addition, we also operate outlets and themed trade centers to further enhance our industry coverage.

Our Projects

The following table summarizes GFA information for our projects as a whole, including trade center, residential and other ancillary facilities, as of September 30, 2016 (except as indicated below).

	Completed Properties(1)		Properties Under Development(2)	Properties to be Completed by FY2016/17	Planned and Acquired GFA for Future Development(3)	Total Planned GFA(4)	Total Planned and Acquired GFA(5)	
	Sold	Unsold		Estimated	Estimated			
	(GFA in sq.m.)	(GFA in sq.m.)	(GFA in sq.m.)	(GFA in sq.m.)	(GFA in sq.m.)	(GFA in sq.m.)	(GFA in sq.m.)	(% of Total planned GFA)
China South City Shenzhen	776,500	1,615,800	165,000	–	86,700	2,644,000	2,644,000	100%
China South City Nanchang	887,600	811,300	1,131,200	111,700	1,835,100	7,297,000	4,665,200	64%
China South City Nanning	349,000	1,038,800	558,500	352,900	533,700	4,880,000	2,480,000	51%
China South City Xi'an	612,500	743,500	601,200	306,600	2,649,500	17,500,000	4,606,700	26%
China South City Harbin	307,000	865,500	1,023,200	358,000	2,536,700	12,000,000	4,732,400	39%
China South City Zhengzhou	1,056,000	1,581,900	1,540,200	410,800	2,075,600	12,000,000	6,253,700	52%
China South City Hefei	867,500	372,600	2,179,200	550,000	1,781,700	12,000,000	5,201,000	43%
China South City Chongqing	218,000	1,040,300	217,200	65,900	4,129,600	13,500,000	5,605,100	42%
Total	5,074,100	8,069,700	7,415,700	2,155,900	15,628,600	81,821,000	36,188,100	44%

(1) Represents properties for which construction of all constituent buildings has been completed and which have been sold, leased, or are available for lease or sale and public area.

(2) Represents properties for which we have obtained land use rights certificates and have planned or commenced construction.

(3) Represents the acquired but not yet developed GFA. It is the difference between total planned and acquired GFA and the aggregate of completed properties and properties under development. If these figures changed, it may also change accordingly.

(4) Represents the planned GFA estimated according to the master agreements or similar agreements. The actual GFA to be acquired or built subsequently are subject to different factors and may be changed subsequently.

(5) Represents the estimated GFA the Company may build on the acquired land. The actual GFA to be built may vary subsequently.

In the year ended March 31, 2016, the Group achieved total Contracted Sales of approximately HK$6.6 billion, and in the six months ended September 30, 2016, the Group achieved total Contracted Sales of approximately HK$4.3 billion.

For the fiscal years ended March 31, 2014, 2015 and 2016, we entered into contracted sales (net of any cancelled contracted sales) for our projects with an aggregate contract value of approximately HK$14,106.0 million, HK$11,321.1 million and HK$6,628.1 million, respectively, which corresponded to an aggregate contracted GFA of approximately 1,747,800 sq.m., 1,253,800 sq.m. and 784,500 sq.m., respectively. The decreased in our Contracted Sales over the period was mainly due to the general slow down in the PRC economy. We generated Contracted Sales of approximately HK$4.3 billion for the six months ended September 30, 2016, which accounted for approximately 54% of the mid-range of our sales target of approximately HK$7,500 million to HK$8,500 million for the fiscal year ending March 31, 2017.

Five Pillars of Ancillary Services

We will continue to enhance our five pillars of ancillary services, based on experience gained from China South City Shenzhen, in a bid to complement our unique and replicable business model, to better serve our trade center occupants and customers, and to allow such persons to enjoy a mutually-beneficial operation environment.

Logistics and Warehousing Services

Our logistics services and facilities consist of a network of warehouses and one-stop integrated inbound and outbound logistics facilities. We aim to extend our warehouse and freight forward services to online management platforms and supply chain management services in order to build a logistics management platform that spans across our projects. There are three types of warehouses: bonded, unbonded and export supervised warehouses, which are utilized by trade center occupants and other customers prior to delivering their goods to international or domestic customers. Customs officials are located on-site at bonded warehouses to complete the required customs procedures. Shenzhen Qianlong, our subsidiary, provides logistics liaison services to our trade center occupants and customers, and assists them with third-party logistics services providers that are located on-site.

Logistics and warehousing services formed an important part of our strategic resources. We have continued to expand our logistics and warehousing network, and have successfully positioned our projects as the potential logistics and distribution hubs in their respective regions. By becoming regional logistics hubs, we are able to help those SMEs operating within our projects to reduce their logistics and distribution costs and create key cost advantages. In addition, with the increasing maturity of the nationwide network of China South City projects, the demand for LIEP services from SMEs and HGVs drivers gradually increased. LIEP helps cargo owners match their freight plans more effectively and cut logistics costs by utilizing empty truckloads of HGVs on their return journeys. Income from our logistics and warehousing services has steadily increased from approximately HK$24.8 million to HK$95.8 million and HK$143.4 million for the fiscal years ended March 31, 2014, 2015 and 2016, respectively. Income from our logistics and warehousing services also increased from HK$65.8 million to HK$74.9 million for the six months ended September 30, 2015 and 2016, respectively.

E-commerce Services

Through our online platform, available at CSC86.com, we provide trade center shop operators and SMEs in the related industries a platform to facilitate online trading. Our online platforms enable our trade center shops to benefit from the combined advantages of physical stores and virtual shops for both business-to-business and business-to-customer trading.

In addition, we have continued to strengthen the development of our integrated O2O platform. In particular, with a view to enhancing its support for SMEs, we upgraded our E-commerce platform CSC86.com by enriching our online trading and payment services functions. We launched trial online membership program in early 2014 which was well received by our customers.

Furthermore, by integrating internet technology with traditional industries, our "Internet Plus" strategy sets out to fuel China's economic growth. "Internet Plus" is a core strategy of our fourth-generation integrated logistics and trading platform, with E-commerce services serving as a key tool to help SMEs raise their competitiveness. For the six months ended September 30, 2016, we continued to reinforce this strategy and upgrade our fourth-generation integrated logistics and trading platform, thereby increasing SMEs' operating efficiency and competitiveness. Leveraging our B2B platform, CSC86.com, and strategic cooperation with Tencent Group, we further strengthened our E-commerce services such as our online payment function to facilitate transactions between buyers and sellers during the six months ended September 30, 2016.

Occupant Mix

Our occupants include an array of domestic and international manufacturers, suppliers and dealers seeking to display, trade and promote their raw material and finished goods in multiple industries in our trade centers and outlet. These occupants include both domestic companies and international companies seeking to gain a share of the domestic industrial trade market. We operate outlets to serve the demand for branded products and to promote traffic through our project.

Occupancy Rates

Total occupancy rates for our completed and launched rentable GFA at Phase One, Phase Two and Phase Three trade centers and shops range from 71% to 93% as of September 30, 2016. We will continue to promote our unleased trade center units and target high-quality occupants to increase our occupancy rates.

Rental Rates

The monthly average effective rent per sq.m. for our completed and launched Phase One, Phase Two and Phase Three trade centers range from HK$37/sq.m. to HK$55/sq.m. as of September 30, 2016.

Ancillary Facilities and Services

Overview

China South City Shenzhen has a comprehensive range of supporting infrastructure and services, including on-site warehouse and logistics services as well as liaison services with third-party logistics providers, in order to facilitate access and integration into the global supply chain. Although much of this supporting infrastructure is already in place for the benefit of occupants of China South City Shenzhen, we plan to expand the supporting infrastructure to further support the needs of our occupants.

Hotel, Food and Beverage Facilities

We have a four-star hotel in China South City Shenzhen, which we have leased to a third party for operation and earned rental income since September 2012. In addition, there are also hotels and restaurants, including McDonald's and KFC, available to serve our customers' and occupants' needs at China South City Shenzhen.

Other Commercial Facilities and Services

China South City Shenzhen also features: branch offices of government agencies; branches of various PRC banks, including Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China, Ping An Bank, Postal Savings Bank of China, China Construction Bank and Min Sheng Bank; office facilities; telecommunications companies, such as China Mobile and China Telecom; a quality control services center for the textile industry; and industry associations and other providers of professional services, such as tax consultants and insurance companies.

Residential Services

We have a residential facility, West Garden, which provides accommodation for our occupants at China South City Shenzhen. The West Garden residential facility is located near the Pinghu Ecotypic Garden, an area with natural greenery and a reservoir. The West Garden is a 1,628-unit residential apartment complex consisting of three residential towers and covering a leasable GFA of approximately 114,000 sq.m. and underground car parking and ancillary area of approximately 26,500 sq.m.

