Extract of certain updated business information of Coastal Greenland Limited

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Prospective purchasers of the Notes should carefully consider the risk factors set forth below, as well as the other information contained elsewhere in this offering circular. The risks described below are not the only ones that may affect our Company or the Notes. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment.

Risks Relating to Our Business

Our business is heavily dependent on the performance of the PRC real estate market and is susceptible to significant fluctuations.

All of our existing properties and development projects are located in the PRC. The success of our business therefore depends heavily on the continued growth of the real estate market in China and, in particular, in the major cities in which our projects are located. Historically, the PRC property market has been cyclical. The rapid expansion of the property market in certain major cities in the PRC, including Shanghai, Beijing, Suzhou, Wuhan and Dalian, in the early 1990s culminated in an oversupply in the mid-1990s and a corresponding fall in property values and rents in the second half of the decade. Our financial condition and results of operations may be materially and adversely affected by any adverse development in the supply of or demand for property, property prices or government actions in the major cities in which our projects are located and elsewhere in China. In addition, a serious downturn in regional or global market conditions, such as the Asian financial crisis in 1997, may seriously affect and disrupt the property market in the PRC.

Numerous market analysts and commentators have warned of a property market "bubble" in China generally, and in Shanghai, Beijing and Shenzhen in particular. In addition, the property market in some cities in China has been cyclical in recent years, with the Shanghai, Beijing and Shenzhen markets experiencing periods of significant declines in value in late 2002, particularly as a result of the outbreak of the severe acute respiratory syndrome ("SARS"). Policies and measures introduced and which may be introduced by the PRC government may lead to changes in market conditions, including price instability and an imbalance between supply of, and demand for, properties in the PRC. We cannot assure you that significant declines will not take place in the PRC property market in the future, or that other property markets in which we may operate will not experience any significant decline. Furthermore, there can be no assurance that there will not be additional measures implemented by the relevant PRC government entities to restrict the growth of the PRC property market, or that there will not be material adverse changes in the PRC economy and its property market and, in particular, the property markets in which we operate, as a result of such a "bubble" or as a result of the PRC government's policies. Any such changes could have a material adverse effect on our financial condition and results of operations.

The cyclical nature of the PRC property market also affects the optimal timing for both the acquisition of sites and the sale of completed development properties. This cyclicality, combined with the lead time required for the completion of projects and the sale of properties, means that our results of operations relating to property development activities have been and will continue to be susceptible to significant fluctuations from period to period. In the three years ended March 31, 2005, 2006 and 2007, revenue from property development accounted for approximately 94.9%, 97.9% and 99.5%, respectively, of our total revenue.

Our turnover and profit during any given period reflect the quantity of properties delivered during that period and are affected by any peaks or troughs in our property delivery schedule and may not be indicative of the actual demand for our properties, sales or profitability achieved during that period. Our turnover and profit during any given period generally reflect property investment decisions made by purchasers at some significant time in the past, typically at least in the prior fiscal period. As a result, our operating results for any period are not necessarily indicative of results that may be expected for any future period, which in turn makes it difficult to predict our future performance.

It is difficult to predict our future performance because our revenue fluctuates significantly from period to period due in part to the overall schedules of our property development projects, our revenue recognition policy and factors beyond our control.

Our revenue, expenses, net income and results of operations have varied significantly in the past and may continue to fluctuate significantly from period to period in the future. Our total revenue for each of the three years ended March 31, 2005, 2006 and 2007 was HK$552.9 million, HK$759.1 million and HK$2,012.2 million (US$257.5 million), respectively. For the three years ended March 31, 2005, 2006 and 2007, we generated 94.9%, 97.9% and 99.5%, respectively, of our total revenue from sales of properties. Revenue from sales of completed properties is recognized when the legally binding sales contracts are signed and exchanged and the condition precedents contained in such contracts are satisfied, while revenue from pre-sales of properties under development is recognized upon the completion of the property development. As a result of our revenue recognition policy, we recognize the majority of our revenue after a significant passage of time from the date of the pre-sale. In addition, while the pre-sale of property generates positive cash flow for us in the period in which it takes place, we must place a portion of such proceeds in restricted bank accounts and may only use such cash for specified purposes until the completion of the property development. We cannot predict with certainty the time of the completion and delivery of a property, and hence the time of the revenue recognition from any pre-sale and our ability to use all the proceeds for such pre-sale, because the completion of any property development will vary according to its construction timetable and the time required to obtain the occupation permit. Accordingly, we may complete more properties in one period relative to another. Further, the completion of any project development may be adversely affected by many factors, including adverse weather conditions, delays in obtaining requisite permits and approvals from relevant government authorities, as well as other factors beyond our control or other unforeseen events and circumstances. Any of these factors may affect the timing of completion of the property development, as well as our receipt of cash and the recognition of revenue from the project, and thus adversely affect our financial performance and cash flows in a given period. We recognize costs relating to a property sold when the corresponding revenue is recognized, and accordingly, changes to our costs are subject to many of the same factors described above. In addition, as our revenue is derived principally from the sale of properties, we have a relatively small amount of recurring revenue and therefore our results of operations may fluctuate significantly. Such fluctuations may also adversely affect our cash flows and thus our ability to fund future projects.

Accordingly, due to the volatile nature of the revenue we generate from property development, the periods discussed in our financial statements included in this offering circular may not be comparable to each other or other future periods. In addition, our results of operations and cash flows may fluctuate significantly from period to period, and are likely to continue to do so until our revenue from investment properties and hotels form a more substantial portion of our overall revenue, which may not occur for several years, if at all.

Our future growth prospects may be affected if we are unable to identify suitable sites or acquire sites at commercially acceptable prices.

We believe that identifying and acquiring a suitable portfolio of sites for future development is critical to sustain our growth. There can be no assurance that we will be able to identify and acquire attractive sites in the future. In addition, as there is often a significant passage of time between identifying land, acquiring land and delivering possession, there is a risk that our development projects may no longer be strategically located by the time of their completion or the time they are sold and delivered. In addition, there is no guarantee that we will be able to acquire attractive sites on favorable terms, obtain the necessary land use rights or obtain the necessary PRC government approvals to proceed with any such proposed developments projects. Our inability to identify and acquire attractive new sites could impair our ability to compete with other property developers, which in turn would have a material adverse effect on our ability to generate turnover and maintain profitability.

In China, the supply of substantially all real estate sites is controlled by governmental authorities, and our ability to acquire land use rights and the acquisition costs of such land use rights will be affected by government policies towards land supply, development and pricing. The PRC central and local governments may regulate the means by which property developers obtain land for development. In May 2001 and May 2002, the Shanghai municipal government and the PRC central government, respectively, introduced regulations requiring that land use rights for most residential and commercial use property developments be sold through public tender, auction or listing for sale conducted by local land authorities. This has contributed to an increase in the cost of land acquisition by property developers throughout China. Major Chinese cities have experienced rapid land price increases in recent years and there is a limited supply of suitable plots of land available for development in such cities. In addition, the PRC central and local governments may also control the supply of land available for development in Shanghai, Beijing and other major PRC cities in which we seek to develop projects. If we are unable to acquire land use rights in China at suitable prices or at all, our future growth prospects, profitability and profit margins will be materially and adversely affected.

If any of our large-scale property developments is unsuccessful, our results of operations may be adversely affected.

We focus on large-scale property development projects. We cannot give any assurance that each of our existing or future large-scale developments will be successful or that any such development will not encounter difficulties that may adversely affect our business, financial condition and results of operations. Due to the amount of capital required and costs incurred or to be incurred in each development, we are financially exposed and, in the event that any of our existing or future large-scale property developments is unsuccessful, our results of operations may be adversely affected.

Our plans to expand our presence in retail, commercial and hotel property development projects may not be successful.

We have derived the vast majority of our historical revenue from, and most of our experience is related to, residential property developments. We intend to expand our presence in retail, commercial and hotel property developments, as we believe these areas attract higher long-term investment return and will provide us with an increasing proportion of recurring and stable revenue. Retail, commercial and hotel properties typically require government approvals, design specifications and building materials that are different from residential properties. In addition, the customers that we target for residential properties are very different to those targeted by developers of retail, commercial and hotel properties. If we are not successful in expanding our presence in retail, commercial and hotel property development projects, our growth prospects could be adversely affected and our business could be harmed.

Our businesses have and will have substantial capital requirements and may require additional financing in the form of debt or equity to meet our budgetary and operating expenses, and we may not be able to raise the required capital.

Property development projects are typically capital intensive and may require high levels of debt financing. We finance our property projects primarily through a combination of pre-sale proceeds, borrowings from financial institutions, internal funds and, from time to time, by establishing joint ventures with or selling equity stakes in our projects to strategic partners. Our available financial resources for implementing these projects may be inadequate and the project development may face cost overruns. The actual amount and timing of future capital requirements may differ from our estimates. If we decide to meet these funding requirements through debt financing, our interest obligations will increase and we may be subject to additional restrictive covenants, including restrictions on changes in shareholding, constitution of the board of directors and management of the businesses. In addition, we intend to retain an increasing proportion of the properties we develop in the future as investment properties, and as a result, our cash flows from operations may decrease.

Our ability to arrange adequate financing from land acquisition and property development depends on a number of factors that are beyond our control, and, in particular, PRC monetary and economic policies and regulations with respect to property development. In recent years, prices of residential properties in a number of major PRC cities have experienced rapid and significant growth. In 2003, the PRC government announced its intention to implement administrative measures to restrain growth of the PRC residential property market as the growth rate was considered unsustainably high. Since then, the PRC government has introduced a series of administrative measures targeted at the property sector and the People's Bank of China (the "PBOC") has also introduced measures to tighten the credit available to property developers and purchasers. See "– Risks Relating to the Property Market in China – The performance of our business may be adversely affected by legal and regulatory changes introduced by the PRC government." Specific administrative and credit tightening measures introduced by the PRC government and the PBOC in recent years which affect our ability to use bank loans to finance our property development projects include the following:

- Since 2003, the PBOC has directed commercial banks in the PRC to reduce the extent of property development project lending and has imposed a prohibition on commercial banks from extending loans to property developers to finance any part of the land premium. In particular, commercial banks are prohibited from extending any loan to a property development project unless the necessary land use right certificate, construction land planning permit, construction work planning permit and the construction building project permit have been obtained.

- Since October 2004, the PBOC has instituted a series of raises in the benchmark one-year lending rate, thereby increasing the interest cost of property developers. In October 2004, the PBOC raised the benchmark one-year lending rate from 5.31% to 5.58%. In April 2006, the PBOC raised the benchmark one-year lending rate from 5.58% to 5.85%. In August 2006, the PBOC raised the benchmark one-year lending rate from 5.85% to 6.12%. Since March 2007, the PBOC has raised the benchmark one-year lending rate five times from 6.12% to 7.29%.

- In 2006, the PBOC increased the required reserve ratio of funds that a commercial bank must hold on deposit three times from 7.5% to 9.0%. Since January 2007, the PBOC has raised the reserve ratio eight times from 9.0% to 13% (effective from October 25, 2007).

- Banks are not permitted to provide loans to a property developer whose total paid in capital is less than 35% of the total investment amount of an intended development project.

- On July 10, 2007, the General Affairs Department of the State Administration of Foreign Exchange (the "SAFE") issued a new regulation which restricts the ability of foreign-invested real estate companies to raise funds offshore to fund real estate development. See "– Risks Relating to the Property Market in China – The performance of our business may be adversely affected by legal and regulatory changes introduced by the PRC government."

These policy initiatives have limited our flexibility and ability to use bank loans to finance our property development projects. While we do not believe these administrative and credit tightening measures have had a material adverse effect on our ability to obtain adequate financing for our operations or on our overall financial condition, we cannot assure investors that the PRC government will not take further action which may negatively impact our ability to use bank loans to finance our property development projects or otherwise adversely affect our ability to finance and develop properties. In particular, we cannot assure investors that lending rates will remain unchanged or that changes will not occur with increased frequency. As of March 31, 2007, the effective interest rate of our fixed-rate bank and other borrowings (excluding the liability component of the Convertible Bonds) in the total amount of HK$2,023.7 million was between 4.86% and 11.00% per annum, and the effective interest rate of our variable rate borrowings in the total amount of HK$1,826.8 million was between 5.76% and 6.93% per annum. Interest expenses incurred by us in 2005, 2006, 2007 were HK$81.0 million, HK$122.7 million and HK$327.2 million, respectively. Under these circumstances, we cannot assure you that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration or that our business, financial condition and results of operations will not be materially adversely affected as a result of such government policy initiatives.

Furthermore, we cannot assure you that in the future, we will be able to raise adequate capital in a timely manner and on acceptable terms or at all, particularly when the property market is depressed. Our failure to obtain adequate financing would result in a delay or abandonment of existing and future projects.

We face a number of risks associated with the development of our properties, including the risk that our properties may not be completed according to schedule or on budget.

While pursuant to our targeted property development cycle we strive to commence construction of our projects within six months of acquiring the development site and begin pre-sales of properties approximately three months after construction commencing, we are not always able to achieve this schedule. Accordingly, it may take up to a year or more from acquisition of a development site to the time we can begin to pre-sell our properties in the project to generate turnover and cash. Properties are relatively illiquid compared to other types of investment products, and property prices tend to be volatile, particularly at times when the global and relevant local economies experience significant changes. As a result, the prices of our properties may experience significant fluctuations between the time we acquire the site and the time we pre-sell or sell the properties developed on such site. For example, persistent poor market sentiment towards the Hong Kong and PRC property markets from 2001 to 2003 negatively affected overall property values and was reflected in prevailing share prices of property companies listed on the Hong Kong Stock Exchange.

The time we take and the substantial capital costs we incur to complete a project can be adversely affected by many factors, including shortages of materials, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with independent contractors and sub-contractors, accidents, changes in government priorities and policies, and other problems and circumstances beyond our control. Specifically, we may be materially and adversely affected because:

- our independent contractors may not be able to complete our projects on time, within budget or otherwise to our specifications and standards, resulting in us compensating purchasers for late delivery of properties;
- we may not be able to obtain necessary governmental approvals for the development of our properties without delays or such approvals may be denied;
- we may experience delays as a result of relocation of occupants of our future development sites;
- we may not be able to obtain adequate working capital or other financing to complete construction on schedule; and
- disputes may arise among our contractors as to their obligations since we typically hire more than one contractor for each construction project.

Most of these factors are beyond our control. The occurrence of factors such as those above could delay completion of our projects, thereby increasing our financing costs, penalties and other costs, which would in turn impair our ability to achieve anticipated turnover and profitability.

Our financial results are sensitive to fluctuations in the cost of construction materials.

Construction costs comprise one of the predominant components of our cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, the cost of construction materials have been the principal driver of the construction costs of our property development projects, as the cost of third-party contractors has remained relatively stable. However, as construction material costs are often included in the construction costs paid to our contractors, it has been difficult for us to estimate such costs.

Construction costs may fluctuate as a result of the volatile price movement of construction materials such as steel and cement. We seek to reduce our exposure to short-term price fluctuations of construction materials and limit project cost overruns by outsourcing construction work (including procurement of supplies of principal construction materials such as steel and cement for our property development projects) at fixed prices. In line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each contract), we may be required to re-negotiate or top up payments to contractors (depending on the price movement) under existing construction contracts. Additionally, should our existing contractors fail to perform under their contracts, we might be required to pay more to contractors under replacement contracts. Our profit margin is sensitive to changes in the market prices for construction materials and our project margins will be adversely affected if we are not able to pass all of the increased costs onto our customers.

We will be exposed to general risks associated with our investment properties and the ownership and management of real property.