With the completion of the Phase Three multi-functional trade center complex in March 2013, apartments units with a GFA of 64,000 sq.m. are also available to serve our occupants.

Transportation Network

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

Airports. There are four airports in the Greater Pearl River Delta, including Hong Kong International Airport, Guangzhou Baiyun International Airport, Shenzhen Baoan International Airport and Zhuhai International Airport. China South City Shenzhen is located within 35 kilometers of the nearest of these airports and no more than 180 kilometers from the farthest of these airports.

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

Highways. All major cities in the Greater Pearl River Delta are linked by major highways, and the highway network is rapidly expanding. Projects in progress, such as the Shenzhen Bay Bridge, a 5.5 kilometer bridge between Shekou and Hong Kong, the Hong Kong-Zhuhai-Macau Link, a 35 kilometer bridge connecting Hong Kong, Zhuhai and Macau, and the Pearl River Bridge project, a 29 kilometer bridge between Hong Kong and Macau, should further connect Hong Kong, Macau, Zhuhai and Shenzhen. In addition, exits for the Jihe expressway and the Qingping expressway near China South City Shenzhen were built with the support of the Shenzhen municipal government.

Metro. According to Shenzhen Metro Planning, the subway line 10 which will pass through China South City Shenzhen has started construction in 2015 and is expected to commence operations by 2020. Upon completion, this subway line will further improve accessibility, generate more business opportunities and uplife visitor traffics for our project.

Port Facilities. Some of the world's largest, busiest and most efficient container ports are located in the Greater Pearl River Delta, including the Kwai Chung Container Terminal in Hong Kong, which is one of the busiest port in the world in terms of volume, the Yantian Port in Shenzhen, the Shekou Port in Shenzhen, the Huangpu Port in Guangzhou and the Nansha Port in Guangzhou. China South City Shenzhen is located within 30 kilometers of these ports.

China South City Nanchang

We entered into a master agreement with the municipality of Nanchang, the capital of Jiangxi Province, in February 2007 and several supplementary agreements thereto to develop integrated logistics and trade centers in that region. In addition, we expect the office relocation plan of the Jiangxi provincial government to the vicinity of China South City Nanchang will increase the business potential of our trade centers and ancillary facilities in Nanchang.

China South City Nanchang is located at the transportation hub for the Yangtze River Delta and the Pearl River Delta Economic Zone. Situated in Honggutan New District of Nanchang, the capital of Jiangxi Province, the project is readily accessible to suppliers, manufacturers and merchants via major highways, the largest port on the Gan River and a complete freight network which includes a cargo marshal yard, a container terminus and an international airport, coupled with Nanchang West Railway Station — a principal high-speed rail station located just 1.2 kilometers from China South City Nanchang and commenced operation successively since September 2013. As a new business center of Nanchang, Honggutan New District's administrative, commercial and cultural functions are becoming more apparent by the day. In addition, the gradual completion of life-supporting amenities within the new district is driving visitor traffic and generating business opportunities, laying a solid foundation for the development of China South City Nanchang.

China South City Nanchang has a total planned land area of approximately 2.81 million sq.m. and a total planned GFA of approximately 7.30 million sq.m. The trial operations of China South City Nanchang cover industries such as small commodities, textile and clothing, leather and accessories, healthy and green products and outlets. As the first provincial-level E-commerce Model Base in Jiangxi and University Students' E-commerce Business Incubator in Nanchang, China South City Nanchang has successfully attracted numerous E-commerce enterprises to move in since its establishment in 2014 and co-operated with tertiary institutes. Through a profound integration of its resources in wholesale and E-commerce, it has created a closer co-operation between the E-commerce startups and manufacturing enterprises, thereby helping SMEs within our project to transform and upgrade.

As at September 30, 2016, China South City Nanchang has a total GFA of approximately 1.70 million sq.m. at Phase One completed, including approximately 1.07 million sq.m. of trade centers, approximately 585,800 sq.m. of residential ancillaries and approximately 44,500 sq.m. of logistics and warehousing facilities. Construction of Phase Two of China South City Nanchang has commenced.

For the fiscal year ended March 31, 2016, China South City Nanchang recorded total Contracted Sales of approximately HK$905.3 million as compared to approximately HK$1,350.3 million and approximately HK$1,118.2 million for the fiscal years ended March 31, 2015 and 2014, respectively. For the six months ended September 30, 2016, China South City Nanchang recorded total Contracted Sales of approximately HK$1,977.8 million as compared to approximately HK$283.2 million for the six months ended September 30, 2015.

Transportation Network

China South City Nanchang is located within Nanchang's Honggutan New District. Located at the intersection of the Jingjiu and Zhegan Railways, Nanchang is easily accessible via highway and airport and maintains the largest port on the Gan River. As a result of its location, Nanchang today represents one of China's important transportation hubs.

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

Railways. Nanchang is located at the vital intersection of the Jingjiu and Zhegan Railways. Currently, Nanchang is the only capital city situated on the Jingjiu Railway line. The Nanchang West Railway Station, a principal high speed railway station is located only 1.2 kilometers away from our project.

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

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

China South City Nanning

We entered into a master agreement and several supplementary agreements thereto with the Nanning City Jiangnan District People's Government in Guangxi Zhuang Autonomous Region in December 2007 to develop integrated logistics and trade centers in that region. China South City Nanning is expected to offer a comprehensive logistics and trade center project for various industries to serve local demands, commercial facilities which include an exhibition center, warehouses, offices and a hotel, as well as residential properties, for accommodation needs, upon completion.

China South City Nanning is located at Nanning, the capital of the Guangxi Zhuang Autonomous Region and a critical gateway between China and ASEAN countries. It is easily accessible by railway stations, highways and an international airport. Strategically located in close proximity to Southeast Asia and enjoying the advantage of a tariff waiver on cross-border trade activities within the China-ASEAN Free Trade Area, China South City Nanning endeavors to serve as a key hub for cross-border trade catering to the strong demand from the Northern Bay Region and Southeast Asia. For the period ended September 30, 2016, the China-ASEAN Expo and Light Industrial Exhibition took place in China South City Nanning for the seventh consecutive year and attracted numerous visitors. Furthermore, a number of local government bodies have moved into China South City Nanning, reflecting its importance in the local economic and political life.

China South City Nanning has a planned net land area of approximately 1.83 million sq.m. and a total planned GFA of approximately 4.88 million sq.m. The project is under trial operations and continues to cultivate the market and strengthen marketing efforts during the fiscal year ended March 31, 2016. Through organizing a series of exhibitions — such as the China-ASEAN Expo and Light Industrial Exhibition, International Automobile Exhibition, Food Festival and Spring Tea Festival — the project is attracting increasing market popularity and is enhancing its brand recognition locally. During the fiscal year ended March 31, 2016, residential properties launched by China South City Nanning received an overwhelming response from the market. With government bodies, major banks, hotels and cinema moving in, the ancillary facilities and services of the project have been further enhanced. To assist SMEs in resolving business loan difficulties, China South City Nanning launched, on a trial basis, a micro-credit service for SMEs in the project, providing them financial support for the development of businesses during the fiscal year ended March 31, 2016. The trial operations of China South City Nanning cover industries such as textiles and clothing, small commodities, ASEAN products, HOBA Furnishing, tea and tea ware and outlets.

As at September 30, 2016, China South City Nanning is currently in Phase One construction and has a total GFA of approximately 1.39 million sq.m. completed, including approximately 894,600 sq.m. of trade centers, approximately 456,400 sq.m. of residential ancillaries and approximately 36,800 sq.m. of logistics and warehousing facilities.

For the fiscal year ended March 31, 2016, China South City Nanning recorded total Contracted Sales of approximately HK$642.8 million, as compared to approximately HK$902.2 million and approximately HK$809.4 million for the fiscal years ended March 31, 2015 and 2014, respectively. For the six months ended September 30, 2016, China South City Nanning recorded total Contracted Sales of approximately HK$474.7 million as compared to approximately HK$191.5 million for the six months ended September 30, 2015.

In addition, a supplemental agreement for the change in the nature of land for the residential facilities in China South City Nanning was signed in December 2012 by Nanning Bureau of Land and Resources. On December 31, 2012 and February 28, 2013, we paid land grant fees in the aggregate of RMB533.5 million for the change in the nature of the land, which has a site area of 133,000 sq.m. and a planned GFA of 586,500 sq.m.

Pursuant to land grant contracts governing the use of land at China South City Nanning in 2010, our sales of logistics and trade centers and warehouse facilities is limited to 60% of the GFA of the properties located on the parcels of land on which these logistics and trade centers and warehouse facilities are located. This restriction does not apply to the properties that are built for residential, commercial and other uses. We intend to retain not less than 50% of the aggregate GFA of our trade centers for investment purposes.

Transportation Network

China South City Nanning is located within the Beibu Gulf Economic Cooperation Zone, with access to a network of airports, railways, port facilities for ocean shipping and highways. Nanning is situated in the south of Guangxi Zhuang Autonomous Region, adjacent to Guangdong Province and

Macau, facing Southwest China and Southeast Asia. Nanning's position as a coastal city located between Southeast and Southwest China has fueled its development as a core logistics and trade center in the region and its proximity to the Vietnam border has allowed Nanning to develop strong business networks with the Southeast Asian markets.

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

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

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

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

China South City Xi'an

In November 2009, China South International entered into a project agreement for the Xi'an project. China South City Xi'an has a total planned land area of approximately 10.0 million sq.m. and a total planned GFA of approximately 17.5 million sq.m. As at September 30, 2016, the project is under Phase One construction and has a total GFA of approximately 1.36 million sq.m. completed, including approximately 1.28 million sq.m. of trade centers, approximately 55,800 sq.m. of logistics and warehousing facilities and approximately 23,300 sq.m. of ancillary facilities.

China South City Xi'an is located at the Xi'an International Trade and Logistics Park in Shaanxi Province. Built as a key project by the local government, the park is an open economic pilot zone and a core function area for modern service industry. Its aim is to become the largest international transit hub port and logistics distribution center along the Silk Road Economic Belt and to act as an important strategic platform for the "One Belt, One Road" initiative. The project is highly accessible and enjoys geographical advantages via the Xi'an City Expressway and Beijing Kunming Expressway, Lianyungang-Khorgos Expressway, Shanghai-Shaanxi Expressway, Baotou-Maoming Expressway and other national highways, forming an intricate spider network which opens to all directions.

Leveraging the strategic location of Xi'an International Trade and Logistics Park, China South City Xi'an enjoys access to an extensive transportation network connected to a railway container terminal and the largest bonded area in the northwestern region of China, along with two planned subway lines that cross the project site.

The trial operations of China South City Xi'an cover industries such as hardware and machinery, textile and clothing, leather and fur, outlets and Central China and ASEAN product exhibition center.

For the fiscal year ended March 31, 2016, China South City Xi'an recorded total Contracted Sales of approximately HK$380.0 million, as compared to approximately HK$1,019.1 million and approximately HK$1,683.3 million for the fiscal years ended March 31, 2015 and 2014, respectively. For the six months ended September 30, 2016, China South City Xi'an recorded total Contracted Sales of approximately HK$162.3 million as compared to approximately HK$212.1 million for the six months ended September 30, 2015.

Transportation Network

China South City Xi'an is located in the Xi'an International Trade and Logistics Park in Shaanxi Province. It is supported by a railway container terminal, the only and largest bonded area in northwestern China and the Xi'an Highway Port.

Airports. The nearest airport is Xian Xianyang International Airport, which is a major airport in northwestern China.

Railways. There are two planned subway lines that will cross the China South City Xi'an site. This will include a station next to our Phase One buildings, which is currently under construction. In addition, we are located near the Xi'an North Station, a high speed railway station that commenced operations in 2011.

Highways. Xi'an is a major highway hub which is part of the "7918" network. The Xi'an International Trade and Logistics Park is connected to the 210, 108, 310 and 312 National Roads.

Metro. The subway line 3 passes through China South City Xi'an, which generates more business opportunities and increases visitor traffic for the international Trade and Logistic Park and further enhances the value of China South City Xi'an.

China South City Harbin

China South City Harbin has a total planned site area of approximately 10 million sq.m. and a planned GFA of approximately 12.0 million sq.m. We have acquired approximately 4.73 million sq.m. attributable GFA. We believe that China South City Harbin's location in Northeast China will enable it to become a premier hub for cross-border trade with countries in Northeast Asia, and its proximity to the China-Russia border will bridge economic activities within the region.

Leveraging its own geographical location and local industries advantages, China South City Harbin will seize the opportunities arising from the area's emerging development potential and endeavor to become the largest integrated logistics and trade center in Northeast China. During the fiscal year ended March 31, 2016, with the support of the local government, China South City Harbin signed agreements with Russia Khabarovsk City Food Market and other merchants, actively building the core hub for Northeast Asia's green food exhibition and trade. In addition, China South City Harbin actively promoted the development of two major Sino-Russian trading projects, namely Sino-Russia Trading Building and Petersburg Hotel. For ancillary facilities, Phase One of Qianlong Logistics Park was completed and commenced operation during the fiscal year ended March 31, 2016, further catering to the logistics and warehousing demand from China South City Harbin and its surrounding businesses. Currently, the planned operations of China South City Harbin cover industries such as hardware and construction materials, green food, small commodities, hotel commodities and leather and fur outlets.

As at September 30, 2016, China South City Harbin is currently under Phase One construction and has a total GFA of approximately 1.17 million sq.m. completed, including approximately 773,100 sq.m. of trade centers, approximately 59,200 sq.m. of logistics and warehousing facilities, approximately 22,500 sq.m. of ancillary facilities and approximately 317,700 sq.m. of residential ancillary facilities.

For the fiscal year ended March 31, 2016, China South City Harbin recorded total Contracted Sales of approximately HK$365.7 million, as compared to approximately HK$984.9 million and approximately HK$1,322.6 million for the fiscal years ended March 31, 2015 and 2014, respectively. For the six months ended September 30, 2016, China South City Harbin recorded total Contracted Sales of approximately HK$54.1 million as compared to approximately HK$146.0 million for the six months ended September 30, 2015.

Transportation Network

China South City Harbin is located in the Daowai district of Harbin, the capital of Heilongjiang Province. This places it in a prime location to benefit from Sino-Russian trade.

Airports. The nearest airport is Harbin Taiping International Airport, which is one of the three major gateway airports in northeastern China. In December 2012, ten airlines provided routes to Russia from Harbin Taiping International airport, which accounted 85% of passengers to Russia traveling in the northeastern region of China.

Railways. Two planned subway lines cross the China South City Harbin site. Harbin East Station, which is located near to China South City Harbin, is one of the city's major railway stations.

Highways. The city's largest bus terminal is located near to China South City Harbin. In addition, Harbin is one of the 45 major highway transportation hubs in Heilongjiang Province.

Port facilities. Harbin Port is one of the eight major river ports in China, which provides access to four cities in Russia.

China South City Zhengzhou

China South City Zhengzhou is located in Zhengzhou, the capital of Henan Province. Given the emerging development potential in China's interior regions as well as the government's plans for urbanization and the relocation of old trade centers, we believe that China South City Zhengzhou will act as a convenient trading platform to promote trade among cities in central China. In April 2012, the Xin Zheng City Government and Shenzhen China South City Investment Holdings Co., Ltd. entered into a cooperative agreement for the development of an integrated logistics and trade center in Zhengzhou. China South City Zhengzhou has a planned total net land area of approximately 7.0 million sq.m. and a total planned GFA of approximately 12.0 million sq.m. As at September 30, 2016, China South City Zhengzhou is currently under Phase One development and has a total GFA of approximately 2.64 million sq.m. completed, including approximately 2.43 million sq.m. of trade centers, approximately 188,900 sq.m. of logistics and warehousing facilities and approximately 21,900 sq.m. of ancillary facilities.

China South City Zhengzhou is highly accessible located at the heart of an intricate network of transportation in Zhengzhou, which has long been a major logistics hub in Central China. China South City Zhengzhou has become our largest project, in terms of the number of SME occupants and GFA completed. Leveraging on our competitive advantages in location, facilities and scale, China South City Zhengzhou is poised to strengthen its core market position in trading in Central China. As a result, China South City Zhengzhou has become a large commercial hub for automobile and parts, machinery and hardware, building materials, small commodities and non-staple food industries in the area.

China South City Zhengzhou has received overwhelming support from the local government since its establishment. With more occupants moving in, China South City Zhengzhou will continue to strengthen its value-added services such as E-commerce, logistics and warehouse services and outlet operations to cater to the strong demand for integrated logistics and trade centers in China's inland regions, and provide a convenient trading platform to promote trade among cities in Central China.