We plan to develop and purchase additional investment properties to benefit from recurring and stable income. However, investment property assets are generally illiquid, limiting the ability of an owner or a developer to convert such investment property assets into cash at short notice or requiring a substantial reduction in the price that might otherwise be sought for such assets to ensure a quick sale. Such illiquidity also limits our ability to vary our portfolio in response to changes in economic or other conditions. Moreover, we may face difficulties in securing timely and commercially favorable financing in asset-based lending transactions secured by real estate due to its illiquidity.

Investment properties are also subject to risks incidental to the ownership and management of residential, office and retail properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties for the values at which they are recorded in the financial statements, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs.

Our branding and marketing strategy could be adversely affected if owners of the projects that we have developed elect to discontinue our engagement as the provider of property management services.

We provide post-sales property management services to the owners of each residential project that we have developed. The services include rental agency, security management, maintenance, shuttle bus services, clubhouse operation, gardening and landscaping and other customer services. We believe that property management is an integral part of our business and is very important to the successful marketing and promotion of our property developments. Under PRC laws and regulations, the home owners in a residential community of certain scale have the right to change the property management company through collective actions. If owners of the projects that we have developed elect to discontinue our property management services, our branding strategy and the marketing of our future property developments could be adversely and significantly affected.

Our business depends on the continuing efforts of our key management personnel.

Our success depends substantially on the expertise and experience of our key management personnel, many of whom have been with us for over ten years and have significant experience within their respective fields. See "Directors and Management" for their respective experience and qualifications. If our key management personnel are unable or unwilling to continue in their present positions, we may not be able to replace them in a timely manner or at all. The loss of services of key management personnel in the absence of suitable replacements could have a material adverse effect on our operations, financial condition and results of operations.

Changes in fair values of our investment properties are unrealized, and any surplus may not be realized in the same amount or at all. Declines in fair values of our investment properties may cause us to incur net losses.

Our investment properties consist of properties we hold for rental purposes and leasehold land used for the construction of properties for rental. As of each balance sheet date, the value of our investment properties is assessed by an independent property valuer based on their then current market values. Pursuant to HKAS 40 on investment properties, which we have adopted, we recognize any net change in the fair value of our investment properties in our consolidated income statements as "changes in fair values of investment properties." If we increase our proportion of investment properties, as we plan to do, the impact of such changes in market values on our consolidated income statement may become even greater.

In addition, in accordance with HKFRS, the values of our properties held for sale and properties under development for sale (collectively, "properties for sale") are assessed on a different basis than our investment properties. Our properties for sale are valued at the lower of costs and net realizable values rather than their then current values, and accordingly, any changes in fair values of our properties for sale are not recognized. As a result, a change, or transfer, in the classification of a property between investment property and property for sale may result in a change in our profit for the relevant year. We make such transfers according to changes in our development plan, which are based on the investment return we expect to derive from the then current market conditions, as well as our expectation of future market conditions. However, the accounting treatment of transfers between investment properties and properties for sale is subject to HKFRS.

Changes in fair values of investment properties represent unrealized gains and losses and, as such, do not reflect our cash flow or liquidity positions. Furthermore, we cannot assure you that any surplus in fair values of investment properties can be realized at the same amount or at all or that declines in fair values will not cause us to incur net losses.

Our major shareholder is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions.

Approximately 37.2% of our outstanding shares are beneficially owned directly or indirectly by Coastal International Holdings Limited. Subject to compliance with applicable laws, by maintaining such ownership, Coastal International Holdings Limited is able to exercise substantial influence over our corporate policies, appointment of our directors and officers and actions requiring shareholders' approval, including a change of control. The strategic goals and interests of Coastal International Holdings Limited may not be aligned with our strategies and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base.

We arrange PRC bank financing for some of the purchasers of our properties and provide guarantees to secure the repayment obligations of those purchasers. If those purchasers default on their bank financing contracts, our results of operation and financial condition may be materially and adversely affected.

In line with industry practice, we provide guarantees to PRC banks with respect to loans procured by the purchasers of our properties for up to 70% of the total purchase price of the applicable property. The majority of these guarantees are short-term guarantees which are released upon the earlier of the issuance of the individual property ownership certificate to the owner of the property or the certificate of other rights of property to the mortgage bank by the relevant housing administration department, which generally takes place within three months after we deliver the relevant property to the purchasers, or the full settlement of the mortgaged loans by the purchasers. As of March 31, 2005, 2006 and 2007, we had guaranteed mortgage loans in the aggregate outstanding principal amount of HK$217.3 million, HK$392.9 million and HK$890.2 million (US$113.9 million), respectively. While the total amount of guaranteed loans under default for each of the three years ended March 31, 2005, 2006 and 2007 was insignificant, there can be no assurance that this will be the case in the future.

As part of our guarantee obligations, we are typically required to place in an account with the applicable banks an amount representing 3% to 5% of the mortgaged amount as pledged deposit. In line with industry practice, we rely on the credit evaluation conducted by mortgagee banks and do not conduct our own independent credit checks on our customers. As a result, if a purchaser defaults on its payment obligations during the term of our guarantee, the bank may deduct the delinquent mortgage payment from our deposit and require that we immediately replenish our deposit to the original amount. If multiple purchasers default on their payment obligations simultaneously or in close succession, we will be required to make significant payments to the banks to satisfy our guarantee obligations, and we may be unable to provide meaningful guarantees to banks to support future purchasers of our properties. If we are unable to resell the properties underlying defaulted mortgages on a timely basis or at a price higher than the amount necessary to repay the defaulting purchaser's mortgage, we will be required to make payments to the banks and suffer a reduction of our cash and cash equivalents available for working capital purposes. In addition, because we have substantial exposure on mortgages on pre-sold properties that have not yet been delivered, if the PRC property market or the property markets in any of the major cities in which we operate were to suffer a significant downward price adjustment, our results of operation and financial condition may be materially and adversely affected.

In addition, if there are changes in laws, regulations, policies and practices that would prohibit real estate developers from providing guarantees to banks in respect of mortgages offered to property purchasers and these banks would not accept any alternative guarantees by other third parties, or if no third party is available in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks during pre-sales. Such difficulties in financing could result in a substantially lower rate of pre-sale of our properties, which could adversely affect our cash flow, financial condition and results of operations. We are not aware of any impending changes in laws, regulations, policies or practices which will prohibit such practice in the PRC. However, there can be no assurance that such changes in laws, regulations, policies or practices will not occur in the future.

We face risks related to the pre-sale of properties, including the risk that property developments are not completed.

We face risks relating to the pre-sale of properties, a practice which is widely adopted in the PRC. For example, we may fail to complete a fully or partially pre-sold property development, in which case we could find ourselves liable to purchasers of pre-sold units for losses suffered by them. As we were late in delivering the residential properties of Silo City phases I and II by approximately three and two months, respectively, we were required to compensate purchasers of these properties (who acquired them through pre-sales) an aggregate of HK$24.4 million. There can be no assurance that these losses would not exceed the purchase price paid in respect of the pre-sold units. In addition, if a pre-sold property development is not completed on time, the purchasers of pre-sold units may be entitled to compensation for late delivery. If the delay extends beyond the contractually specified period, these purchasers may even be entitled to terminate the pre-sale agreements and claim damages. We cannot ensure that we will not experience any significant delays in completion or delivery or that we will not be subject to any liabilities for any such delays. Also, proceeds from pre-sale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our need to seek alternative means to finance the various stages of our developments. This, in turn, could have an adverse effect on our cash flow, business and financial position.

Our insurance coverage may be inadequate to cover potential liabilities.

We do not maintain insurance coverage over our properties under development (which is maintained by our building contractors) and do not hold business interruption insurance. Our building contractors are required to maintain insurance coverage for our properties under development against operational risks at the construction site and third party liabilities. As part of our management service, we maintain all risks property insurance and public liability insurance for common areas and amenities of the properties under our management. We also maintain on a voluntary basis personal accidental insurance and supplementary commercial medical insurance for some of our employees. We believe that this practice is consistent with the customary industry practice in China. However, there are certain types of losses, such as losses from natural disasters, terrorist attacks, construction delays and business interruptions for which insurance is either not available or not available at a reasonable cost. Additionally, these insurance policies are subject to customary deductibles and limitations on coverage. Therefore, we are not fully covered for all potential losses, damages and liabilities which, if they were to occur, may result in the loss of our capital and the loss of anticipated turnover. Moreover, we remain liable for any mortgage indebtedness or financial obligations relating to the relevant property. To date, we have not suffered any material losses which were not fully covered by insurance. However, any future loss that is not fully covered by insurance could significantly reduce our cash and cash equivalents available for working capital purposes and materially and adversely affect our financial condition and results of operations.

We may encounter problems with current and potential joint ventures which may adversely affect our business.

We currently have, and expect in the future to have, other interests in PRC joint venture entities in connection with our property development plans. If there are disagreements between us and our joint venture partners regarding the business and operations of the joint ventures, we cannot assure you that we will be able to resolve them in a manner that will be in our best interests. In addition, our joint venture partners may (i) have economic or business interests or goals that are inconsistent with ours; (ii) take actions contrary to our instructions, requests, policies or objectives; (iii) be unable or unwilling to fulfill their obligations; (iv) have financial difficulties; or (v) have disputes with us as to the scope of their responsibilities and obligations. Any of these and other factors may materially and adversely affect the performance of our joint ventures, which may in turn materially and adversely affect our financial condition and results of operations.

We rely on independent contractors to provide property development products and services.

In line with industry practice, we engage independent third party contractors to provide significant property development services, including construction, piling and foundation, building and property fitting-out work, interior decoration and installation of air-conditioning units and elevators. There can be no assurance that the services rendered by any such independent contractor or any subcontractor will be completed in a timely manner or of satisfactory quality. If these services are not timely or of acceptable quality, we may incur substantial costs to complete the projects and remedy any defects and our reputation could be significantly harmed. We are also exposed to the risk that a contractor may require additional funds in excess of the fixed cost to which they committed contractually and we may have to bear such additional amounts. Furthermore, any contractor that experiences financial or other difficulties, including labor disputes with its employees, may be unable to carry out construction or related work, resulting in a delay in the completion of our development projects or resulting in additional costs. We believe that any problems with our contractors, individually or in the aggregate, may materially and adversely affect our financial condition, results of operations or reputation. We cannot assure you that such problems with our contractors will not occur in the future.

We may fail to obtain formal qualification certificates or renew existing interim qualification certificates.

All property developers must obtain a PRC Qualification Certificate to conduct property development business in China. According to the Provisions on Administration of Qualification of Real Estate Developers, all newly established property development corporations or entities must first apply for a PRC Interim Qualification Certificate, which is valid for one year. Such certificate may be extended up to a maximum of two years with the approval of the relevant construction administration authority. An application for a formal qualification certificate must be made one month before the interim qualification certificate expires. If the property developer has, at the time of such application, complied with all relevant regulations and requirements, including the conditions applicable to the interim qualification certificate, and has property development projects under construction, the formal qualification certificate is usually granted. According to the Provisions on Administration of Qualification of Real Estate Developers, the maximum amount of the fine for operating property development business without a valid interim or formal certificate shall be RMB100,000. Furthermore, before commencing operations, our property management companies in the PRC are required to obtain qualification certificates in accordance with the Measures on Administration of Qualification of Property Management Enterprises and Jingdian Construction Co. Ltd., our PRC subsidiary engaged in the construction business, is required to obtain a qualification certificate in accordance with the Provisions on Administration of Qualification of Construction Enterprises. All qualification certificates are subject to renewal on an annual basis.

As of the date of this offering circular, all our operating subsidiaries in the PRC, except for My Home Services (Beijing) Ltd., have obtained qualification certificates or interim qualification certificates for real estate development enterprises or property management enterprises. However, there can be no assurance that any applications for an extension/renewal or formal certificate made by our subsidiaries will be successful. If any such extension/renewal or formal certificate is not obtained for any reason, our operating subsidiaries may be required to pay a fine or our business licenses may be revoked. As a result, our business and results of operations may be materially and adversely affected.

We may face legal claims from our purchasers, suppliers and contractors and we may be involved in government proceedings.

We may face claims by purchasers for failure to deliver properties according to the specifications and schedules stipulated in our sale and pre-sale contracts. Additionally, we may face claims from third parties such as suppliers and contractors. Third party claims against us have primarily consisted of disputes relating to design matters, disputes over construction matters, and disputes over sale and pre-sale contracts and tenancies. As of the date of this offering circular, we have an outstanding claim in the amount of RMB122 million from a previous contractor for our Dongguan Riviera Garden project. The contractor has lost in trial and is currently appealing. We have already paid the contractor the amount of RMB50 million pursuant to the relevant construction contract and do not believe that they are entitled to any additional amount. The amount of other claims against us is insignificant. We believe the ultimate outcome of these legal proceedings will not, individually or in the aggregate, have a material adverse effect on our financial condition, results of operations or cash flow. However, there can be no assurance that we will not be involved in additional proceedings or that such proceedings will not have larger amounts in controversy in the future or that the outcome of these proceedings will not adversely affect our financial condition, results of operations or cash flow.

We are regulated by various government authorities in China. If any PRC government authority believes we or any of our suppliers or contractors are not in compliance with PRC regulations, it could shut down or delay our construction or sales operations, refuse to grant or renew construction approvals or licenses, institute legal proceedings to seize our properties, enjoin future actions or assess civil and/or criminal penalties against us, our officers or our employees. Any such action by a PRC government agency would have a material adverse effect on our business. If we are found to have not complied with, or in the future do not comply with, all applicable PRC laws and regulations, our business, results of operations and reputation may be materially and adversely affected.

Relocation arrangements relating to our future and potential developments may be subject to negotiation and failure to reach agreements may affect our development schedules.

Under PRC law and regulations, we may be required to pay relocation costs to residents of any site that we plan to demolish. While we currently do not have any projects that are subject to any relocation costs, there can be no assurance that we will not in the future. Also, we may in the future be required to enter into an agreement with each resident to compensate for his removal and relocation. In such circumstances, if we fail to reach an agreement, we or the resident may apply for an administrative ruling or initiate court proceedings, which may delay our development schedules and increase our costs (including holding costs). Such delays and increases in costs could be material.

We may be required to forfeit land to the PRC government if we fail to comply with the terms of our land grant contracts.

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the relevant land grant contract (including those relating to payment of fees, designated use of land, time for commencement and completion of the developments of the land), the relevant government authorities may issue a warning to or impose a penalty on the developer or require the developer to forfeit the land. Specifically, under current PRC laws and regulations, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice to us and impose a land idle fee on the land of up to 20% of the land premium. If we fail to commence development for more than two years from the commencement date stipulated in the land grant contract, the land is subject to forfeiture to the PRC government unless the delay in development is caused by government actions or force majeure. Moreover, even if the commencement of the land development were in line with the land grant contract, if (i) the developed GFA on the land is less than one-third of the total GFA of the project under the land grant contract or the total capital invested is less than one-fourth of the total estimated investment of the project under the land grant contract and (ii) the suspension of the development of the land has been over one year in time without government approval, the land will be treated as idle land. We cannot assure you that circumstances leading to forfeiture of land or delays in the completion of a property development may not arise in the future. If we forfeit land, we will not be able to continue our property development on the forfeited land or recover the costs incurred for the initial acquisition of the forfeited land or recover development costs and other costs incurred up to the date of forfeiture.

There is no assurance that we will continue to receive the preferential tax treatments and tax benefits that some of our subsidiaries currently enjoy.