For the fiscal year ended March 31, 2016, China South City Zhengzhou recorded total Contracted Sales of approximately HK$2,171.8 million, as compared to approximately HK$4,157.6 million and approximately HK$4,209.0 million for the fiscal years ended March 31, 2015 and 2014, respectively. For the six months ended September 30, 2016, China South City Zhengzhou recorded total Contracted Sales of approximately HK$56.2 million as compared to approximately HK$1,862.2 million for the six months ended September 30, 2015.

Transportation Network

China South City Zhengzhou is conveniently located and accessible by way of extensive transportation networks. It is 16 km away from Zhengzhou Xinzheng International Airport and two kilometers away from the Beijing-Guangzhou Railway Freight Station and the Beijing-Hong Kong-Macau Highway. The south extension of subway line 2, which passes through China South City Zhengzhou, had commenced the trial run in August 2016, and has been put into its trial operation from January 2017. This subway line will generate more business opportunities and visitor's traffic for the project.

China South City Hefei

China South City Hefei is located in Hefei, the capital of Anhui Province. In December 2012, China South City Management Company Limited entered into a framework agreement and cooperative agreement with the Hefei Government and Feixi County Government under which the Feixi County Government will provide a planned total net land area of approximately 10.0 million sq.m. with planned total GFA of approximately 12.0 million sq.m. in Hefei for the development of a large-scale integrated logistics and trade center. We have acquired approximately 5.20 million sq.m. attributable GFA by September 30, 2016 through the tendering process of the local government. As at September 30, 2016, China South City Hefei is currently under Phase One construction and has a total GFA of approximately 1.24 million sq.m. completed, including approximately 1.01 million sq.m. of trade centers, approximately 208,500 sq.m. of residential ancillaries and approximately 20,800 sq.m. of ancillary facilities.

Pursuant to land grant contracts governing the use of land at China South City Hefei in 2013, our sales of trade centers are limited to 50% of the total GFA of the properties located on the parcels of land on which these trade centers are located. This restriction does not apply to the properties built for residential, commercial and other uses. We intend to retain approximately 50% of the aggregate GFA of our trade centers for investment purposes.

As Hefei continues its role as the political, economic, cultural and financial center at the heart of East China, China South City Hefei aims to capture opportunities arising from the area and develop into a major large-scale integrated logistics and trade center in the region.

For the fiscal year ended March 31, 2016, China South City Hefei has continued construction of its ancillary facilities in response to rising market. The residential properties of China South City Hefei were well-received by the market and construction of logistics and warehousing facilities, outlets and HOBA Furnishing mall also progressed smoothly. Currently, the planned operations of China South City Hefei cover industries such as automobile and parts, hardware, electric appliances, building and decoration materials, clothing, small commodities, non-staple food and tea.

For the fiscal year ended March 31, 2016, China South City Hefei recorded total Contracted Sales of approximately HK$819.6 million, as compared to approximately HK$1,288.3 million and approximately HK$4,472.2 million for the fiscal years ended March 31, 2015 and 2014, respectively. For the six months ended September 30, 2016, China South City Hefei recorded total Contracted Sales of approximately HK$859.2 million as compared to approximately HK$197.0 million for the six months ended September 30, 2015.

Transportation Network

China South City Hefei is strategically located in the Hefei Taohua Industrial Park, which is easily accessible via Hefei's railways, highways and river transport.

China South City Chongqing

China South City Chongqing is located at Banan District of Chongqing Municipality. On January 17, 2014, we entered into a framework agreement and a cooperative agreement with the Chongqing Municipal Government and the Banan District Government, respectively, pursuant to which we have, in principle, agreed to undertake the construction and development of a large-scale integrated logistics and trade center in Banan District, Chongqing Municipality with an estimated planned total net land area of approximately 6.3 million sq.m. and a planned GFA of approximately 13.5 million sq.m. Subject to the Banan District Government putting up the relevant land for tender, auction and the listing-for-sale process, we intend to bid for the land for our Chongqing project in phases, and accordingly, will develop the project in phases.

China South City Chongqing is currently under construction. The transportation network around the project has been developed rapidly, coupled with the growing maturity of business circles in Banan District, laying a good foundation for the future transportation convenience and commercial environment of the project. The planned operations of China South City Chongqing cover industries such as small commodities, hardware and machinery, non-staple food and tea, building and decoration materials, textiles and clothing and automobile and parts.

As at September 30, 2016, China South City Chongqing is under Phase One development with a total GFA of approximately 1.26 million sq.m. completed, including approximately 1.14 million sq.m. of trade centers, approximately 36,500 sq.m. of ancillary facilities and approximately 79,500 sq.m. of warehouse facilities.

For the fiscal year ended March 31, 2016, China South City Chongqing recorded total Contracted Sales of approximately HK$647.0 million, as compared to approximately HK$966.7 million for the fiscal year ended March 31, 2015. For the six months ended September 30, 2016, China South City Chongqing recorded total Contracted Sales of approximately HK$98.9 million as compared to approximately HK$411.6 million for the six months ended September 30, 2015.

Master Agreements

We have signed master agreements and corresponding supplementary agreements with local government agencies in Shenzhen, Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing, that set out each party's commitments and expectations and a proposed framework for the development of our projects. Under these master agreements and corresponding supplementary agreements, our primary obligations generally include purchasing land and developing certain infrastructure in the amount and manner set forth in the master agreements and commencing and completing project-related construction according to the timeframe set forth in the master agreements and corresponding supplementary agreements. The primary obligations of the local government agencies with whom we enter into master agreements and corresponding supplementary agreements generally include improving the infrastructure surrounding the project development site, obtaining land to be granted under the master agreements and corresponding supplementary agreements as well as relocating the existing residents on the land, compensating us for certain infrastructure costs assumed by us in construction of our projects, bearing certain costs for basic facilities associated with our projects, including facilities for the discharge of pollutants, water and electricity supply, communications lines and piping, and assisting us to obtain favorable treatment and necessary approvals from government authorities.

Land Use Rights and Building Ownership Rights

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

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

China South City Shenzhen

We have received land use rights with respect to approximately 2.6 million sq.m. of planned GFA for development for China South City Shenzhen. We have obtained all necessary land title and building ownership certificates to conduct our operations at China South City Shenzhen. The land use rights for Phase One, Phase Two and Phase Three facilities for China South City Shenzhen are for a period of 50 years commencing from 1992-2007 according to the respective land use rights certificates.

China South City Nanchang

We have received land use rights with respect to approximately 4.7 million sq.m. of planned GFA for development for China South City Nanchang. We have obtained all necessary land title and building ownership certificates to conduct our operations at China South City Nanchang. The land use rights for China South City Nanchang are for a periods of 40 years for trade center use, 50 years for warehouse use and 70 years for residential use, commencing from 2010-2015 according to the respective land use rights certificates.

China South City Nanning

We have received land use rights with respect to approximately 2.5 million sq.m. of planned GFA for development for China South City Nanning. The land use rights for China South City Nanning are for a period of 50 years for warehouse use and 70 years of residential use commencing from 2010-2014 according to the respective land use rights certificates.

China South City Xi'an

We have received land use rights with respect to approximately 4.6 million sq.m. of planned GFA for our Xi'an project. The land use rights for our Xi'an project are for periods of 40 years for commercial use, commencing from 2011-2016 according to the respective land use rights certificates.

China South City Harbin

We have received land use rights with respect to approximately 4.7 million sq.m. of planned GFA for China South City Harbin. The land use rights for China South City Harbin are for periods of 40 years for commercial use and 70 years for residential use commencing from 2012-2016 according to the respective land use rights certificates.

China South City Zhengzhou

We have received land use rights with respect to approximately 6.3 million sq.m. of planned GFA for China South City Zhengzhou. The land use rights for China South City Zhengzhou are for periods of 40 years for commercial use and 50 years for warehouse use commencing from 2012-2013 according to the respective land use rights certificates.

China South City Hefei

We have received land use rights with respect to approximately 5.2 million sq.m. of planned GFA for China South City Hefei. The land use rights for China South City Hefei are for periods of 40 years for both commercial and trade center use, 70 years for residential use and 50 years for industrial use commencing from 2013-2015 according to the respective land use rights certificates.

China South City Chongqing

We have received land use rights with respect to approximately 5.6 million sq.m. of planned GFA for China South City Chongqing. The land use rights for China South City Chongqing are for periods of 40 years for both commercial and trade center use and 50 years for warehouse use commencing from 2014-2016 according to the respective land use rights certificates.

Sales and Marketing

We have a team of sales and marketing and customer services personnel located in each project who are responsible for the overall sales, leasing and marketing strategy for each specific project. We also have specialized functional departments responsible for the management of trade centers and ancillary facilities and marketing at the Group level to oversee the sales and marketing of each specified trade center and the other properties for each relevant project. Market research is conducted at the planning stage of each phase of development. Upon commencement of construction of a project, our sales and marketing staff commence marketing activities to target clients and develop advertising and rental plans for the properties held for rental. Upon obtaining the pre-sale certificates of a project, they develop sales plans for the trade center units for sale to purchasers of the properties. We also engage other independent professionals in the PRC to prepare marketing studies to assist us in developing our advertising and sales and rental plans for our projects. This process also includes a determination of target customers, as well as strategies to maximize usage and revenues from the property. Resources and experience gained from different projects will be shared among the projects to achieve better sales and marketing results.

Advertising Media

We use various advertising media, including newspapers, airline magazine, television, direct mail, advertising in buses and trains, outdoor billboards and programs of media to market our trade center and residential properties. We also have our own website which provides a platform for promoting our projects.

Lease Agreements

We generally offer rent-free periods of different lengths to new occupants of our trade center units. We generally do not offer rent-free periods to existing occupants who renew their leases. Occupants are generally required to pay their monthly rent in advance either on a monthly, quarterly, or yearly basis, or in advance of their lease term. In some cases, we offer to decrease the overall lease payment amount if a tenant prepays the amount due for the remainder of the lease term. Rental rates are subject to review and renegotiation upon renewal of leases.

In addition to making rental payments, occupants of trade center units are also required to provide a security deposit upon entering into a tenancy. We have the right to terminate tenancies upon the occurrence of certain events, such as non-payment of rent, carrying on of business other than the allowed purpose or breach of covenants by the occupants.

Purchaser and Tenant Financing

We provide guarantees for mortgage loans to purchasers of trade center and residential units as well as for bank loans extended to occupants of residential units and commercial properties. For further information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness and Contingent Liabilities — Guarantees.” The amount of guarantees as of September 30, 2016 was approximately HK$7,871.3 million.

In order to facilitate the finance lease of units in West Garden, we provide entrusted loans through intermediary banks in the PRC to the occupants and guarantees of loans made to the purchasers of trade centers and residential properties and occupants of residential units and commercial properties by PRC banks. These entrusted loans, which generally cover approximately 50% of the value of the property, are settled through monthly payments according to the terms of the entrusted loan agreements. As of September 30, 2016, the amount of finance lease receivables was HK$6.8 million.

Suppliers and Customers

Our principal customers are occupants and purchasers of our trade center units. Our five largest customers together accounted for less than 10.0% of our total revenue in the year ended March 31, 2016. Our principal suppliers are contractors.

Lease Arrangements with Certain Purchasers of Trade Center Units

For certain of our projects, a purchaser of a trade center unit may enter into a purchase agreement that provides for self-use or one that provides for a leasing arrangement with us. Under the purchase agreements that provide for self-use, the purchasers agree to open their units for business for a certain period of time during the year, and are required to pay a deposit to secure their compliance with this provision. Under the purchase agreements that provide for leasing arrangements, purchasers grant us the right to lease their trade center units to third parties for a permitted period and to receive all rental income from these leases. In return, we agree to offer these purchasers a discount on the purchase price of the trade center units.

Project Development, Design and Financing Policies and Procedures

Project Identification

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

Project Development and Management Procedures

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

During the construction phase, a construction team, headed by a project manager, is typically appointed for each development site. These teams, under the direction of our construction department, manage the project development process, seek to ensure the quality and timely completion of each project and control the costs according to the approved budget. Government officials from the relevant construction bureau will generally monitor the quality and safety of the project. We also have our own internal quality surveyors, site engineers and procurement staff to work on the project.

Project Design

All detailed project and interior design work for our projects are contracted out to PRC and international architectural and interior design firms, which plan the architectural, landscape and interior designs in accordance with our specifications.

The construction department is also responsible for overseeing the various aspects of design and interior design and for selecting the architects and interior design firms responsible for the project. At times we use a tender process in selecting these architects and interior design firms, while at other times we select architects and interior design firms without using a tender process based on our knowledge of the quality of their services and our previous experience working with them. The construction department and our senior management continually monitor the progress and quality of the appointed design firms to ensure that they are meeting our specifications.

Construction Work

We contract with independent third-party construction contractors to perform the construction work for our projects. Our relationship with each contractor lasts until the completion of their contracted stage of work. Certain of our contractors have worked with us through several stages of our construction projects. As of September 30, 2016, we did not engage any related parties for the construction of development projects or for the supply of materials to our development projects. Sometimes, we use a tender process in selecting contractors, material suppliers and consultants, while at other times we select contractors, material suppliers and consultants without using a tender process based on our knowledge of the quality of their services and our previous experiences working with them. Our contracts with construction companies typically contain warranties for quality and requirement for timely completion of the construction process. Although the agreements with our contractors vary due to the scope of contracted work, the majority of our agreements are generally for a six-month to 24-month period, depending on the scope of construction work involved.

Our construction agreements typically provide for payments based on construction progress until a specified maximum percentage of the total contract price is paid. We typically do not make any prepayments, but instead make payments according to the progress on a monthly basis. We assign project teams consisting of our own internal quality surveyors, site engineers and procurement staff to closely monitor the work of the independent construction companies, including quality and construction progress. In the event a contractor fails to perform its contractual obligations or is otherwise deficient in the performance of its contractual obligations, we may require the contractor to remedy the non-compliance or non-conformity of the performance, or otherwise pay damages or a penalty. Since the beginning of our projects, we have not had any material disputes with any of our contractors and suppliers. In addition, neither we nor any of our contractors have terminated a major contractor agreement.

Monitoring and Supervision

To monitor the progress of construction, our construction department has a project management team, consisting of qualified engineers led by project managers, that monitors the construction progress of contractors in accordance with our construction agreements and the construction plan progress. To ensure the quality of construction, our project management team monitors the quality of work of construction contractors in accordance with our construction agreements and the construction plan. As required by PRC laws and regulations, we also engage qualified independent quality supervisory companies to conduct quality and safety control checks on building materials and workmanship.

Financing Policies

To date, we have financed our projects through loans from bank borrowings, the proceeds from the offering of each of the short-term notes, the medium-term notes, the corporate bonds, the domestic company bonds, the 2011 Notes, the 2012 Notes, the 2014 Notes, the 2016 Notes and the convertible notes, the proceeds of our initial public offering and our working capital. We intend to finance our properties under development and planned for future development with bank and other borrowings, internally generated funds and a portion of the net proceeds of the Notes.

Quality Control

We place a strong emphasis on quality control to ensure that our properties comply with relevant laws and regulations and meet market standards. In addition, quality control is crucial to the successful development of our integrated trade center developments and to helping us meet the requirements of our target occupants and customers. We establish and maintain approved registers of design consultants, other consultants, contractors and material suppliers to ensure that only those that are competent are permitted to participate in the tender process. The quality control of our projects is headed by the general manager of the construction department and performed in accordance with our internal procedures and systems as well as the specifications of our projects. We monitor and assess the performance of the design consultants, contractors and material suppliers to ensure that they meet the specified requirements. Appropriate follow-up action and penalties are taken against those that do not meet the required standards. In addition, we also have a project management team consisting of qualified engineers that performs regular quality audits of the project site and reports irregularities or poor workmanship to the general manager of the construction department and to the project managers responsible for the projects. The responsible project construction teams are required to rectify the problem immediately.

Legal and Compliance

The daily responsibilities for the implementation of internal control procedures have been placed on the senior management of our business departments and subsidiaries, and our legal, administration and company secretarial departments, who have responsibility to oversee our compliance with applicable laws, rules and regulations. Our legal department is responsible for upholding our compliance function. Our administration department is responsible for obtaining the licenses, authorizations and other certificates required for our business. Our company secretarial department is responsible for overseeing our compliance with the Listing Rules and Companies Ordinance. Our internal audit department reviews and monitors the implementation of internal control procedures by our various departments and subsidiaries and identifies areas of non-compliance and potential risks to us. As we continue to develop our business, we will continue to review our internal control mechanisms and the adequacy of relevant human resources to ensure compliance with statutory requirements and regulations relevant to our business.

Environmental Matters

As an operator and developer of trade center projects in the PRC, we are subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on project design and construction, air and noise pollution and discharge of waste and water into the environment.