Even though the enterprise income tax rate generally applicable to domestic and foreign-invested real estate companies in the PRC is 33% (25% effective from January 2008), a number of our subsidiaries are currently enjoying preferential enterprise income tax rates granted by their respective local governments. For example, each of our wholly owned subsidiaries including Comfort Property Management (Xiamen) Ltd., My Home Services (Xiamen) Ltd. and Shenzhen Coastal Property Investment Ltd. enjoys an income tax rate of 15%. Coastal Greenland Development (Anshan) Limited, in which we have a 21% equity interest, currently enjoys a low income tax rate of 18%. The preferential tax rates had a significant positive effect on our profit after taxation during the years ended March 31, 2005, 2006 and 2007. We cannot assure you that we will continue to enjoy such preferential tax treatments in the future. Our profit after taxation and financial position may be materially affected in the future if the preferential tax treatments are modified or canceled in the future.

The existing PRC income tax law applicable to foreign-invested enterprises currently specifically exempts withholding tax on dividend payments to foreign investors. However, pursuant to the new PRC Income Tax Law for Enterprises, which will come into effect on January 1, 2008, dividends payable to foreign investors are subject to a 25% withholding tax unless the foreign jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Company's place of incorporation, Bermuda, does not have any such tax treaty with China. Although the PRC Income Tax Law for Enterprises contemplates the possibility of deductions or exemptions from withholding taxes for China-sourced income of foreign-invested enterprises, the PRC tax authorities have not announced any related details.

We are subject to environmental laws and regulations in the PRC.

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. Environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas. Each of our property development projects, other than certain property developments that were approved before the applicable environmental laws were promulgated, is required under PRC law to undergo environmental assessments. In addition, an environmental impact study report is required under PRC law to be submitted to the relevant government authorities before approval is granted for commencement of the property development. We have not experienced any material difficulties in obtaining such approvals in the past, although we cannot assure you that we will not experience any difficulties going forward. Upon completion of each property development, the relevant government authorities also inspect the site to ensure that applicable environmental standards have been complied with, and the resulting reports are then presented together with other specified documents to the local construction administration authorities for their records. Our operations are also subject to inspections by governmental officials with regard to various safety and environmental issues. We believe that we are in compliance in all material respects with applicable environmental regulations in the PRC and the environmental investigations conducted to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations. However, it is possible that these investigations did not reveal all environmental liabilities, or that there are material environmental liabilities of which we are unaware, or that we will incur environmental liabilities in the future. See "Business – Environmental Matters" for a description of the foregoing environmental matters.

Infringement of intellectual property rights may dilute the value of our brand name and adversely affect our operations.

Our products are mainly marketed under the names "Riviera," "Sunvilla" or "Silo City." Although we have registered "Coastal" and "Lakeside Apartment" as trademarks in the PRC and have applied for the registration of "Silo City" as a trademark in the PRC, we have not received the approval or the registration certificate for "Silo City," nor have we registered any other related trademarks or service marks. Accordingly, we will not be able to prevent other companies from using a mark containing the words "Riviera," "Sunvilla" or "Silo City" in the PRC. Unauthorized use of any of our intellectual property or use by third parties of any marks containing the words "Riviera," "Sunvilla" or "Silo City" may result in confusion in the market and may lead to less revenue for us and loss of market share, thereby adversely affecting our results of operations. Additionally, if it is determined that our use of our intellectual property or marks containing the words "Riviera," "Sunvilla" or "Silo City" in the PRC infringes upon the intellectual property rights of another company, we may be required to cease using such intellectual property or marks, which may adversely affect our business and results of operations.

Risks Relating to the Property Market in China

The performance of our business may be adversely affected by legal and regulatory changes introduced by the PRC government.

The PRC property market is highly regulated by the PRC government. From time to time, the PRC government adjusts its monetary and economic policies to adjust the rate of growth of the PRC economy and economies of local areas within the PRC. In recent years, prices of residential properties in a number of major PRC cities have experienced rapid and significant growth. This rapid growth of the PRC real estate market over the past few years has raised increasing concerns that certain sectors of the PRC real estate market have started to overheat. Since 2004, the PRC government has taken measures intended to curtail the overheating of property development in the PRC, including:

- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;

- requiring property developers to finance 35% rather than 20% of the total projected capital outlay of any property development with their capital funds;

- increasing the required reserve ratio of funds that a commercial bank must hold on deposit to 13% with effect from October 25, 2007, effectively reducing the amount of money a bank is able to lend; and

- tightening regulations governing mortgage lending and restricting approval of new development zones.

In April 2005, the Ministry of Construction of PRC and other relevant Chinese government authorities jointly issued the "Opinions on Stabilizing Property Prices (關於做好穩定住房價格工作的意見)" followed by a set of new measures to tackle the overheating of the real estate industry, including:

- a business tax levy, effective June 1, 2005, on the sales proceeds subject to the length of holding period and type of properties;

- a ban on onward transfer of uncompleted properties;

- an imposition of a land idle fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and cancellation of land use rights for land idle for two years or more;

- a revocation of approvals for projects which are not in compliance with their planning permits; and

- a ban on land grants for villa construction and a restriction on land provisions for high-end residential property construction.

In 2006 and 2007, the PRC government implemented a series of new measures on land supply, bank mortgage finance, taxation and other aspects with an aim to slow down the increase in real property prices, to encourage development of more low- and middle-end properties, to restrict foreign investment in the PRC real estate industry and to promote a better environment for the growth and development of the PRC property industry, including:

- With effect from June 1, 2006, a requirement that residential units each with floor area of less than 90 square meters represent at least 70% of the total floor area of the residential developments of projects in a city, county or district, unless approval is obtained. Where the residential development was approved before June 1, 2006 but its construction permit was obtained after June 1, 2006, the local government may adjust the percentage of the annual total construction area that consists of units that are less than 90 square meters in size in accordance with applicable PRC laws. Additionally, new land supply for the development of villa projects has been discontinued, and new land supply for high-end residential properties has been restricted. As a result, to comply with this notice, we may be required to change the design of some of our projects, and we may incur significant cost if such design changes are required.

- A business tax to be levied on total sale value of residential property within five years of purchase, as well as a business tax to be levied on any gains from the sale of residential properties which are not deemed to be ordinary residential properties, after five years of purchase by an individual.

- With effect from June 1, 2006, a minimum down payment of 30% of the total purchase price of a residential unit with floor area of over 90 square meters if such unit is the first self-owned residential unit for the borrower. If an individual purchases additional residential units, he is required to make a down payment of 40% of the purchase price for each additional unit and the loan interest rate for such units should not be less than 1.1 times the benchmark lending rate published by the PBOC for the same period. This applies to all existing units and units yet to be completed. A down payment of 20% is required for residential units purchased for self use with floor area of 90 square meters and below.

- With effect from August 1, 2006, definitions are set out on property values for different types of residential property for computing taxable gains for individual income tax on transfer of residential property and reasonable deductible costs with maximum cap on each such allowable cost.

- On July 11, 2006, the Ministry of Construction, the Ministry of Commerce (the "MOFCOM"), the National Development and Reform Commission (the "NDRC"), the PBOC, the State Administration of Industry and Commerce (the "SAIC") and the SAFE jointly issued the "Opinions on Regulating the Admittance and Administration of Foreign Capital in the Real Estate Market

(關於規範房地產市場外資進入和管理的意見)" (the "Opinions"). These Opinions state, among other things, that an overseas entity or individual investing in real estate in China (other than for personal use) must apply for the establishment of a Foreign Invested Real Estate Enterprise (the "FIREE") in accordance with applicable PRC laws and may only conduct operations within the authorized business scope provided for in its approved application. The Opinions impose additional restrictions on the establishment and operation of FIREEs by (i) stipulating that not less than 50% of the total investment in a property development project with a total investment exceeding US$10 million shall be registered capital of a FIREE, (ii) limiting the validity of temporary approval certificates and business licenses to one year, (iii) restricting the transferability of equity interests in a FIREE and the transfer of its projects, and (iv) prohibiting the borrowing of money by a FIREE from domestic and foreign lenders in cases where, among other things, the FIREE's registered capital is not paid up or required land use rights have not been obtained. In addition, the Opinions also limit the ability of certain foreign individuals to purchase residential properties in the PRC.

- With effect from January 1, 2007, the tax rate on urban land use right has been raised to RMBl.5 to RMB30 per square meter for metropolitan areas depending on the location and type of use, which is higher than the previous statutory rate set forth in the "Interim Regulations of PRC on Land Use Tax in respect of Urban Land as amended by State Council," and any foreign investment enterprise using urban land is required, for the first time, to pay the tax on urban land use from January 1, 2007.

- With effect from February 1, 2007, the State Administration of Taxation's "Notice in Relation to the Settlement of LAT levied on Real Estate Development Enterprises (國家税務總局關於房地產開發企業土地增值税清算管理有關問題的通知)" regulates, among others, (1) the conditions under which LAT must be settled; (2) the methods in which taxable gains are computed; (3) identifying items which are allowable deductible costs; (4) time frame for settlement of the LAT; and (5) requirements for filing of documents. The purpose of the notice was to regulate the settlement of LAT by property development enterprises more stringently.

- With effect from January 1, 2008, the PRC Income Tax Law for Enterprises will impose a single uniform income tax rate of 25% for most domestic enterprises and foreign-invested enterprises. It contemplates various transition periods and measures for existing preferential tax policies, including among others, a grace period for as long as five years for foreign-invested enterprises which are currently entitled to a lower income tax rate and continued implementation of preferential tax treatment with fixed term until the expiration of such fixed term. In addition, under the Enterprise Tax Law, foreign investors are not expressly exempted from the income tax on dividends from a foreign-invested enterprise, which is currently exempted under the existing tax law.

- On May 23, 2007, the MOFCOM and the SAFE jointly issued the "Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC (商務部、國家外匯管理局關於進一步加強、規範外商直接投資房地產業審批和監管的通知)." The notice states, among other things, that before obtaining approval for the setup of real estate entities with foreign investment, (i) both the land use right certificates and building ownership right certificates should be obtained or (ii) contracts for obtaining land use rights or building ownership rights should be entered into. The notice also stipulates that foreign invested enterprises that intend to expand into property development business or foreign invested real estate enterprises that intend to be engaged in new property development projects have to apply for expansion of business scope or increase of business operations to relevant PRC government authorities. Further, real estate enterprises with foreign investment that have been approved by local government authorities are required to immediately register with the MOFCOM.

- On July 10, 2007, the General Affairs Department of the SAFE issued the "Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment That Have Properly Registered with the MOFCOM (國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知)." The notice stipulates, among other things, (i) that the SAFE will no longer process foreign debt registrations or applications for purchase of foreign exchange submitted by real estate enterprises with foreign investment who obtained authorization certificates from and registered with the MOFCOM on or after June 1, 2007 and (ii) that the SAFE will no longer process foreign exchange registrations (or change of such registrations) or applications for sale and purchase of foreign exchange submitted by real estate enterprises with foreign investment that obtained approval certificates from local government commerce departments on or after June 1, 2007 but who did not register with the MOFCOM. This new regulation restricts the ability of foreign-invested real estate companies to raise funds offshore for the purpose of injecting such funds into the companies either through capital increases or by way of shareholder loans. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or have obtained or will obtain in a timely manner all necessary registration for all our operating subsidiaries in the PRC to comply with the new regulation. Therefore, we may not be able to use all or any of the capital that we may raise from this offering to finance our property acquisitions.

We cannot assure you that the PRC government will not take further action, whether in the form of new austerity measures, regulations or policy adjustments, which may negatively impact the PRC property market. Although the various austerity measures are intended to promote more balanced real property development in the long term, such policy changes may lead to changes in market conditions, including price volatility and an imbalance of supply and demand of commercial and residential properties in the PRC, which may have a material adverse effect on our business, financial condition and results of operations. In particular, policy changes pertaining to our ability to pre-sell our properties or the ability of our customers to use mortgages to finance their purchases could materially affect our business, financial condition and results of operations. See "– Risks Relating to the Property Market in China – The terms on which mortgages are available, if at all, may affect our sales."

Although we believe our business has not been materially and adversely affected by the austerity measures, the PRC government and local governments in the PRC will continue to exercise a substantial degree of control and influence over the PRC economy and property. Any form of additional government control or newly implemented laws and regulations, depending on the nature and extent of such changes and our ability to make corresponding adjustments, may result in a material adverse effect on our business, financial condition and results of operations, as well as on our future expansion plans in the PRC. In particular, decisions taken by regulators concerning economic policies or goals that are inconsistent with our interests could adversely affect our prospects and results of operations.

For a more detailed description of the austerity measures and their effect on the property market, see "Regulation."

The enforcement of regulations on LAT by the PRC tax authorities may materially and adversely affect our profitability and cash flow position.

According to the requirements of the "Provisional Regulations of the PRC on Land Appreciation Tax," and the "Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax," or the LAT Implementation Rules, all units and individuals receiving net profit from the sale or transfer of state-owned land use rights, buildings and their attached facilities are required to pay a land appreciation tax, or LAT. LAT is levied at progressive rates from 30% to 60%. If the taxpayer constructs ordinary residential properties and the amount of appreciation does not exceed certain thresholds set forth in the tax regulation, the taxpayer is exempt from payment of LAT. On December 28, 2006, the State Administration of Taxation issued the "Notice on the Administration of the Settlement of LAT of Property Development Enterprises levied on Real Estate Development Enterprises (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知)," or the LAT Notice, which became effective on February 1, 2007. The LAT Notice sets forth, among other things, methods of calculating LAT and a time frame for settlement.

We believe we have made sufficient provisions based on our estimate of the amount of applicable LAT payable in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only prepay a portion of such provisions each year as required by the local tax authorities. We will make a final accounting of the appreciation values in connection with the sale of our properties of each of our projects according to the requirements of the LAT Notice and settle the difference with the tax authorities.

We capitalize LAT to property under development. Once the property development is completed, the capitalized LAT is reflected on our income statements as tax. We believe we have capitalized an appropriate amount for LAT for each of the years ended March 31, 2005, 2006 and 2007.

If the amount of LAT we have provided for our properties under development is substantially lower than the actual LAT amounts assessed by the government in the future, our results of operations will be materially and adversely affected. In addition, our current cash levels may not be sufficient to settle the actual amount of LAT assessed by the government. Our total amount of LAT provision as of March 31, 2007, based on our estimate, was HK$37.8 million (US$4.8 million), and our cash and cash equivalents as of that date totaled HK$952.7 million (US$121.9 million). As a result, we may be required to obtain additional financing to pay for the actual amount of LAT assessed by the government. However, we may not be able to obtain additional financing in a timely manner and on acceptable terms or at all, which in turn may materially and adversely affect our business and results of operations.

Our results of operations may be adversely affected if we fail to obtain, or there are material delays in obtaining, requisite governmental approvals for a significant number of our property developments.

The real estate industry in the PRC is heavily regulated by the PRC government. PRC real estate developers must comply with various requirements mandated by the laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, a real estate property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including land use rights certificates, planning permits, approvals for environmental impact assessment, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions. We have not experienced any delays in obtaining such governmental approvals in respect of our property developments that have had a material adverse effect on our business or results of operations. However, there can be no assurance that we will not encounter major problems in fulfilling the conditions precedent to the approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain the relevant approvals for a significant number of our property developments, these developments may not proceed on schedule, and our business, financial condition and results of operations may be adversely affected.

The terms on which mortgages are available, if at all, may affect our sales.