As required by PRC law, we must, depending on the impact of the project on the environment, submit an environmental impact assessment report, an environmental impact analysis table or environmental impact registration form before the relevant authorities will grant approval for the commencement of construction of the project. See “Risk Factors — Risks Relating to Our Business and Our Industry — Potential liability for environmental problems could result in substantial costs.”

Health and Safety Matters

Under PRC laws and regulations, most of the potential liabilities to the workers on and visitors to our construction sites rest with our contractors. To our knowledge, there have been no material incidents of non-compliance with the relevant health and safety laws and regulations by our main contractors or their subcontractors during the course of their business dealings with us.

Competition

We face competition from other trade centers in China, particularly in Guangdong Province with regard to China South City Shenzhen. The trade center industry in China is fragmented, and consists of a large number of trade centers of varying sizes. The greatest concentrations of similar trade centers in China are in the Greater Pearl River Delta, the Yangtze River Delta and the Bohai-Ring region near Beijing. Many trade centers in China tend to specialize in one industry sector. There are a limited number of trade centers in China with a GFA in excess of 400,000 sq.m. that offer products in more than one industry sector and have a comprehensive range of supporting services and facilities. Our existing and potential competitors include trade centers managed by private domestic operators, trade centers that may have some affiliation with local government entities in China, and to a lesser extent, trade centers jointly developed or managed with international operators. In addition, there may be an increase in supply of trade centers in the Greater Pearl River Delta and elsewhere in China, such as Nanchang, Nanning, Xi’an, Harbin, Zhengzhou, Hefei and Chongqing in the future. Each of Guangxi Zhuang Autonomous Region, Jiangxi Province, Shaanxi Province, Heilongjiang Province, Henan Province, Anhui Province and Chongqing Municipality also has numerous trade centers varying in size and type of industries represented. A number of our competitors have broader name recognition, a longer track record and more established relationships in certain markets.

In addition, we expect to increase the proportion of residential properties in Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing. As a result, we will face increasing competition in the future from residential and other property developers. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers.

Intellectual Property Rights

We have registered the trademark , "**华南城**" (China South City) and its logo with the Trade Marks Registry in Hong Kong and the PRC Trademark Office under various categories relating to metals, textiles, machines, electronics and many other categories. We also have registration pending in the Trade Marks Registry in Hong Kong with respect to the trademarks of "China South City" and "華南城" under some additional categories. We are also the owner of the domain name of "www.chinasouthcity.com."

Insurance

We maintain insurance policies with insurance companies in the PRC, which cover property damage due to natural hazards, including lightening, typhoons and other natural phenomena, and accidents, including fire and explosion, and general liability under property all risk insurance, construction all risk insurance and public liability insurance. There are, however, certain types of risks that are not covered by our insurance policies, including losses resulting from war, nuclear contamination, tsunami, pollution and acts of terrorism. As of September 30, 2016, we had not experienced any significant loss or damage to our properties. In addition, we maintain employer's liability insurance covering bodily injury, medical treatment and litigation expenses for our employees. We also carry automobile insurance covering collision damage and various types of liability for our vehicles. According to PRC laws, under certain circumstances, the owner or manager of properties under construction may bear civil liability for personal injuries arising out of construction work unless the owner or manager can prove that it is not at fault. We take steps to prevent construction accidents and personal injuries, and as a result, we believe that we will generally be able to demonstrate that we were not at fault as the property owner if a personal injury claim is brought against us.

We believe that we have sufficient insurance coverage in place and that the terms of our insurance policies are in line with industry practice in the PRC. Nonetheless, we cannot guarantee that we have sufficient insurance coverage for all damage and liabilities that may arise from our business operations. See "Risk Factors — Risks Relating to our Business — We may suffer losses caused by natural disasters, and these losses may not be fully covered by insurance.

Employees

As at September 30, 2016, we had a workforce of approximately 6,590 people, including approximately 6,550 people directly employed by us and approximately 40 people employed by our associate. The number of our staff decreased by 4.9% from approximately 6,930 people as at March 31, 2016. We aim to recruit, retain and develop competent individuals who are committed to our long-term success and growth. Remunerations and other benefits of employees are reviewed annually in response to both market conditions and trends, and are based on qualifications, experience, responsibilities and performance. In addition to basic salaries and other staff benefits, discretionary bonuses and share options may be awarded to employees who display outstanding performance and contributions to the Group.

Legal Proceedings

From time to time, we have been involved in legal proceedings or other disputes in the ordinary course of our business which are primarily disputes with our customers, contractors and employees, and we have not incurred significant legal costs and expenses in connection with these legal proceedings. As of the date of this offering memorandum, China South City Hefei has a construction contract litigation dispute as a defendant with a third party who has made a claim in the amount of RMB12,642,741.10. The litigation is still ongoing, but we believe that the amount of the dispute is minimal compared to the total assets of the Company, and we believe the claim should not have any material adverse effect on us or any of our relevant subsidiaries. Save as disclosed above, we are not aware of any material legal proceedings, claims or disputes currently existing or pending against us that may have a material adverse impact on our business or our results of operations.

RELATED PARTY TRANSACTIONS

The following discussion describes certain of our material related party transactions for the fiscal years ended March 31, 2014, 2015 and 2016 and for the six months ended September 30, 2015 and 2016.

The following table sets forth certain material transactions between us and our related parties for the periods indicated.

	Fiscal Year Ended March 31,			Six Months Ended September 30,	
	2014	2015	2016	2015	2016
	(HK$ in thousands)				
Rental expense and related service fees for an office property paid to companies of which a director of the Company is a controlling shareholder[(1)]	1,902	2,824	2,814	1,392	1,407
Rental expense for certain units of trade centers paid to a director and a close family member of a director[(2)]	398	–	–	–	–
Construction project design fee income received from a company for which a director of the Company is a controlling shareholder[(3)]	1,121	–	–	–	–
Rental income for certain offices units received from a company of which a director of the Company is a controlling shareholder[(4)]	367	888	1,071	544	–

(1) The rental expense and related service fees for an office property were related to the leasing of office property provided to us by related companies (2014: one company; 2015: two companies; 2016: one company). The fees were based on terms mutually agreed between both parties.

(2) The rental expense was related to leasing of trade centers provided to us by related parties. The rental was based on terms mutually agreed between the parties.

(3) The construction project design fee income was related to the provision of consideration project design services to a related party. The design service fee was determined according to the published prices and conditions offered to the major customers of our Group.

(4) The rental income for certain offices units was related to the leasing of certain office units provided to a related party by us. The rental was based on the rental charged to the other occupants of our Group.

The following is a brief description of our material related party transactions.

Rental Expenses and Related Service Fees for Office Property and Trade Centers

We pay the rental expenses and related service fees for the leasing of office property provided to us by related companies. One of the related companies is Man Sang Jewellery Company Limited, in which Cheng Chung Hing is a controlling shareholder. The rental expenses and related service fees were based on terms mutually agreed between us and the related companies. The rental expenses and related service fees for our office space were HK$1.9 million, HK$2.8 million and HK$2.8 million for the fiscal years ended March 31, 2014, 2015 and 2016, respectively, and HK$1.4 million and HK$1.4 million for the six months ended September 30, 2015 and 2016, respectively, and the rental expenses for the trade centers were HK$398,000 for the fiscal year ended March 31, 2014. There were no rental expenses for the trade centers in the fiscal years ended March 31, 2015 and 2016, and for the six months ended September 30, 2015 and 2016.

Construction Project Design Fee Income for Provision of Construction Project Design Services

We receive the construction project design fee income for the provision of construction project design services to the related companies. The design service fee was determined according to the published prices and conditions offered to the major customers of our Group. The construction project design fee income for our provision of construction project design services was HK$1.1 million in the fiscal year ended March 31, 2014. There was no construction project design fee income in the fiscal years ended March 31, 2015 and 2016, and for the six months ended September 30, 2015 and 2016.

Rental Income for Certain Offices Units

We receive the rental income for the leasing of certain offices units provided by us to the related companies. The rental was based on the rental charged to the other occupants of our Group. The rental income for the leasing of certain offices units was HK$367,000, HK$888,000 and HK$1,071,000 in the fiscal years ended March 31, 2014, 2015 and 2016, respectively, and HK$544,000 and nil for the six months ended September 30, 2015 and 2016.

Commitments with Related Parties

On February 23, 2011, we entered into a lease agreement with an expiration date of March 16, 2014 with Man Sang Jewellery Company Limited, a company of which Cheng Chung Hing is a controlling shareholder. On March 13, 2014, we renewed the lease agreement with Man Sang Jewellery Company Limited for a term commencing from March 17, 2014 to March 16, 2017.