Substantially all purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the down payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would limit or reduce the availability or attractiveness of mortgage financing to potential property purchasers. The China Banking Regulatory Commission issued a regulation on September 2, 2004 to limit mortgage loans on properties to 80% of the sale price of the underlying properties. In March 2005, the PBOC issued a circular to allow commercial banks to further limit the property mortgage loans to 70% of the sale price of the underlying properties in certain regions considered to have an overheated property market. In May 2006, the State Council issued the "Notice on Adjusting the Framework for Supply of Residential Property and Stabilizing of Property Prices (關於調整住房供應結構穩定住房價格意見的通知)" which requires, with effect from June 1, 2006, a minimum down payment of 30% of the total purchase price of a residential unit with floor area of over 90 square meters. This applies to all existing units and units yet to be completed. A down payment of 20% on residential units purchased for self use with floor area of 90 square meters and below. Furthermore, on August 9, 2006, the PBOC raised the minimum property mortgage loan rates to 85% of the respective benchmark lending rates. As a result, for example, the minimum rate for property mortgages with a term of over five years has been increased to 5.814%, 20 basis points higher than the then existing minimum mortgage loan rate. In addition, according to press reports, the PBOC has from time to time considered revising its existing mortgage policy to prohibit the financing of pre-sale purchases. If any such new policy limits or reduces the availability or attractiveness of mortgage financing, many of our prospective customers may not be able to purchase our properties. Any inability or delay in purchasing our properties may result in a material and adverse effect on our business, liquidity and results of operations.

Our business may be adversely affected by further increases in interest rates.

On October 28, 2004, the PBOC raised both its benchmark lending and deposit interest rates by 0.27% to 5.58% for one-year Renminbi-denominated loans and 2.25% for one-year deposits with effect from October 29, 2004. The PBOC also abolished the upper limit on Renminbi lending rates and permitted banks to offer deposit rates below the PBOC benchmark rate. In March 2005, the PBOC cancelled the preferential mortgage loan rate for individuals and restricted the minimum mortgage loan rate to 0.9 times of the benchmark lending rate. The PBOC further raised its benchmark lending interest rates for one-year Renminbi loans on April 27, 2006 by 0.27% to 5.85%, and again on August 18, 2006 by 0.27% to 6.12%. In 2007, the PBOC has raised the benchmark one-year lending rate five times from 6.12% to 7.29%. The lending rates for other various terms were also raised accordingly.

As of March 31, 2005, 2006 and 2007, we had current secured interest bearing bank loans of HK$228.6 million, HK$432.3 million and HK$539.2 million, respectively. As of March 31, 2005, 2006 and 2007, we had non-current secured interest bearing bank loans of HK$426.0 million, HK$375.0 million and HK$1,256.7 million, respectively.

As a result, this increase in interest rates and any further increases in interest rates, including the PBOC benchmark rate, will adversely affect the affordability and attractiveness of mortgage financing to potential purchasers of our properties. Our cost of borrowing would also increase as a result of interest rate increases, which would, in turn, adversely affect our results of operations. For the year ended March 31, 2007, the effective interest rate of our fixed-rate borrowings (excluding the liability component of the Convertible Bonds) in the total amount of HK$2,023.7 million was between 4.86% and 11.00% per annum. For the same period, the effective interest rate for our variable-rate borrowings in the total amount of HK$1,826.8 million was between 5.76% and 6.93% per annum.

We face increasing competition which could adversely affect our business and financial position.

In recent years, a large number of property developers have begun to undertake property development and investment projects in China. In addition, a number of international developers have expanded their operations into China, including a number of leading Hong Kong and Singapore real estate development and investment groups. Many of these developers may have greater and other resources than we do. Competition between property developers is intense and may result in, among other things, increased costs for the acquisition of land for development, excessive demand for land in certain parts of China, an increase in land prices, a slowdown in the rate at which new property developments will be approved and/or reviewed by the relevant government authorities, an increase in construction costs and difficulty in obtaining high quality contractors and qualified employees. Any such effect may adversely affect our business, results of operations and financial position. In addition, the real estate market in China is rapidly changing. If we cannot respond to changes in market conditions more swiftly or effectively than our competitors do, our ability to generate turnover, our financial condition and our results of operations will be adversely affected. For more details, please refer to the section headed “Business – Competition” in this offering circular.

Our investment and business decisions may be made based on inaccurate information on the real estate industry in China.

Due to the rapid growth and size of the real estate industry in China and other factors, publicly available economic and demographic data and statistics regarding the industry may be inaccurate. Consequently, our investment and business decisions may not always have been, and may not be in the future, based on accurate information. Inaccurate information may adversely affect our business decisions, which could materially and adversely affect our results of operations and financial condition.

We may be unable to adapt to rapidly changing market conditions.

Rapidly changing market conditions, including changes in customer tastes, market prices and the desirability of a location, may adversely affect our business. Property development requires significant capital outlays and returns on capital are not achieved until cash is received from pre-sale, sales or leases. The size of the capital outlays and number of parties involved in a property development project make it difficult to change property development plans once set. As a result, we may not be able to adjust our plans or reallocate our resources to adapt to rapidly changing market conditions.

We face risks related to health epidemics and other outbreaks.

Our business could be adversely affected by the effects of avian flu, SARS or another epidemic or outbreak. China reported a number of cases of SARS in 2004. From 2005 to early 2007, there have been reports of occurrences of avian flu in various parts of China, including a few confirmed human cases and deaths. Any prolonged recurrence of avian flu, SARS or other adverse public health developments in China may have a material and adverse effect on our ability to timely complete our property developments and on the real estate markets in China. This in turn would materially and adversely affect our financial condition and results of operations.

Risks relating to the Warrants and the Warrant Shares

A trading market for the Warrants may not develop and there are restrictions on resales of the Warrants.

The Warrants constitute a new issue of securities for which there is no established trading market. The Initial Purchaser has advised us that they do not intend to make a market in the Warrants. Therefore an active market for the Warrants may not develop or, if developed, continue.

If there is no active market for the Warrants, you may not be able to resell your Warrants at their fair market value or at all.

The Warrants may not have any significant value.

An investment in the Warrants is highly speculative, and we cannot assure you as to when or if the Warrants will have any significant value. The value of the Warrants and the Warrant Shares may be adversely affected by a number of factors. Risks relating to us could affect the value of the Warrants and the Warrant Shares. See "– Risks Relating to Our Business." In addition, if we fail to comply with the covenants in the Indenture governing the Notes resulting in an event of default, the Notes could be accelerated and enforcement of the charges over the shares of all our non-PRC subsidiaries would occur, which could have a material adverse effect on the value of the Warrants and our other indebtedness and the Warrant Shares.

All the Warrants expire and become voidable on ●. We will give notice of not less than ● or more than ● days prior to this expiration date to the registered holders of then outstanding Warrants to the effect that the Warrants will terminate and become void as of the close of business on the expiration date. If we fail to give this notice, the Warrants will nonetheless terminate and become void as of the close of business on the date of expiration. Prior to the exercise of the Warrants, holders of the Warrants will not be entitled to vote on matters concerning the Company.

Because the Warrants are executory contracts, they may have no value in bankruptcy.

In the event a bankruptcy or reorganization is commenced by or against us, a bankruptcy court may hold that unexercised Warrants are executory contracts that may be subject to rejection by us with approval of the bankruptcy court. As a result, holder of the Warrants may, even if sufficient funds are available, not be entitled to receive any consideration or may receive an amount less than they would be entitled to if they had exercised their Warrants prior to the commencement of any such bankruptcy or reorganization.

Risks Relating to China

Substantially all of our assets are located in China and substantially all of our turnover is generated in China. Accordingly, our results of operations, financial position and prospects are subject to a significant degree to economic, political and legal developments in China.

Political and economic policies of the PRC government could affect our business.

The PRC economy differs from the economies of most developed countries in a number of respects, including:

- its structure;
- level of government involvement;
- level of development;
- level of capital reinvestment;
- control of foreign exchange; and
- allocation of resources.

In recent years, the PRC government has implemented economic reform measures emphasizing decentralization, utilization of market forces in the development of the PRC's economy and a high level of management autonomy. Before its adoption of reform and open door policies beginning in 1978, China was primarily a planned economy. Since that time, the PRC government has been reforming the PRC economic system, and has also begun reforming the government structure in recent years. These reforms have resulted in significant economic growth and social progress. Although the PRC government still owns a significant portion of the productive assets in China, economic reform policies implemented since the late 1970s have emphasized autonomous enterprises and the utilization of market mechanisms. Factors that may cause the PRC government to modify, delay or even discontinue the implementation of certain reform measures include political changes and political instability and such economic factors as changes in rates of national and regional economic growth, unemployment and inflation. Although we believe these reforms will have a positive effect on our overall and long-term development, changes in China's political, economic and social conditions, laws, regulations and policies may have an adverse effect on our current or future business, results of operations or financial condition.

Changes in foreign exchange regulations may adversely affect our ability to satisfy our obligations under the Notes and our results of operations and financial condition.

The Renminbi is not currently a freely convertible currency. We receive almost all of our revenue in Renminbi. We will require foreign currency for interest payments and principal repayments relating to foreign currency loans, as well as payment of any dividends declared in respect of our shares, in which event we would need to convert Renminbi into foreign currency. Our ability to satisfy our obligations under the Notes also depends solely upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us and to repay shareholder loans. If any such PRC subsidiary under the shareholder loans for any reason is unable to pay us interest and principal, when due, on our shareholder loans, it may adversely affect our ability to satisfy our obligations under the Notes.

Under the existing foreign exchange regulations in China, we may undertake current account foreign exchange transactions through designated PRC banks, including payment of dividends, without prior approval from SAFE, by producing commercial documents evidencing such transaction. The PRC government has stated publicly that it intends to make the Renminbi freely convertible in the future. However, uncertainty exists as to the timing of any such reform and as to whether the PRC government may restrict access to foreign currency for current account transactions if foreign currency becomes scarce in China. On July 10, 2007, the General Affairs Department of the SAFE issued the "Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment That Have Properly Registered with the MOFCOM (國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知)." See "Regulation – Establishment of a Property Development Enterprise." This new regulation, through control of foreign exchange transactions, restricts the ability of foreign invested real estate companies to raise funds offshore for the purpose of injecting such funds into the companies either through capital increase or by way of shareholder loans. This may restrict our ability to use the capital that we will raise through issuance of the Notes for our property acquisitions and/or property development and thereby adversely affect our prospects and financial condition.

Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, continue to be subject to limitations and require the prior approval of SAFE. These limitations could affect our ability to obtain foreign currency through debt financing or to obtain the required foreign currency in a timely manner or at all, and will also adversely affect our business, financial condition and results of operations.

Fluctuation of the Renminbi may adversely affect our operations and financial results.

The Notes are denominated in U.S. dollars while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. The value of the Renminbi is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments, as well as supply and demand in the local market. Effective from July 21, 2005, the Renminbi is no longer pegged solely to the U.S. dollar. Instead, it is pegged against a basket of currencies, determined by the PBOC, against which its value can rise or fall by as much as 0.3% each day. For example, on July 21, 2005, the Renminbi was revalued against the U.S. dollar to approximately RMB8.11 to the U.S. dollar, representing an upward revaluation of 2.1% of the Renminbi against the U.S. dollar, as compared to the exchange rate of the previous day. On September 23, 2005, the PRC government widened the daily trading band for Renminbi against non-U.S. dollar currencies from 1.5% to 3% to improve the flexibility of the new foreign exchange system. The exchange rate may become volatile, the Renminbi may be revalued further against the U.S. dollar or other currencies or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the U.S. dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars or Hong Kong dollars (which are pegged to the U.S. dollar), of our net assets, earnings or any declared dividends.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. In April 2006, we entered into a currency swap agreement to manage our exposure to foreign exchange risk in connection with the Convertible Bonds. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Risks." Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. If we were unable to provide such collateral, it could constitute a default under such agreements.

In addition, under the current foreign exchange regime in the PRC, there can be no guarantee that sufficient foreign currency will be available at a given exchange rate to satisfy the demands of a particular enterprise in full. There can also be no assurance that shortages in the availability of foreign currency will not restrict our ability to obtain sufficient foreign currency to satisfy our foreign currency needs.

There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations.

The PRC legal system is based on statutory law. Under this system, prior court decisions may be cited as persuasive authority but do not have binding precedential effect. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organization and governance, property title, foreign investment, commerce, taxation and trade. Because these laws, regulations and legal requirements are relatively new and evolving, and because of the limited volume of published cases and judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws, regulations and legal requirements involves some uncertainty. Such uncertainties may lead to difficulties in enforcing our land use rights and in resolving disputes with contractors and others and could result in unanticipated costs and liabilities.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of March 31, 2007 on an actual basis and on an adjusted basis after giving effect to the Notes now being issued, the conversion of the Convertible Bonds and the redemption of our 2008 Senior Notes using the proceeds from this offering. See "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of the Notes." The following table should be read in conjunction with the selected consolidated financial information and the audited consolidated financial statements and related notes included in this offering circular. Except as otherwise disclosed herein, there has been no material change in our capitalization since March 31, 2007.

	As of March 31, 2007			
	Actual	Actual	As Adjusted	As Adjusted
	(HK$ in thousands)	(US$ in thousands)	(HK$ in thousands)	(US$ in thousands)
Cash and bank balances	952,749	121,928	●	●
Short-term borrowings				
Short-term borrowings	764,336	97,816	764,336	97,816
Total short-term borrowings	764,336	97,816	764,336	97,816
Long-term borrowings				
Long-term borrowings	3,359,250	429,901	●	●
The Notes to be issued	–	–	●	●
Total long-term borrowings	3,359,250	429,901	●	●
Shareholders' equity				
Share capital	231,552	29,633	275,938	35,313
Reserves	1,721,941	220,366	2,105,499	269,452
Proposed final dividend	27,594	3,531	27,594	3,531
Shareholders' equity	1,981,087	253,530	2,409,031	308,296
Total capitalization	6,104,673	781,247	●	●

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

You should read the selected consolidated financial information presented below in conjunction with our financial statements and the related notes included elsewhere in this offering circular. You should also read the section of this offering circular entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The selected consolidated financial information in this section has been derived from our audited consolidated financial statements as of and for the years ended March 31, 2005, 2006 and 2007, including the notes thereto included elsewhere in this offering circular. The audited consolidated financial statements were prepared in accordance with HKFRS, which differ in certain material respects from U.S. GAAP. For a discussion of these differences, see "Summary of Certain Differences Between HKFRS and U.S. GAAP." Our historical results of operations are not necessarily indicative of the results to be expected for any other period.

Selected Consolidated Income Statement Information

	Year Ended March 31,			
	2005	2006	2007	2007
	HK$	HK$	HK$	US$
	(in thousands, except per share data)			
Revenue	552,914	759,107	2,012,246	257,518
Cost of Sales[1]	(437,509)	(538,574)	(1,528,766)	(195,644)
Gross profit	115,405	220,533	483,480	61,874
Increase in fair value of investment properties	–	1,681	79,575	10,184
Gain on disposal of property based subsidiaries	47,966	25,801	39,420	5,045
Gain on partial disposal of property based subsidiaries	–	–	29,053	3,718
Gain on disposal of investment properties	53,903	19,436	–	–
Other income[4]	37,717	27,347	51,482	6,588
Marketing and selling costs[1]	(4,141)	(1,185)	(31,779)	(4,067)
Administrative expenses	(50,253)	(66,402)	(88,381)	(11,311)
Fair value loss on derivative liability component of convertible bonds	–	(26,643)	(166,484)	(21,306)
Other expenses[4]	(35,414)	(13,152)	(6,192)	(792)
Finance costs	(19,716)	(15,574)	(34,778)	(4,451)
Share of loss of an associate	(433)	–	(906)	(116)
Amortization of goodwill on acquisition of an associate	(162)	–	–	–
Profit before tax	144,872	171,842	354,490	45,366
Tax	(43,661)	(65,781)	(228,905)	(29,294)
Profit for the year	101,211	106,061	125,585	16,072
Attributable to:				
Equity holders of the Company	102,403	105,035	126,703	16,215
Minority interests	(1,192)	1,026	(1,118)	(143)
	101,211	106,061	125,585	16,072
Dividends				
Interim	–	21,053	23,155	2,963
Proposed final	–	22,129	27,594	3,531
	–	43,182	50,749	6,494
Earnings per share attributable to ordinary equity holders of the Company				
Basic	5.06 cents	5.13 cents	5.69 cents	0.73 cents
Diluted	5.06 cents	5.07 cents	5.62 cents	0.72 cents
Other Financial Data				
EBITDA[2]	175,798	219,416	559,883	71,651
EBITDA margin[3]	31.79%	28.90%	27.82%	27.82%

(1) Commencing with the year ended March 31, 2007, we include capitalized marketing and selling expenses for properties under development in our marketing and selling costs instead of cost of properties sold, which for the years ended March 31, 2005 and 2006 are included in our cost of properties sold.

(2) EBITDA for any period consists of profit from operating activities before extraordinary gains and expenditures, plus depreciation expenses and fair value loss on derivative liability component of convertible bonds. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized. See "Description of the Notes – Definitions." for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

(3) EBITDA margin is calculated by dividing EBITDA by revenue.

(4) Certain amounts included in "other income" and "other expenses" in our consolidated income statements for the years ended March 31, 2005 and 2006 have been reclassified to conform with the presentation for the year ended March 31, 2007.

Selected Consolidated Balance Sheet Information

	As of March 31,			
	2005	2006	2007	2007
	HK$	HK$	HK$	US$
		(in thousands, except per share data)		
NON-CURRENT ASSETS				
Property, plant and equipment	29,604	18,503	88,327	11,304
Investment properties	522,507	302,765	507,321	64,925
Prepaid land lease payments	4,933	4,819	91,520	11,712
Goodwill				
Goodwill	66,247	66,247	67,643	8,657
Negative goodwill	(119,706)	–	–	–
Interest in an associate	–	–	114,027	14,593
Available-for-sale investments	19,240	560	3,047	390
Pledged bank deposits	88,170	60,209	152,166	19,474
Total non-current assets	610,995	453,103	1,024,051	131,055
CURRENT ASSETS				
Amounts due from jointly-controlled entities	–	–	10,425	1,334
Properties under development	3,297,462	3,785,205	6,726,632	860,844
Completed properties for sale	125,875	224,809	427,547	54,716
Trade receivables	30,590	66,027	148,249	18,972
Prepayments, deposits and other receivables	240,297	546,550	707,905	90,594
Tax recoverable	4,254	18,205	4,624	592
Pledged bank deposits	–	38,715	219,339	28,070
Cash and bank balances	260,283	265,754	952,749	121,928
Total current assets	3,958,761	4,945,265	9,197,470	1,177,050

	As of March 31,			
	2005	2006	2007	2007
	HK$	HK$	HK$	US$
		(in thousands, except per share data)		
CURRENT LIABILITIES				
Amounts due to a substantial shareholder of the Company	27,265	44,503	12,070	1,545
Amounts due to jointly-controlled entities	79,556	78,911	–	–
Trade payables	130,144	171,276	74,122	9,486
Tax payable	65,916	66,604	206,878	26,475
Deposits received and deferred revenue	414,004	576,479	1,085,906	138,969
Other payables and accruals	330,097	433,834	1,211,807	155,082
Interest-bearing bank and other borrowings	782,212	701,850	764,336	97,816
Derivative liability component of convertible bonds	–	27,745	154,839	19,817
Total current liabilities	1,829,194	2,101,202	3,509,958	449,190
NET CURRENT ASSETS	2,129,567	2,844,063	5,687,512	727,860
TOTAL ASSETS LESS CURRENT LIABILITIES	2,740,562	3,297,166	6,711,563	858,915
CAPITAL AND RESERVES				
Share capital	202,400	210,525	231,552	29,633
Reserves	1,118,906	1,373,444	1,721,941	220,366
Proposed final dividend	–	22,129	27,594	3,531
Equity attributable to equity holders of the Company	1,321,306	1,606,098	1,981,087	253,530
Minority Interests	59,315	40,628	430,929	55,148
Total equity	1,380,621	1,646,726	2,412,016	308,678
NON-CURRENT LIABILITIES				
Deposits received	19,173	–	–	–
Interest-bearing bank and other borrowings	612,355	913,198	3,359,250	429,902
Long term payables	8,695	7,058	230,278	29,470
Deferred tax	719,718	730,184	710,019	90,865
Total non-current liabilities	1,359,941	1,650,440	4,299,547	550,237
	2,740,562	3,297,166	6,711,563	858,915

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

You should read the following discussion of our financial condition and results of operations in conjunction with "Selected Consolidated Financial and Other Data" and our consolidated financial statements and the related notes included elsewhere in this offering circular. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated. Our consolidated financial statements were prepared in accordance with HKFRS, which differ in certain material respects from U.S. GAAP. See "Summary of Certain Differences between HKFRS and U.S. GAAP." Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements. See "Forward-Looking Statements."

Overview

We are a property development company with geographically-diverse properties and development projects in the PRC. Our development efforts are focused in the major cities of the six major economic areas in the PRC, namely the northeastern, northern, central, eastern, southern and southwestern regions. We currently have developments in cities such as Anshan, Beijing, Dongguan, Chengdu, Nanchang, Shanghai, Shenyang, Dalian, Wuhan and Suzhou within the six major economic areas in the PRC. Our primary business has been the development of medium- to high-end residential and commercial properties and the sale of various types of products, including villas, townhouses, apartment buildings, parking spaces and retail shops. As of June 30, 2007, our property development portfolio comprised 15 projects with a total site area of approximately 2.6 million square meters, which if fully developed, would amount to a total GFA of approximately 4.9 million square meters.

Historically, we derived substantially all of our revenue from the sale of properties that we have developed. For the years ended March 31, 2005, 2006 and 2007, respectively, our property development business generated HK$525.0 million, HK$742.9 million and HK$2,002.7 million (US$256.3 million) in revenue, respectively, which represented 94.9%, 97.9% and 99.5%, respectively, of our total revenue. In addition to property development, we are also involved in ancillary property-related businesses which are complementary to our core business. We derive rental fees from our investment property portfolio in the PRC and management fees from the provision of property management services for properties which we have developed. Going forward, we intend to increase our focus on property investment, with a view that, in five years, commercial and retail properties that we hold for investment will account for approximately 30% of the value of our property portfolio. We believe the diversification to include more investment properties (including hotels) will broaden our revenue base and provide a source of recurring revenue that may be more stable than revenue from sales of properties, which is more susceptible to fluctuations in the economic cycles. See "Business – Our Strategies – Continuing to increase the proportion of investment properties in our project portfolio by developing commercial, office and hotel investment properties within our property development complexes in order to achieve a more balanced revenue profile."

Our revenue for the years ended March 31, 2005, 2006 and 2007 totaled HK$552.9 million, HK$759.1 million and HK$2,012.2 million (US$257.5 million), respectively. Profit for these years amounted to HK$101.2 million, HK$106.1 million and HK$125.6 million (US$16.1 million), respectively.

Key Factors Affecting Our Performance

Changes in Market Conditions and Government Policies

Our results of operation and financial condition have been in the past, and we believe will continue to be, significantly affected by China's economic and other market conditions as well as the economic measures undertaken by the PRC government. In line with China's rapid economic growth in recent years, the real estate industry in China has experienced rapid growth since the 1990's. Investment in real estate in China grew at a compounded annual growth rate ("CAGR") of 25.8% from 2001 to 2005. The total residential GFA sold increased at a CAGR of 25.6% from 2001 to 2005. In line with the growth of China's overall real estate industry, our results of operation, particularly changes in fair values of our investment properties, also experienced significant increases during these years.

Since 2004, the PRC government has taken various measures to control money supply, credit availability and fixed assets investment. For example, in April 2005, the PRC government issued the Notice of Stabilizing Property Prices aimed at directly controlling the growth of the real estate market. See " Regulation." In May 2006, the PRC government implemented a series of new measures on land supply, bank mortgage finance, taxation and other aspects, which have further adversely affected the overall sentiment in the property market. In particular, the new measures provide that at least 70% of the residential units in residential housing projects approved or commenced after June 1, 2006 must be no larger than 90 square meters. These measures may affect the design of our projects, which in turn may affect the price we may be able to obtain through pre-sales and sales. See "Industry Overview – The Real Estate Market in the PRC – Real Estate Reform."

We expect fluctuations in the PRC economy, as well as changes to the PRC government's policies relating to property development and sales, to continue to significantly affect our total revenue and the changes in fair values of our investment properties.

PRC Regulations on Financing

PRC interest rate policies and regulations on financing may affect our ability to finance our property development, as well as the cost of doing so. In addition, PRC interest rate policies and regulations related to mortgage financing by purchasers may affect demand for our products.

We finance our property development primarily through internal funds, borrowings and proceeds from sales and pre-sales of properties. As of March 31, 2005, 2006 and 2007, our outstanding borrowings were HK$1,394.6 million, HK$1,615.0 million and HK$4,123.6 million, respectively. Any increase of benchmark lending rates published by the PBOC may result in an increase in our interest costs, as most of our bank borrowings bear floating interest rates linked to the PBOC-published rates. We are also highly susceptible to any regulations or measures adopted by the PRC government that may restrict bank lending to business enterprises, particularly, to property developers. For example, under current PRC laws, banks in China may not lend money to a property developer if the funds are to finance land premium payments or if a property developer's internal funds available for a project is less than 35% of the estimated total investment required for that project.

Moreover, a substantial portion of our customers rely on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC government that are intended to restrict the ability of purchasers to obtain mortgages or increase the costs of mortgage financing may decrease market demand for our properties and adversely affect our sales revenue.

Timing of Property Development

The number of property developments that a developer can undertake during any particular period is limited due to substantial capital requirements for land acquisitions and construction costs as well as limited land supply. In addition, significant time is required for property developments and it may take many months or possibly years before pre-sales of certain property developments occur. Moreover, while the pre-sale of a property generates positive cash flow for us in the period in which it is made, we must place a portion of such proceeds in restricted bank accounts and may only use such cash for specified purposes, and no sales revenue is recognized in respect of such pre-sale until the completion of development. In addition, as market demand is not stable, sales revenue in a particular period can also depend on our ability to gauge the expected demand in the market at the launch time for completion of a particular project. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

Volume and Pricing of Sales or Pre-sales of Our Properties

During the years ended March 31, 2005, 2006 and 2007, we derived substantially all of our revenue from sales of properties, with the remaining derived from property rental and management income. Accordingly, fluctuations in our revenue during the past three years were primarily attributable to fluctuations in revenue from sales of properties, which in turn are dependent on the number of properties we sell and deliver and the prices at which we make such sales. The number of properties we sell during any period is dependent on the number of projects we have under development during that period and the progress we make on the construction of those projects. See "- Certain Income Statement Items – Revenue" for information on the volume and prices of the properties we sold and delivered during the past three years.

Revenue from sale of completed properties is recognized when the legally binding sale contracts are signed and exchanged and the condition precedents contained in such contracts satisfied, while revenue from pre-sale of properties under development is recognized upon the completion of the property. Any proceeds we receive before we recognize revenue are recorded on our balance sheet as deposits received on sales of properties. Historically, proceeds from pre-sales have accounted for a significant portion of our revenue. The amount of pre-sales during a period serves as an indicator of revenue upon recognition. The period from the time when a pre-sale contract is signed to the time when a sale of property is recognized by us is typically 12 to 18 months. If a purchaser fails to pay the balance of the purchase price on completion of construction and we exercise our entitlement to resell the property, sales deposits received from such purchasers in advance of completion may be forfeited.

In addition, as part of our strategy to diversify our business, we intend to develop more properties as investment properties. As a result, we may experience a significant change in total revenue, as well as the components of our revenue. See "Business – Our Strategies – Continuing to increase the proportion of investment properties in our project portfolio by developing commercial, office and hotel investment properties within our property development complexes in order to achieve a more balanced revenue profile." For a discussion of risks associated with such strategy, see "Risk Factors – Risks Relating to Our Business – Our plans to expand our presence in retail, commercial and hotel property development projects may not be successful" and "Risk Factors – Risks Relating to Our Business – Our businesses have and will have substantial capital requirements and may require additional financing in the form of debt or equity to meet our budgetary and operating expenses, and we may not be able to raise the required capital."

Price Volatility of Construction Materials

Our results of operations are affected by price volatility of construction materials such as steel and cement. While we contract with third party construction companies to develop our properties, we typically procure most of the main construction materials we use for our property development directly from our suppliers. We are exposed to price volatility of construction materials to the extent that we are not able to pass the increased costs on to our customers. Further, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale.

Ability to Acquire Land Use Rights

The PRC government controls all new land supply in the PRC and regulates land sales in the secondary market. As a result, the policies of the PRC government towards land supply affect our ability and costs of acquiring land use rights. In May 2002, the PRC government introduced the PRC Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-Sale by the Ministry of Land and Resources (the "New Land Acquisition Rules"), with effect from July 2002 as amended on September 28, 2007 and effective on November 1, 2007, which require that land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may only be granted by the government through competitive processes, including public or private tender, auction or listing-for-sale (each a "Bidding Process"). After land use rights have been initially granted through a Bidding Process, grantees of the land use rights are generally allowed to transfer such land use rights in the secondary market on the condition that: (i) the land premium has been paid in full and land use right certificates have been obtained; (ii) if development is to be carried out according to land grant contract and is a project in which buildings are being developed, development representing more than 25% of the total investment shall have been completed. See "Business – Property Development" for a description of the land acquisition procedures. As a result of these new regulations, when we acquire land through a Bidding Process, our cost of land use rights will comprise primarily the purchase price, payable in one lump sum payment or in installments to the government or other transferors as determined by the Bidding Process. Pursuant to the New Land Acquisition Rules, the relevant government authority is responsible for establishing a floor price for the Bidding Process on the basis of land value appraisals and government industrial policies. When we acquire land use rights from non-government grantees in secondary market transactions, the purchase price is determined by direct negotiation with such grantees. Historically, we have primarily sought to acquire our land use rights in secondary market transactions. Going forward, we intend to acquire land use rights mostly through the Bidding Process, which may have a material impact on our costs of acquiring land use rights as a result of the New Land Acquisition Rules.

Certain Income Statement Items

Revenue

During the years ended March 31, 2005, 2006 and 2007, we derived substantially all of our revenue from sales of properties, with additional revenue derived from property rental income and property management income. The following table sets forth the revenue attributable to sales of properties, property rental income and property management income for the years indicated.

	For the year ended March 31,						
	2005		2006		2007		
	Amount	% of total	Amount	% of total	Amount		% of total
	HK$'000	(%)	HK$'000	(%)	HK$'000	US$'000	(%)
Sales of properties	524,988	94.9	742,927	97.9	2,002,712	256,298	99.5
Property rental income	24,836	4.5	12,601	1.6	6,101	781	0.3
Property management income	3,090	0.6	3,579	0.5	3,433	439	0.2
Total revenue	552,914	100.0	759,107	100.0	2,012,246	257,518	100.0

The table below sets forth the revenue we derived from each of our projects for the years indicated:

	As of March 31,			
	2005	2006	2007	2007
	HK$'000	HK$'000	HK$'000	US$'000
Projects:				
Anshan Riviera Garden	39,165	46,503	2,257	289
Anshan Greenland IT City phases III & IV	19,716	–	–	–
Anshan Greenland IT City phase V	–	91,394	20,303	2,598
Anshan Greenland IT City phase VI	–	–	105,224	13,466
Beijing Sunvilla Realhouse phase I	116,578	156,072	81,334	10,409
Beijing Sunvilla Realhouse phase II	–	–	288,313	36,897
Beijing Silo City phase I	–	–	607,311	77,721
Beijing Silo City phase II	–	–	646,247	82,704
Jiangxi Riviera Garden phase I	–	–	195,270	24,990
Wuhan Wah Zhong Trade Plaza	3,313	–	–	–
Wuhan Lakeside Apartment phase II	8,756	–	–	–
Wuhan Lakeside Apartment phase III	–	239,807	–	–
Wuhan Lakeside Apartment phase IV	–	201,538	38,473	4,923
Shanghai Riviera Villa phase III	325,521	4,458	–	–
Other	11,939	3,155	17,980	2,301
Total	524,988	742,927	2,002,712	256,298

As we derive most of our revenue from our property development business, our financial performance for a given period depends on the number of properties we sell or pre-sell within the period and the sales prices realized for those properties. The table below sets forth, for the periods so indicated, the aggregate GFA of properties we delivered and the average selling prices per square meter for these properties, as measured by dividing the revenues by the aggregate GFA delivered.