Transfer of Equity Interest in Xi'an China South City Company Limited ("CSC Xi'an")

On February 10, 2014, China South City Group Limited, an indirect wholly-owned subsidiary of our Company, entered into an equity transfer agreement with Huang Wenjie to acquire 35% equity interest in CSC Xi'an, a subsidiary indirectly owed by us as to 65% at that time, for a consideration of RMB260 million. As at the date of the equity transfer, Huang Wenjie was a substantial shareholder of CSC Xi'an and therefore was a connected person under Chapter 14A of the Listing Rules. This equity transfer was completed on March 26, 2014, after which CSC Xi'an became an indirect wholly-owed subsidiary of our Company.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing projects and to finance our working capital requirements, we have entered into financing arrangements with various financial institutions. As of September 30, 2016, the total outstanding balance of the consolidated interest-bearing bank and other borrowings, senior notes, short-term notes, medium-term notes, corporate bonds and domestic company bonds of the Company and its subsidiaries amounted to HK$31,059.8 million, of which HK$11,105.7 million was secured. We set forth below a summary of the material terms and conditions of these loans and other material indebtedness.

Project Construction Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including, but not limited to, Shanghai Pudong Development Bank, Industrial and Commercial Bank of China, Bank of China, Bank of Communications, China Construction Bank, Huaxia Bank, PingAn Bank, Bank of Xi'An and Agricultural Bank of China. These loans typically are secured project loans to finance the construction of our projects and have terms ranging from three years to ten years, which generally correspond to the construction periods of the particular projects. Our PRC bank loans are typically secured by mortgages over a portion of our land use rights and a portion of our properties and/or guaranteed by China South International, our wholly owned subsidiary. The Notes will be structurally subordinated to these loans and any other indebtedness incurred by our PRC subsidiaries.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to review by the lenders annually. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these project loans, our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on their properties or assets;
- altering the nature or scope of their business operations in any material respect;
- making major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions or reorganizations;
- reducing their registered capital;
- making other changes to the company's status, such as by liquidation or dissolution;
- transferring part or all of the liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing assets;
- transferring a substantial equity interest in the borrower; and
- incurring other indebtedness or granting guarantees to third parties that would adversely affect their ability to repay their loans.

Dividend Restriction

Pursuant to the project loans with certain of our lenders, some of our PRC subsidiaries have also agreed not to distribute any dividends:

- before the due portion of the principal amount of and accrued interest on the relevant project loan have been fully paid; or
- if the borrower's after-tax profit is nil or negative, or not sufficient to compensate for accumulated losses of previous years.

Events of Default

The loan agreements contain certain customary events of default, such as failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires its approval, material breach of the terms of the loan agreement and acceleration of repayment obligations under other loan or financing documents. Upon the occurrence of an event of default, the lenders may terminate the loan agreement and demand immediate repayment.

Guarantee and Security

China South International has entered into guarantee agreements with the PRC banks identified above in connection with some of the project loans pursuant to which China South International has guaranteed all liabilities of the subsidiary borrowers under these loans. Our obligations under the loan agreements are typically secured by mortgages over properties and the land use rights relating to the relevant projects.

Working Capital and Term Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including, but not limited to, the Agricultural Bank of China, Bank of Communication, Bank of Xi'an, Wing Lung Bank, Bank of Beijing, China Citic Bank, Bank of China, Industrial and Commercial Bank of China, Bank of Nanchang, Huaxia Bank, China Guangfa Bank Co., Ltd., Heng Feng Bank and Industrial Bank Co., Ltd. These loans typically have terms ranging from one year to two years, and are either credit loans or loans secured by mortgages over a portion of our land use rights and a portion of our properties. The Notes will be structurally subordinated to these loans and any other indebtedness incurred by our PRC subsidiaries.

Interest

The principal amounts outstanding under these loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to monthly, quarterly, or annual review by the lenders. Interest payments are typically payable monthly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these loans, our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on their properties or assets;
- altering the nature or scope of their business operations in any material respect;
- making major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions or reorganizations;

- reducing their registered capital;
- making other changes to the company's status, such as by liquidation or dissolution;
- transferring part or all of the liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing assets;
- transferring substantial equity interest in the borrower; and
- incurring other indebtedness or granting guarantees to third parties that would adversely affect their ability to repay their loans.

Dividend Restriction

Pursuant to the working capital and term loans with certain of our lenders, some of our PRC subsidiaries have also agreed not to distribute any dividends if the borrower's after-tax profit is nil or negative, if the amount of the dividends exceed 30% of the after-tax profit of the borrowers, or if the borrower's after-tax profit is not sufficient to compensate for accumulated losses of previous years.

Events of Default

The working capital and term loan agreements contain certain customary events of default, such as failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires its approval, material breach of the terms of the loan agreement and acceleration of repayment obligations under other loan or financing documents. Upon the occurrence of an event of default, the lenders may terminate the loan agreement and demand immediate repayment.

Guarantee and Security

Some of our working capital and term loans are credit loans. In addition, China South International has entered into guarantee agreements with the PRC banks identified above in connection with some of our working capital and term loans pursuant to which China South International has guaranteed all liabilities of the subsidiary borrowers under these loans. Our obligations under the loan agreements are typically secured by mortgages over a portion of properties and a portion of the land use rights owned by China South International.

Syndicated Revolving Credit Facility

China South International has entered into facility agreements in connection with separate revolving loan facilities with the Industrial and Commercial Bank of China Shenzhen. The proceeds of these credit facilities have been used for the purpose of funding our projects and meeting our working capital needs. We have entered and will continue to enter into separate loan agreements when utilizing the credit facilities.

Interest and Maturity

Under the facility agreements, the interest rate applicable for each loan will be prescribed in the separate loan agreements. The credit facilities under these facility agreements by their terms expire within 12 months of the date of the agreements.

Covenants

Pursuant to these facility agreements, China South International has agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating mortgages or other repayment guarantees on the finished or ongoing construction projects at the China South International Industrial Materials City and relevant cash-flow;
- obtaining financing from other banks for its new projects;
- making major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions or reorganizations;
- reducing its registered capital;
- transferring or disposing, or threatening to transfer or dispose, important parts of its assets; and
- granting guarantees to third parties or mortgaging or pledging its major assets where doing so would adversely affect its ability to repay its loan(s) under the facility agreement.

Events of Default

The facility agreements contain certain customary events of default, including providing fraudulent statements of financial position, income statements or other financial information, providing statements of financial position, income statements or other financial information with material information missing, unauthorized use of loan proceeds, and failure to obtain the lender's approval for an act that requires its approval. The lenders are entitled to demand repayment of part or all of the loans and/or cancel the unutilized facility upon occurrence of an event of default.

Short-Term Notes

On October 17, 2014, China South International completed the issuance of the first tranche of the PRC short-term notes of 2014 in the national interbank market in the PRC ("2014 First Tranche STN") with a total principal amount of RMB2.2 billion with a maturity period of 1 year and at an interest rate of 5.4% per annum. The proceeds were to be used for repaying part of the bank loans of our Group. The 2014 First Tranche STN have been repaid in October 2015.

On September 9, 2015, China South International completed the issuance of the first tranche of short-term notes of 2015 ("2015 First Tranche STN") with a total principal amount of RMB2.1 billion with a maturity period of 1 year and at an interest rate of 4.3% per annum. The proceeds were to be used for replacement of bank borrowings of our Group. The 2015 First Tranche STN have been repaid in September 2016.

On September 13, 2016, China South International completed the issuance of the 2016 First Tranche STN with a total principal amount of RMB1.2 billion with a maturity period of 1 year and at an interest rate of 4.9% per annum. The proceeds were to be used for general corporate purposes and for repaying a portion of the bank borrowings of our Group.

Medium Term Notes

In April 2014, China South International obtained the relevant approval for issuing medium-term notes in the national inter-bank market in the PRC with a maximum principal amount of RMB4 billion.

On May 9, 2014, China South International completed the issuance of the first tranche of medium-term notes of 2014 (the "2014 First tranche MTN") with a total principal amount of RMB1 billion in the national inter-bank market of the PRC. The 2014 First tranche MTN carry interest at the rate of 7.5% per annum and with a maturity period of 5 years, payable annually on May 9 in arrears, and will mature on May 9, 2019. The proceeds were to be used for repaying part of the short-term bank loans of our Group.