	Year ended March 31,						
	2005		2006		2007		
	GFA delivered (sq.m.)	Average selling price/sq.m. (HK$)	GFA delivered (sq.m.)	Average selling price/sq.m. (HK$)	GFA delivered (sq.m.)	Average selling price/sq.m. (HK$)	Average selling price/sq.m. (US$)
Anshan Riviera Garden..	32,998	1,187	34,836	1,335	1,310	1,723	221
Anshan Greenland IT City phases III & IV...	7,912	2,492	–	–	–	–	–
Anshan Greenland IT City phase V	–	–	38,487	2,375	7,676	2,645	338
Anshan Greenland IT City phase VI	–	–	–	–	41,130	2,558	327
Beijing Sunvilla Realhouse phase I	21,442	5,437	21,565	7,237	11,410	7,128	912
Beijing Sunvilla Realhouse phase II	–	–	–	–	36,604	7,877	1,008
Beijing Silo City phase I	–	–	–	–	80,703	7,525	963
Beijing Silo City phase II	–	–	–	–	81,173	7,961	1,019
Jiangxi Riviera Garden phase I	–	–	–	–	85,640	2,280	292
Wuhan Wah Zhong Trade Plaza	464	7,137	–	–	–	–	–
Wuhan Lakeside Apartment	3,333	2,627	149,144	2,959	14,038	2,741	351
Shanghai Riviera Villa phase III....................	53,509	6,084	–	–	–	–	–
Total.............................	119,658		244,032		359,684		

(1) "GFA delivered" is based on our internal sales report.

(2) "Average selling price" is calculated using revenue we derived from each project divided by GFA delivered for such project.

Revenue from sale of completed properties is recognized when the legally binding sale contracts are signed and exchanged and the condition precedents contained in such contracts satisfied, while revenue from pre-sale of properties under development is recognized upon the completion of the properties and the issuance of occupancy certificates for such properties. Any proceeds we receive before we recognize revenue are recorded on our balance sheet as deposits received on sales of properties.

Sale cancellation has been insignificant during the last three fiscal years. If a sale is cancelled, it is usually in the same fiscal year in which it was recorded, either because a purchaser defaults on his/her payment obligations or otherwise cancels a sale. In such case, we reverse the corresponding entries made in both the "sales of properties" and "cost of sales" line items of our income statement.

Cost of Sales

Cost of sales consists of cost of properties sold and cost relating to the generation of rental income and property management income. Our cost of properties sold consists mainly of land costs, construction and development costs and finance costs and capitalized marketing and selling expenses as well as LAT for properties under development. Land costs consist of cost of land as stated in the relevant sale and purchase agreement with the seller, demolition and clearing cost and the applicable deed tax associated with the acquisition of such land. Construction and development costs consist of costs attributable to the design and construction of the projects. Finance costs represent capitalized interest expense and borrowing costs. Additionally, for the years ended March 31, 2005 and 2006, we included capitalized marketing and selling expenses for properties under development in our costs of properties sold. Beginning with the year ended March 31, 2007, we changed our accounting treatment of these capitalized marketing and selling expenses for properties under development and we now include these expenses in our marketing and selling costs instead of cost of properties sold.

Other Income

Other income consists primarily of bank interest income, reversals of business tax provision, reversals of receivable provision, waivers of loan and interest payables, and discount on acquisition of additional equity interest in subsidiaries.

Marketing and Selling Costs

Our marketing and selling costs consist primarily of sales personnel expenses, advertising and promotion expenses, travel expenses, entertainment expenses, sales-related taxes and surcharges and other expenses including sales commissions and third party costs in relation to the sale of properties. Additionally, beginning with the year ended March 31, 2007, we include capitalized marketing and selling expenses for properties under development in our marketing and selling costs instead of cost of properties sold, which for the years ended March 31, 2005 and 2006 we included in our costs of properties sold.

Administrative Expenses

Our administrative expenses consist primarily of staff costs, management expenses of our headquarters and regional offices and amortization of prepaid land lease payments.

Other Expenses

Our other expenses consist primarily of provisions for prepayment, fair value loss on the derivative liability component of convertible bonds, compensation paid to customers of our pre-sold properties and the amortization of goodwill.

Finance Costs

Our finance costs consist primarily of interest on bank loans, overdrafts, convertible bonds and other loans, net of any amounts capitalized in properties under development. We capitalize our borrowing costs as part of the costs for a property development when there is evidence that the borrowing is used to finance such property development until the construction of the property development is completed. Since the development period for a property development does not necessarily coincide with the repayment period of the relevant loan, not all of the interest costs related to a property development can be capitalized. As a result, finance costs for a given period on its own may not reflect the level of our borrowings and tend to fluctuate, as a percentage of revenue, depending on the timing of capitalization and sale of our properties.

Tax

We are subject to PRC enterprise income tax on our assessable profits that we derive from our PRC subsidiaries and jointly-controlled entities operating in the PRC. Certain of our PRC subsidiaries enjoy preferential tax rates or exemptions in accordance with the relevant PRC tax rules and regulations which are meant to encourage foreign investment. For example, each of our wholly owned subsidiaries including Comfort Property Management (Xiamen) Ltd., My Home Services (Xiamen) Ltd. and Shenzhen Coastal Property Investment Ltd. enjoys a tax rate of 15%. Coastal Greenland Development (Anshan) Limited, in which we have a 21% equity interest, currently enjoys a low income tax rate of 18%. Under PRC laws and regulations, our PRC subsidiaries engaging in property development are subject to LAT which is levied by the local tax authorities. For the years ended March 31, 2005, 2006 and 2007, we made provisions for LAT in the amount of HK$108,000, HK$3,888,000 and HK$46,617,000 (US$5,965,831), respectively. We did not generate any assessable profits in Hong Kong during the years ended March 31, 2005, 2006 and 2007 and therefore were not subject to any Hong Kong profit tax. Our effective tax rates for each of the years ended March 31, 2005, 2006 and 2007 were 30.1%, 38.3% and 64.6%, respectively.

Critical Accounting Policies

We have identified the accounting policies below as critical to our business operations and the understanding of our financial condition and results of operations. The preparation of our financial statements requires us to make difficult, complex and subjective judgments in selecting the appropriate estimates and assumptions that affect the amounts reported in our financial statements. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. While we believe our estimates and judgments to be reasonable under the circumstances, there can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items. In addition, other companies may utilize different estimates, which may impact the comparability of our results of operations to those of companies in similar businesses.

Completed Properties for Sale

Completed properties for sale are stated at the lower of their cost and their net realizable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties, and includes all development expenditures (including land premium and resettlement costs), applicable borrowing costs and other direct common costs attributable to such properties. When developing our properties, we typically divide the properties into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the estimated gross development value ("GDV") of each phase as a percentage of the total estimated GDV of the entire project. Net realizable value is determined on an individual property basis and is the estimated selling price less selling expenses and estimated cost of completion (if any), which are estimated by our Directors based on prevailing market prices and best available information.

Properties under Development

Properties under development are stated at the lower of costs and net realizable values. Cost includes all development expenditures (including land premium and resettlement costs), applicable borrowing costs and other costs directly attributable to the development and construction of such properties. We recognize construction costs on our balance sheet as they are incurred, with reference to the construction progress reports by our construction and engineering division.

Revenue for properties under development which have been pre-sold is only recognized upon completion of the development. Sales deposits/installments received and receivable from purchasers in respect of the pre-sale of properties under development prior to completion of the development are included in current liabilities.

Investment Properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation. Investment properties are initially recognized at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated on our balance sheet as non-current assets at fair value, which reflects market conditions as of the date of our balance sheet. The valuation is determined by independent and qualified professionals and involves the exercise of professional judgment on the part of the valuation professionals and the use of certain assumptions, such as making reference to comparable sales evidence available in the market.

Capital gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment properly are recognized in the income statement in the year of the retirement or disposal. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the income statement. Upon completion of the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognized in the income statement.

Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Convertible Bonds

The component of convertible bonds that exhibits characteristics of a liability is recognized as a liability in the balance sheet, net of transaction costs. On issuance of foreign currency denominated convertible bonds, the fair value of the embedded derivatives is determined and the embedded derivatives are accounted for as a derivative financial liability, net of transaction costs, which is measured at fair value with movement to profit or loss. The remainder of the proceeds is allocated to the liability component which is carried as a liability on the amortized cost basis until extinguished upon conversion or redemption.

Capitalization of Borrowing Costs

We capitalize a portion of our costs of borrowing to the extent that such costs are directly attributable to the acquisition, construction or production of our properties. In general, we capitalize finance costs incurred from the commencement of development of our properties until the completion of construction. For purposes of capitalization of borrowing costs, development commences when we begin to pay expenses incurred on such project with the relevant loan proceeds and ends after the relevant construction has been completed. The capitalization rate for the year is based on the actual cost of the related borrowings. All other borrowing costs, including borrowing costs incurred after the completion of construction, are not capitalized, but are instead recognized as expenses in the period in which they are incurred.

Revenue Recognition

Income from sale of properties is recognized upon the issuance of a completion certificate or the execution of a binding sales agreement, whichever is later. Profit or loss arising from the outright sale of completed properties prior to completion is recognized when a binding sales contract becomes unconditional and the risks and rewards of the ownership have been transferred to the buyer. Sales deposits/installments received and receivable from purchasers in respect of the pre-sale of properties under development prior to completion of the development are included in current liabilities.

Results of Operation

The following table sets forth, for the years indicated, certain income and expense items for our consolidated operations.

	For the year ended March 31,			
	2005	2006	2007	
	HK$'000	HK$'000	HK$'000	US$'000
Revenue	552,914	759,107	2,012,246	257,518
Cost of sales	(437,509)	(538,574)	(1,528,766)	(195,644)
Gross profit	115,405	220,533	483,480	61,874
Increase in fair value of investment properties	–	1,681	79,575	10,184
Gain on disposal of property based subsidiaries	47,966	25,801	39,420	5,045
Gain on partial disposal of property based subsidiaries	–	–	29,053	3,718
Gain on disposal of investment properties	53,903	19,436	–	–
Other income	37,717	27,347	51,482	6,588
Marketing and selling costs	(4,141)	(1,185)	(31,779)	(4,067)
Administrative expenses	(50,253)	(66,402)	(88,381)	(11,311)
Fair value loss on derivative liability component of convertible bonds	–	(26,643)	(166,484)	(21,306)
Other expenses	(35,414)	(13,152)	(6,192)	(792)
Finance costs	(19,716)	(15,574)	(34,778)	(4,451)
Share of loss of an associate	(433)	–	(906)	(116)
Amortization of goodwill of acquisition of an associate	(162)	–	–	–
Profit before tax	144,872	171,842	354,490	45,366
Tax	(43,661)	(65,781)	(228,905)	(29,294)
Profit for the year	101,211	106,061	125,585	16,072
Profit attributable to:				
Equity holders of our Company	102,403	105,035	126,703	16,215
Minority interests	(1,192)	1,026	(1,118)	(143)
	101,211	106,061	125,585	16,072
Dividends	–	43,182	50,749	6,494

Year Ended March 31, 2007 Compared to Year Ended March 31, 2006

Revenue

We generated revenue of HK$2,012.2 million in the year ended March 31, 2007, an increase of HK$1,253.1 million, or approximately 165.1%, from HK$759.1 million in the year ended March 31, 2006. The increase was principally the result of increased sales of properties, with revenue from sale of properties increasing by approximately 169.6% to HK$2,002.7 million in the year ended March 31, 2007 from HK$742.9 million in the year ended March 31, 2006. This increase was principally attributable to an increase in the amount of properties we completed and sold in the year ended March 31, 2007, and, in particular, properties at Beijing Silo City phases I and II, Jiangxi Riviera Garden phase I and Greenland IT City phase VI.

Property rental income decreased by approximately 51.6% to HK$6.1 million in the year ended March 31, 2007 from HK$12.6 million in the year ended March 31, 2006. The decrease was mainly due to the disposal of the remaining investment properties in Wuhan Wah Zhong Trade Plaza during the year ended March 31, 2006. The investment properties in Beijing Silo City were completed in March 2007 and did not produce any rental income for the year ended March 31, 2007.

Property management income decreased by approximately 4.1% to HK$3.4 million in the year ended March 31, 2007 from HK$3.6 million in the year ended March 31, 2006. The property management income remained more or less at the same level during the two years despite a significant increase in GFA completed during the year ended March 31, 2007. Beijing Silo City, one of our larger projects, was completed in March 2007 and did not contribute to our property management income.

Cost of Sales

Cost of sales increased by HK$990.2 million, or approximately 183.8%, to HK$1,528.8 million in the year ended March 31, 2007, from HK$538.6 million in the year ended March 31, 2006, in line with the increase in our total revenue during this year, primarily as a result of our completion and recognition of the cost of residential units at Beijing Silo City phases I and II, Jiangxi Riviera Garden phase I and Anshan Greenland IT City phase VI.

Gross Profit

Gross profit increased by HK$263.0 million, or approximately 119.3%, to HK$483.5 million in the year ended March 31, 2007, from HK$220.5 million in the year ended March 31, 2006, in line with the increase in our total revenue in the year ended March 31, 2007. Our gross margin decreased to approximately 24.0% in the year ended March 31, 2007 from approximately 29.1% in the year ended March 31, 2006, primarily due to the lower profit margin of the projects completed during the year ended March 31, 2007 as those projects were at their initial phases. Projects at their initial phases usually have a lower margin than those at later development phases.

Increase in Fair Value of Investment Properties

Fair value of investment properties increased by HK$77.9 million, or approximately 4,582.3%, to HK$79.6 million in the year ended March 31, 2007 from HK$1.7 million in the year ended March 31, 2006, primarily due to an increase in fair value of the 12,500 sq.m. of commercial areas in phases I and II of Beijing Silo City that we completed during the year ended March 31, 2007 and are currently holding as investment properties.

Gain on Disposal of Property Based Subsidiaries

Our gain on disposal of property based subsidiaries increased by HK$13.6 million, or approximately 52.7%, to HK$39.4 million in the year ended March 31, 2007 from HK$25.8 million in the year ended March 31, 2006, primarily due to the increased gains we received from disposal of our equity interests in some of our project companies. We derived the gain for the year ended March 31, 2007 mainly from our disposal of the remaining property interests in Anshan Greenland IT City and Shanghai Riviera Villa and the gain for the year ended March 31, 2006 mainly from the disposal of our remaining property interests in Wuhan Wah Zhong Trade Plaza. We disposed of our property interests in these properties by disposing of our equity interests in the relevant project holding companies.

Gain on Partial Disposal of Property Based Subsidiaries

Our gain on partial disposal of property based subsidiaries was HK$29.1 million in the year ended March 31, 2007, which represented a gain on our disposal of our 50% equity interest in the Dalian Xinhai Bay Project. We did not have any gain on partial disposal of property based subsidiaries in the year ended March 31, 2006.

Gain on Disposal of Investment Properties

Our gain on disposal of investment properties was HK$19.4 million in the year ended March 31, 2006, which was derived from our disposal of certain investment properties in Wuhan Wah Zhong Trade Plaza. We did not have any such gain in the year ended March 31, 2007.

Other Income

Other income increased by HK$24.1 million, or approximately 88.3%, to HK$51.5 million in the year ended March 31, 2007 from HK$27.3 million in the year ended March 31, 2006, primarily due to our collection of a deposit previously written off for a potential property development project.

Marketing and Selling Costs

Marketing and selling costs increased by HK$30.6 million, or approximately 2,550.0%, to HK$31.8 million in the year ended March 31, 2007 from HK$1.2 million in the year ended March 31, 2006, primarily due to increased marketing activities and our reclassification of capitalized marketing and selling expenses for properties under development as marketing and selling costs for the year ended March 31, 2007, which were accounted for as cost of properties sold for the year ended March 31, 2006. See " – Certain Income Statement Items – Marketing and Selling Costs." Because of our reclassification of capitalized marketing and selling expenses for properties under development, our marketing and selling costs for the years ended March 31, 2006 and 2007 are not comparable.

Administrative Expenses

Administrative expenses increased by HK$22.0 million, or approximately 33.1%, to HK$88.4 million in the year ended March 31, 2007 from HK$66.4 million in the year ended March 31, 2006, primarily due to our increased level of operations, and in particular our addition of more staff to our Shenzhen operations.

Fair Value Loss on Derivative Liability Component of Convertible Bonds

Fair value loss on derivative liability component of convertible bonds increased by 139.9 million, or approximately 525.9%, to HK$166.5 million in the year ended March 31, 2007 from HK$26.6 million in the year ended March 31, 2006, primarily due to a significant increase in our share price and the issuance of additional convertible bonds during the year. This loss is a non-operating loss and does not involve any cash outflow. As of the date of this offering circular, all of the Convertible Bonds have been converted into shares of our common stock. As our share price has increased by approximately 50% between March 31, 2007 and July 23, 2007 (the date on which the Convertible Bonds were converted), our fair value loss on the derivative liability component of the Convertible Bonds is expected to increase by approximately one-third, compared to the amount in the year ended March 31, 2007.

Other Expenses

Other expenses decreased by HK$7.0 million, or approximately 53.0% to HK$6.2 million in the year ended March 31, 2007 from HK$13.2 million in the year ended March 31, 2006, primarily due to the provision that we made for certain receivables (security deposits that we paid for the properties we may acquire) in the year ended March 31, 2006. We did not make any such provision for receivables in the year ended March 31, 2007.

Finance Costs

Finance costs increased by HK$19.2 million, or approximately 123.1%, to HK$34.8 million in the year ended March 31, 2007 from HK$15.6 million in the year ended March 31, 2006, primarily due to an increased level of borrowings by our operating subsidiaries and payment of interest on our Convertible Bonds and the 2008 Senior Notes.

Share of Loss of an Associate

In the year ended March 31, 2007, we had a share of loss of an associate in the amount of HK$0.9 million, as a result of our share of loss of Shanghai Fenghwa Group Co. Ltd. We did not have any share of loss of an associate in the year ended March 31, 2006.

Profit before Tax

As a result of the foregoing, our profit before taxation increased by HK$182.7 million, or approximately 106.3%, to HK$354.5 million in the year ended March 31, 2007, from HK$171.8 million in the year ended March 31, 2006.

Tax

Tax increased by HK$163.1 million, or approximately 247.9%, to HK$228.9 million in the year ended March 31, 2007 from HK$65.8 million in the year ended March 31, 2006, primarily due to the increase in our taxable profits as a result of the foregoing, our accounting for LAT as an income tax expense for the year ended March 31, 2007, which we accounted for as cost of sales for the year ended March 31, 2006, and our inability to deduct the increase in fair value loss on our Convertible Bonds described above.

Profit for the Year

Profit for the year increased by HK$19.5 million, or approximately 18.4%, to HK$125.6 million in the year ended March 31, 2007 from HK$106.1 million in the year ended March 31, 2006, as a result of the factors described above.

Profit Attributable to Equity Holders of the Company and Minority Interests

As a result of the foregoing, profit attributable to equity holders of the Company increased by HK$21.7 million, or approximately 20.7%, to HK$126.7 million in the year ended March 31, 2007, from HK$105.0 million in the year ended March 31, 2006. Our minority interests decreased by HK$2.1 million, or 210.0%, to HK$(1.1) million in the year ended March 31, 2007, from HK$1.0 million in the year ended March 31, 2006. Our decrease in minority interests was due to the expenses incurred by non-wholly owned projects (such as Dalian Xinghai Bay project) at their initial stage of development.

Year Ended March 31, 2006 Compared to Year Ended March 31, 2005

Revenue

We generated revenue of HK$759.1 million in the year ended March 31, 2006, an increase of HK$206.2 million, or approximately 37.3%, from HK$552.9 million in the year ended March 31, 2005. The increase was principally the result of increased sales of properties, with revenue from sale of properties increasing by approximately 41.5% to HK$742.9 million in the year ended March 31, 2006 from HK$525.0 million in the year ended March 31, 2005. This increase was principally attributable to an increase in the amount of properties we completed and sold in the year ended March 31, 2006, and, in particular, properties in Wuhan Lakeside Apartment phases III and IV, Beijing Sunvilla Realhouse phase I and Anshan Greenland IT City phase V.

Property rental income decreased by approximately 49.3% to HK$12.6 million in the year ended March 31, 2006 from HK$24.8 million in the year ended March 31, 2005. The decrease was mainly due to our disposal during the year of the remaining commercial area in Wuhan Wah Zhong Trade Plaza so as to generate additional working capital for new development projects. The disposal also resulted in a significant profit contribution for us for the year ended March 31, 2006.

Property management income increased by approximately 15.8% to HK$3.6 million in the year ended March 31, 2006 from HK$3.1 million in the year ended March 31, 2005, primarily due to an increase in the cumulative GFA under our management, as a result of the (i) completion of phases III and IV of Wuhan Lakeside Apartment in August 2005 and January 2006 respectively and (ii) sale of projects we completed in prior years for which we provide property management services.

Cost of Sales

Cost of sales increased by HK$101.1 million, or approximately 23.1%, to HK$538.6 million in the year ended March 31, 2006, from HK$437.5 million in the year ended March 31, 2005, in line with the increase in our total revenue during this year, primarily as a result of our completion and recognition of residential units at phases III and IV of Wuhan Lakeside Apartment, Beijing Sunvilla Realhouse phase I and Anshan Greenland IT City phase V.

Gross Profit

Gross profit increased by HK$105.1 million, or approximately 91.1%, to HK$220.5 million in the year ended March 31, 2006, from HK$115.4 million in the year ended March 31, 2005, in line with the increase in our total revenue in the year ended March 31, 2006. Our gross margin improved to approximately 29.1% in the year ended March 31, 2006 from approximately 20.9% in the year ended March 31, 2005, primarily due to better profit margin achieved from the properties completed and sold during the year amid a generally positive property market environment in the PRC.

Increase in Fair Value of Investment Properties

We did not have any increase in fair value of investment properties in the year ended March 31, 2005. Our increase in fair value of investment properties was HK$1.7 million in the year ended March 31, 2006, primarily due to an increase in fair value of our investment properties in the PRC that we leased to third parties under operating leases.

Gain on Disposal of Property Based Subsidiaries

Our gain on disposal of property based subsidiaries decreased by HK$22.2 million, or approximately 46.3%, to HK$25.8 million in the year ended March 31, 2006 from HK$48.0 million in the year ended March 31, 2005, primarily due to the decreased gains we received from disposal of different portions of our equity interests in our project company that holds Wuhan Wah Zhong Trade Plaza.

Gain on Partial Disposal of Property Based Subsidiaries

We did not have any gain on partial disposal of property based subsidiaries for the years ended March 31, 2005 and 2006.

Gain on Disposal of Investment Properties

Our gain on disposal of investment properties decreased by HK$34.5 million, or approximately 64.0%, to HK$19.4 million in the year ended March 31, 2006 from HK$53.9 million in the year ended March 31, 2005, primarily because we sold less GFA of our investment property, Wuhan Wah Zhong Trade Plaza, in the year ended March 31, 2006 as compared to the year ended March 31, 2005.

Other Income

Other income in the years ended March 31, 2005 and 2006 primarily consisted of (i) waiver of loan and interest payables, (ii) reversal of business tax provisions, (iii) discount on acquisition of additional equity interest in our subsidiaries and (iv) other non-recurring and non-operating income. Other income decreased by HK$10.4 million, or approximately 27.6%, to HK$27.3 million in the year ended March 31, 2006 from HK$37.7 million in the year ended March 31, 2005, primarily due to a decrease in (i) waiver of loan and interest payables, (ii) reversal of business tax provisions, and (iii) other non-recurring and non-operating income, partially offset by the discount on our acquisition of the remaining 16.67% equity interest in Shenyang Dongbei Furniture and Ornaments Plaza. In the year ended March 31, 2005, our project company that owned the Fuzhou Mansion project restructured two loans that it had borrowed from banks more than three years ago, and in connection with such restructuring, the banks waived a portion of the loan and interest payables. As we had already recorded the entire amount of the loan and interest payables in our financial statements, such waiver was recorded as other income for the year ended March 31, 2005.

Marketing and Selling Costs

Marketing and selling costs decreased by HK$3.0 million, or approximately 71.4%, to HK$1.2 million in the year ended March 31, 2006 from HK$4.1 million in the year ended March 31, 2005, primarily due to a decrease in agency fees and other related expenses resulting from our disposal of a larger portion of our investment property, Wuhan Wah Zhong Trade Plaza, during the year ended March 31, 2005 as compared to the portion of the same property that we sold during the year ended March 31, 2006.

Administrative Expenses

Administrative expenses increased by HK$16.1 million, or approximately 32.1%, to HK$66.4 million in the year ended March 31, 2006 from HK$50.3 million in the year ended March 31, 2005, primarily due to a higher level of business activities including increased number of employees and increased intensity in corporate brand building campaigns.

Fair Value Loss on Derivative Liability Component of Convertible Bonds

Fair value loss on derivative liability component of the Convertible Bonds was HK$26.6 million in the year ended March 31, 2006 as a result of the increase in our share price and the additional convertible bonds issued during the year. We did not have any such fair value loss in the year ended March 31, 2005.

Other Expenses

Other expenses decreased by HK$22.2 million, or approximately 62.7% to HK$13.2 million in the year ended March 31, 2006 from HK$35.4 million in the year ended March 31, 2005, primarily due to the write-back of provision for prepayment due to our recovery of certain amounts written off in the previous year(s).

Finance Costs

Finance costs decreased by HK$4.1 million, or approximately 21.0%, to HK$15.6 million in the year ended March 31, 2006 from HK$19.7 million in the year ended March 31, 2005, primarily due to the capitalization of a higher proportion of our bank borrowings in the year ended March 31, 2006 as compared to that in the year ended March 31, 2005, resulting from a higher number of projects under construction during the year ended March 31, 2006.

Share of Loss of an Associate

We did not have any share of loss of an associate in the year ended March 31, 2006, whereas we had share of loss of an associate in the year ended March 31, 2005 of HK$0.4 million resulting from our share of loss for a company we have since sold.

Amortization of Goodwill on Acquisition of an Associate

We did not have any amortization of goodwill on acquisition of an associate in the year ended March 31, 2006, whereas we had amortization of goodwill in the year ended March 31, 2005 of HK$0.2 million, primarily due to our acquisition of a company we have since sold.

Profit before Tax

As a result of the foregoing, our profit before taxation increased by HK$27.0 million, or approximately 18.6%, to HK$171.8 million in the year ended March 31, 2006, from HK$144.9 million in the year ended March 31, 2005.

Tax

Tax increased by HK$22.1 million, or 50.7%, to HK$65.8 million in the year ended March 31, 2006 from HK$43.7 million in the year ended March 31, 2005, primarily due to (i) an increase in taxable profits, and (ii) an increase in non-tax deductible expenses such as fair value loss on derivative liability component of the Convertible Bonds.

Profit for the Year

Profit for the year increased by HK$4.9 million, or 4.8%, to HK$106.1 million in the year ended March 31, 2006 from HK$101.2 million in the year ended March 31, 2005, as a result of the factors described above.

Profit Attributable to Equity Holders of the Company and Minority Interests

As a result of the foregoing, profit attributable to equity holders of the Company increased by HK$2.6 million, or 2.6%, to HK$105.0 million in the year ended March 31, 2006, from HK$102.4 million in the year ended March 31, 2005. Our minority interests increased by HK$2.2 million, or 186.1%, to HK$1.0 million in the year ended March 31, 2006, from HK$(1.2) million in the year ended March 31, 2005. Our increase in minority interests was due to the proportionate increase in profit attributable to the minority shareholders of our non-wholly owned subsidiaries (including Beijing Xing Gang Real Estate Company Limited and Coastal Greenland Development (Anshan) Ltd.), as a result of increased profit at such non-wholly owned subsidiaries.

Liquidity and Capital Resources

Cash Flows

We operate in a capital intensive industry and have historically financed the development of our projects and other capital expenditures through a combination of (i) cash generated from operations, primarily from pre-sale; (ii) borrowings from commercial banks in China and in Hong Kong; and (iii) advances from related companies and our shareholders. Our short-term liquidity requirements relate to servicing our debt and funding working capital requirements. Sources of short-term liquidity include cash balances and receipts from our operations. Our long-term liquidity requirements include partial funding of our investments in new property projects and repayment of long-term debt under our credit facilities. Sources of funding for our long-term liquidity requirements include new loans or debt issues. We hold our cash and cash equivalents primarily in Renminbi, with the remaining in Hong Kong dollars and U.S. dollars.

The following table presents our cash flow data for the years indicated.

	For the year ended March 31,			
	2005	2006	2007	2007
	HK$'000	HK$'000	HK$'000	US$'000
Operating profit before working capital changes	64,873	142,572	403,600	51,651
Increase in deposits received and deferred revenue	82,601	293,523	105,259	13,471
Operating profit before working capital changes but including pre-sales	147,474	436,095	508,859	65,122
Increase in properties under development	(234,005)	(976,100)	(622,551)	(79,671)
Decrease (increase) in completed properties for sale	334,577	615,565	(124,247)	(15,901)
Increase in prepayments, deposits and other receivables	(18,467)	(344,054)	(284,545)	(36,415)

	For the year ended March 31,			
	2005	2006	2007	2007
	HK$'000	HK$'000	HK$'000	US$'000
Other working capital changes....................	(85,867)	53,531	(41,170)	(5,269)
Cash generated from (used in) operations	143,712	(214,963)	(563,654)	(72,134)
Net cash from (used in) operating activities .	38,088	(400,868)	(922,260)	(118,027)
Net cash (used in) from investing activities..	(137,289)	164,071	(868,433)	(111,138)
Net cash from financing activities...............	88,574	289,065	2,423,148	310,103
Cash and cash equivalents at end of the year...	260,283	265,754	952,749	121,928

Operating Activities

Our cash from operating activities is generated principally from the proceeds from the sale of our properties, including pre-sale of properties under development and sale of completed properties. Our cash used in operating activities comprises principally the amounts required for our property development activities.