On September 12, 2014, China South International completed the issuance of the second tranche of medium-term notes of 2014 (the "2014 Second tranche MTN") with a total principal amount of RMB1 billion in the national interbank market of the PRC. The 2014 Second tranche MTN carry interest at the rate of 8.4% per annum and with a maturity period of 5 years, payable annually on September 12 in arrears, and will mature on September 12, 2019. The proceeds were to be used for repaying part of bank loans of our Group.

On July 13, 2015, China South International completed the issuance of the first tranche of medium-term notes of 2015 (the "2015 First tranche MTN") with a total principal amount of RMB2 billion in the national inter-bank market of the PRC. The 2015 First tranche MTN carry interest at the rate of 7.0% per annum and with a maturity period of 3 years, payable annually on July 13 in arrears, and will mature on July 13, 2018. The proceeds were to be used for replacement of bank loans of our Group and the development of China South City Nanning project.

Corporate Bonds

On April 13, 2015, China South International completed the issuance of the corporate bonds with a total principal amount of RMB1.5 billion and with a term of up to 6 years in maximum on the Shanghai Stock Exchange of the PRC. The corporate bonds carry interest at the rate of 7.0% per annum, payable annually on April 13 in arrears, and will mature on April 13, 2021. The proceeds were to be used for funding the development of China South City Zhengzhou project.

Domestic Company Bonds

In December 2015, China South International obtained the relevant approval for issuing the domestic company bonds in a maximum principal amount of RMB4.4 billion in the PRC.

On January 14, 2016, China South International issued the first tranche of domestic company bonds of 2016 ("2016 First Tranche DCB") with the total principal amount of RMB3 billion with a term of 3 years and at an interest rate of 5.98% per annum. The proceeds were to be used for repaying part of bank loans of the Group and for general corporate purposes.

On May 4, 2016, China South International issued the second tranche of domestic company bonds of 2016 ("2016 Second Tranche DCB") with the total principal amount of RMB1.4 billion with a term of 3 years and at an interest rate of 6.85% per annum. The proceeds were to be used for repaying part of bank loans of the Group and general working capital.

2014 Notes

On January 29, 2014, we entered into an indenture (as supplemented by a supplemental indenture dated as of April 1, 2016 and as amended and supplemented from time to time, the "2014 Notes Indenture") pursuant to which we issued US$400 million principal amount of 8.25% Senior Notes due 2019. On February 9, 2017, we partially redeemed US$200 million of the 2014 Notes.

2016 Notes

On September 13, 2016, we entered into an indenture (as supplemented by a supplemental indenture dated as of October 3, 2016 and as amended and supplemented from time to time, the "2016 Notes Indenture") pursuant to which we issued US$350 million principal amount of 6.75% Senior Notes due 2021.

Guarantee

The obligations pursuant to the 2014 Notes are guaranteed by our existing subsidiaries (the "2014 Subsidiary Guarantors") other than those organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a guarantee by a 2014 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2014 Notes Indenture. Each of the 2014 Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2014 Notes, provided that any JV Subsidiary Guarantee will be limited to a JV entitlement amount.

The obligations pursuant to the 2016 Notes are guaranteed by our existing subsidiaries (the "2016 Subsidiary Guarantors") other than those organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a guarantee by a 2016 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2016 Notes Indenture. Each of the 2016 Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2016 Notes, provided that any JV Subsidiary Guarantee will be limited to a JV entitlement amount.

Collateral

In order to secure the obligations under the 2014 Notes, the Company and the subsidiary guarantor pledgors under the 2014 Notes Indenture pledged the capital stock of all such 2014 Subsidiary Guarantors for the benefit of the holders of the 2014 Notes (the "2014 Collateral"). Subject to the provisions of the Intercreditor Agreement (as defined below), the 2014 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2014 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the 2014 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the 2014 Notes Indenture.

In order to secure the obligations under the 2016 Notes, the Company and the subsidiary guarantor pledgors under the 2016 Notes Indenture pledged the capital stock of all such 2016 Subsidiary Guarantors for the benefit of the holders of the 2016 Notes (the "2016 Collateral"). Subject to the provisions of the Intercreditor Agreement (as defined below), the 2016 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2016 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the 2016 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the 2016 Notes Indenture.

Interest

The 2014 Notes bear an interest rate of 8.25% per annum. Interest is payable semi-annually in arrear.

The 2016 Notes bear an interest rate of 6.75% per annum. Interest is payable semi-annually in arrear.

Covenants

Subject to certain conditions and exceptions, the 2014 Notes Indenture and the 2016 Notes Indenture contain certain covenants, which restrict our ability and the ability of each of the related restricted subsidiaries to, among other things:

- incur or guarantee additional indebtedness or issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

Events of Default

The 2014 Notes Indenture and the 2016 Notes Indenture each contain certain customary events of default, including default in the payment of principal, or of any premium, on the 2014 Notes or the 2016 Notes, as applicable, when such payments become due, default in payment of interest which continues for 30 consecutive days, breaches of covenants, insolvency and other events of default specified in the 2014 Notes Indenture or the 2016 Notes Indenture, as applicable. If an event of default occurs and is continuing, the 2014 Notes Trustee (in the case of the 2014 Notes) or the 2016 Notes Trustee (in the case of the 2016 Notes) or the holders of at least 25% of the outstanding 2014 Notes (in the case of the 2014 Notes) or the holders of at least 25% of the outstanding 2016 Notes (in the case of the 2016 Notes) may declare the principal of the 2014 Notes or the 2016 Notes, as applicable, plus any accrued and unpaid interest and premium (if any) to be immediately due and payable. However, if an event of default occurs because of insolvency, the principal of, premium if any, and accrued and unpaid interest on the 2014 Notes or the 2016 Notes, as applicable, then outstanding shall automatically be due and payable without any declaration or other act on the part of the 2014 Notes Trustee (in the case of the 2014 Notes) or a holder of the 2014 Notes (in the case of the 2014 Notes) or the 2016 Notes Trustee (in the case of the 2016 Notes) or a holder of the 2016 Notes (in the case of the 2016 Notes).

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2014 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2016 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

2014 Notes

The maturity date of the 2014 Notes is January 29, 2019. At any time on or after January 29, 2017, we may redeem the 2014 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below if redeemed during each period indicated below, plus any accrued and unpaid interest to (but not including) the redemption date. In February 9, 2017, we redeemed US$200,000,000 of the 2014 Notes pursuant to this provision at a redemption price equal to 104.1250%, plus accrued and unpaid interest on such date.

Period	**Redemption Price**
2017	104.1250%
2018 and thereafter	102.0625%

At any time prior to January 29, 2017, we may redeem the 2014 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2014 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to January 29, 2017, we may redeem up to 35% of the aggregate principal amount of the 2014 Notes at a redemption price equal to 108.25% of the principal amount of the 2014 Notes, plus any accrued and unpaid interest with the proceeds form sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2014 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2014 Notes at a redemption price equal to 100% of the principal amount of the 2014 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

2016 Notes

The maturity date of the 2016 Notes is September 13, 2021. At any time on or after September 13, 2019, we may redeem the 2016 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below if redeemed during each period indicated below, plus any accrued and unpaid interest to (but not including) the redemption date:

Period	**Redemption Price**
2019	103.375%
2020 and thereafter	101.6875%

At any time prior to September 13, 2019, we may redeem the 2016 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2016 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to September 13, 2019, we may redeem up to 35% of the aggregate principal amount of the 2016 Notes at a redemption price equal to 106.75% of the principal amount of the 2016 Notes, plus any accrued and unpaid interest with the proceeds form sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2016 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2016 Notes at a redemption price equal to 100% of the principal amount of the 2016 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

In connection with the offering of the 2012 Notes, the Company entered into an intercreditor agreement on October 17, 2012 (as amended by an amendment dated on or about April 9, 2013, as supplemented by the first supplement dated on or about April 9, 2013, as supplemented by the second supplement dated on January 29, 2014 and as amended and restated on September 13, 2016, and as amended and supplemented from time to time, the "Intercreditor Agreement"), pursuant to which the parties thereto agreed, among others, to share the collateral securing the 2012 Notes, the 2014 Notes and the 2016 Notes on an equal and ratable basis. On April 15, 2016, we redeemed the full outstanding principal amount of the 2012 Notes and on February 9, 2017, we partially redeemed US$200 million of the 2014 Notes.

Customer Guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank and the completion of the relevant mortgage registration process. As of September 30, 2016, the aggregate outstanding amount guaranteed was approximately HK$7,871.3 million.