2007. Our net cash used in operating activities of HK$922.3 million in 2007 were primarily attributable to increase in properties under development of HK$622.6 million, increase in prepayments, deposits and other receivables of HK$284.5 million and interest paid of HK$275.9 million, offset principally by operating profit before working capital changes of HK$403.6 million, increase in other payables and accruals of HK$139.5 million and increase in deposits received and deferred revenue of HK$105.3 million.

2006. Our net cash used in operating activities of HK$400.9 million in 2006 were primarily attributable to increase in properties under development of HK$976.1 million, increase in prepayments, deposits and other receivables of HK$344.1 million and interest paid of HK$120.7 million, offset principally by decrease in completed properties for sale of HK$615.6 million, increase in deposits received and deferred revenue of HK$293.5 million and operating profit before working capital changes of HK$142.6 million.

2005. Our net cash generated from operating activities of HK$38.1 million in 2005 were primarily attributable to operating profit before working capital changes of HK$64.9 million and decrease in completed properties for sale of HK$334.6 million, offset primarily by increase in properties under development of HK$234.0 million and interest paid of HK$78.0 million.

Investing Activities

We hold some of our properties for investment purposes. Currently, we are developing approximately 534,300 square meters in total GFA of commercial, retail and hotel space which we intend to hold for investment purposes.

2007. Our net cash used in investing activities of HK$868.4 million in 2007 were primarily attributable to acquisition of property based subsidiaries of HK$653.5 million and acquisition of property based jointly-controlled entities of HK$314.0 million, offset primarily by net proceeds on partial disposal of subsidiaries of HK$429.2 million and disposal of property based subsidiaries of HK$116.4 million.

2006. Our net cash from investing activities of HK$164.1 million in 2006 were primarily attributable to proceeds from disposal of investment properties of HK$131.8 million, disposal of available-for-sale investments of HK$18.7 million and disposal of property based subsidiaries of HK$29.6 million, offset primarily by increase in pledged bank deposits of HK$10.8 million.

2005. Our net cash used in investing activities of HK$137.3 million in 2005 were primarily attributable to acquisition of property based jointly-controlled entities of HK$278.3 million, acquisition of property based subsidiaries of HK$126.6 million and an increase in pledged bank deposits of HK$59.1 million, offset primarily by proceeds from disposal of property, plant and equipment of HK$208.6 million and disposal of property based subsidiaries of HK$101.2 million.

Financing Activities

Our financing activities consist primarily of (i) borrowings from commercial banks to finance our property developments, which are offset by repayments of loans during the periods, and (ii) issuance of senior notes and convertible bonds.

2007. Our net cash from financing activities of HK$2,423.1 million in 2007 were primarily attributable to new bank and other borrowings of HK$3,621.6 million, offset primarily by repayment of bank and other borrowings of HK$1,124.5 million and dividends paid of HK$45.3 million.

2006. Our net cash from financing activities of HK$289.1 million in 2006 were primarily attributable to new bank and other borrowings of HK$1,313.4 million, offset primarily by repayment of bank and other borrowings of HK$1,011.2 million and dividends paid of HK$21.1 million.

2005. Our net cash from financing activities of HK$88.6 million in 2005 were primarily attributable to new bank and other borrowings of HK$608.8 million and advance from jointly-controlled entities of HK$139.4 million, offset primarily by repayment of bank and other borrowings of HK$598.3 million and decrease in amount due to a substantial shareholder of the Company of HK$61.0 million.

Capital Resources

Property developments require substantial capital investment for land acquisition and construction and may take many months or years before positive cash flows can be generated. We principally fund our property developments from internal funds, borrowings from banks and proceeds from sales and pre-sales of our developed properties. Our financing methods may vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

As of the date of this offering circular, we have an uncommitted line of credit from Agricultural Bank of China in the amount of RMB1.5 billion to be used for our property development projects. We received this line of credit on July 5, 2006 and it is valid for a term of two years. We had not drawn down this line of credit as of the date of this offering circular.

Cash and Cash Equivalents

Our cash and cash equivalents amounted to HK$260.3 million in the year ended March 31, 2005, HK$265.8 million in the year ended March 31, 2006 and HK$952.7 million in the year ended March 31, 2007. Our cash and cash equivalents increased by HK$686.9 million, or 258.4%, to HK$952.7 million in the year ended March 31, 2007, from HK$265.8 million in the year ended March 31, 2006 principally due to increased cash inflow from financing activities. Our cash and cash equivalents increased by HK$5.5 million, or 2.1%, to HK$265.8 million in the year ended March 31, 2006, from HK$260.3 million in the year ended March 31, 2005, principally due to an increase in profits resulting from higher sales revenue generated from our completed projects, partially offset by the effect of foreign exchange rate changes.

Borrowings

Our borrowings primarily consist of loans from commercial banks and the 2008 Senior Notes. Prior to July 23, 2007, we also had outstanding the Convertible Bonds. Our interest-bearing bank and other borrowings amounted to HK$1,394.6 million in the year ended March 31, 2005, HK$1,615.0 million in the year ended March 31, 2006 and HK$4,123.6 million in the year ended March 31, 2007. As of March 31, 2007, we had HK$4,123.6 million (US$527.7 million) in outstanding indebtedness, of which HK$579.1 million (US$74.1 million) was attributable to the 2008 Senior Notes, HK$273.1 million (US$35.0 million) was attributable to the liability component of the Convertible Bonds, HK$2,179.8 million (US$279.0 million) was attributable to bank loans and HK$1,091.6 million (US$139.7 million) was attributable to other borrowings. As of March 31, 2007, approximately HK$3,271.3 million (US$418.6 million), or 79.3%, of our indebtedness was denominated in Renminbi. On July 23, 2007, Shenzhen Investment Limited converted our Convertible Bonds into 443,862,857 of our ordinary shares. Following such conversion, the Convertible Bonds are no longer in existence and we are not required to pay interest or other amounts under such bonds. We intend to redeem the 2008 Senior Notes using proceeds from this offering. See "Use of Proceeds."

Certain of our bank loans are secured by (i) certain of our investment properties with an aggregate carrying value as of March 31, 2007 of approximately HK$506.0 million, (ii) certain of our properties under development with an aggregate carrying value as of March 31, 2007 of approximately HK$4,161.0 million, (iii) certain of our completed properties for sale with an aggregate carrying value as of March 31, 2007 of approximately HK$211.0 million, (iv) certain of our bank deposits amounting to approximately HK$325.0 million as of March 31, 2007 and (v) corporate guarantees by us and certain of our subsidiaries.

Our borrowings have a range of maturities from less than one year to more than five years. The interest rates on our bank and other borrowings (excluding the liability component of the Convertible Bonds) ranged from 4.86% to 11.00% per annum during the year ended March 31, 2007.

The following table sets forth the level of our bank and other borrowings and their respective maturity profiles as of the dates indicated.

	As of March 31,			
	2005	2006	2007	2007
	HK$'000	HK$'000	HK$'000	US$'000
Bank loans and overdrafts repayable:				
Within one year or on demand	261,336	451,668	559,443	71,595
In the second year	366,450	378,604	983,706	125,890
In the third to fifth years, inclusive	65,056	63,624	636,630	81,473
	692,842	893,896	2,179,779	278,958
Other borrowings repayable:				
Within one year or on demand	520,876	250,182	204,893	26,221
In the second year	156,063	197,064	1,451,003	185,693
In the third to fifth years, inclusive	10,808	262,754	281,520	36,028
Beyond five years	13,978	11,152	6,391	818
	701,725	721,152	1,943,807	248,760
Total borrowings	1,394,567	1,615,048	4,123,586	527,718

The table below sets forth the effective annual interest rates of our bank and other borrowings (excluding the liability component of our Convertible Bonds):

	As of March 31,						
	2005		2006		2007		
	Borrowings	Effective Interest Rate	Borrowings	Effective Interest Rate	Borrowings	Borrowings	Effective Interest Rate Floating rate
	HK$'000		HK$'000		HK$'000	US$'000	
Fixed-rate borrowings	889,036	5.43% to 13%	950,071	3.22% to 13.00%	2,296,799	293,934	4.86% to 11.00%
Variable-rate borrowings	505,531		664,977	5.76% to 6.75%	1,826,787	233,784	5.76% to 6.93%
Total	1,394,567		1,615,048		4,123,586	527,718	

In addition to the interest-bearing bank and other borrowings, as of March 31, 2007, we had advances from our controlling shareholder, Coastal International Holdings Limited, in the amount of HK$12.1 million, which were unsecured, interest-free and repayable on demand.

Contractual Commitments and Capital Expenditures

The following table sets forth our consolidated capital commitments as of the dates indicated.

	As of March 31,			
	2005	2006	2007	2007
	HK$'000	HK$'000	HK$'000	US$'000
Contracted, but not provided for				
Acquisition of an additional interest in a subsidiary	24,164	25,121	57,580	7,369
Acquisition of an additional interest in a jointly-controlled entity	–	7,986	29,497	3,775
Capital contribution payable to an investment	10,919	–	–	–
Total	35,083	33,107	87,077	11,144

In addition, we had operating lease commitments pursuant to which we lease certain of our office properties under operating lease arrangements of HK$7.1 million as of March 31, 2007. We are also obligated to purchase the 50% interest of China Railway Erju Co. Ltd. in Beijing Gaoshen Real Estate Development Ltd. under a joint venture agreement. See "Related Party Transactions."

Contingent Liabilities

As of March 31, 2005, 2006 and 2007, we guaranteed mortgage loans to purchasers of our properties in the aggregate outstanding principal amount of HK$217.3 million, HK$392.9 million and HK$890.2 million (US$113.9 million), respectively. The total amount of guaranteed loans under default, if any, in each of the three years ended March 31, 2007, was insignificant. As of March 31, 2007, we also guaranteed loan facilities in the aggregate outstanding principal amount of HK$23.5 million to our associate, Coastal Greenland Development (Anshan) Ltd.

Off-Balance Sheet Commitments and Arrangements

We are obligated to purchase the equity interest in Beijing Wendela Property Development Co. Ltd. held by Yangpu Shouqi Investment Co. Ltd. and Yu Zuosheng. See "Related Party Transactions."

Other than as set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any variable interests in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

Market Risks

Market risk is the risk of loss related to adverse changes in market prices including, but not limited to, interest rate and foreign exchange rates of financial instruments. We are exposed to various types of market risks in the normal course of business. For instance, we are exposed to market interest rate risks and market foreign currency risks attributable to our borrowings at variable interest rates and exchange rate movements on foreign currency denominated borrowings and operating expenses. To manage our exposure to foreign exchange risk in connection with the 2008 Senior Notes, our only indebtedness denominated in U.S. dollars as of the date of this offering circular, we entered into a currency swap agreement with Merrill Lynch Capital Services, Inc. in April 2006, pursuant to which we are obligated to make semi-annual fixed rate interest payments on a notional amount of RMB461,207,500 in exchange for the semi-annual fixed rate interest payments by Merrill Lynch Capital Services, Inc. on a notional amount of US$57,500,000. The following discussion and analysis, which constitute "forward-looking statements" that involve risks and uncertainties, summarize our exposure to different market risks.

Credit Risk

For properties that are still under construction, we typically provide guarantees to banks in connection with our customers' borrowing of mortgage loans to finance their purchase of our properties for an amount up to 70% of the total purchase price of the property. As of March 31, 2007, we had guarantees in place on mortgages in an aggregate principal amount of approximately HK$890.2 million (US$113.9 million). If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand that we repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, we are able to retain the customer's deposit and sell the property to recover any amounts paid by us to the bank, but there can be no assurance that we would be able to sell any such property at a price equal to or greater than the amount necessary to pay off the defaulting purchaser's outstanding loan amount and any accrued interest thereon. See "Risk Factors – Risks Relating to Our Business – We arrange PRC bank financing for some of the purchasers of our properties and provide guarantees to secure the repayment obligations of those purchasers. If those purchasers default on their bank financing contracts, our results of operation and financial condition may be materially and adversely affected."

Interest Rate Risk

We are subject to market risks due to fluctuations in interest rates and refinancing of short-term debt. Our net profit is affected by changes in interest rates due to the impact such changes have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities. In addition, an increase in interest rates would adversely affect our prospective customers' willingness and ability to purchase our properties, our ability to service loans that we have guaranteed and our ability to raise and service long-term debt and to finance our developments, all of which in turn would adversely affect our results of operations.

Our borrowings primarily consist of loans from commercial banks and the 2008 Senior Notes. Borrowings issued at variable rates expose us to cash flow interest rate risk while borrowings issued at fixed rates expose us to fair value interest rate risk. In addition, any increase of benchmark lending rates published by the PBOC may result in an increase in our interest costs, as most of our bank borrowings bear floating interest rates linked to the PBOC-published rates. The PBOC-published benchmark one-year lending rates in China, which directly affect the property mortgage rates offered by commercial banks in China, as of March 31, 2005, 2006 and 2007 were 5.58%, 5.58% and 6.39%, respectively.

Foreign Currency Exchange Rate Risk

We conduct our business primarily in Renminbi and have had minimal direct exposure to foreign exchange fluctuations. A depreciation of the Renminbi would, however, result in an increase in the price of imported goods and professional services that we purchase from our suppliers and foreign companies. To manage our exposure to foreign exchange risk in connection with the 2008 Senior Notes, our only indebtedness denominated in U.S. dollars as of the date of this offering circular, we entered into a currency swap agreement with Merrill Lynch Capital Services, Inc. in April 2006, pursuant to which we are obligated to make semi-annual fixed rate interest payments on a notional amount of RMB461,207,500 in exchange for the semi-annual fixed rate interest payments by Merrill Lynch Capital Services, Inc. on a notional amount of US$57,500,000. In addition, the Notes are denominated in U.S. dollars while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments.

The Renminbi is not a freely convertible currency. The PRC government may take actions that could cause future exchange rates to vary significantly from current or historical exchange rates. Although the Renminbi to U.S. dollar exchange rate has been relatively stable from 1994 to 2005. However, on July 21, 2005, as a result of the Renminbi being re-pegged to a basket of currencies, the Renminbi was revalued and appreciated against the U.S. dollar and the Hong Kong dollar by approximately 2%. The PRC government has since made and in the future may make further adjustments to the exchange rate system. There can be no assurance that such exchange rate will continue to remain stable against the U.S. dollar, the Hong Kong dollar or any other foreign currency in the future. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies would make any new RMB-denominated investments or expenditures more costly to us, to the extent that we need to convert foreign currencies into Renminbi for such purposes. Any significant depreciation in the exchange rates of the Renminbi against the U.S. dollar or the Hong Kong dollar could adversely affect the value of our dividends, which would be funded by Renminbi but paid in Hong Kong dollars. There can be no any assurance that any future movements in the exchange rate of the Renminbi against the Hong Kong dollars, the U.S. dollars or other foreign currencies will not adversely affect our results of operations and financial condition (including our ability to pay dividends). A significant depreciation in the Renminbi against major foreign currencies may have a material and adverse impact on our results of operations, financial condition and share price because our reporting currency is Hong Kong dollars and our shares are quoted in Hong Kong dollars.

Commodities Risk

We consume large quantities of building materials, including raw iron, steel and concrete, in our property development operations. We typically procure these building materials directly from our suppliers. In recent years, there have been significant fluctuations in the prices of these raw materials. If the price of building materials were to increase significantly, we might be required to pay more to prospective suppliers. See "Risk Factors – Risks Relating to Our Business – Our financial results are sensitive to fluctuations in the cost of construction materials."

Inflation

Inflation and deflation in China have not had a material impact on our results of operations in the past three years. According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the change in the Consumer Price Index in China, was 1.8%, 1.5% and 1.5% in 2004, 2005 and 2006, respectively, and 3.2% for the first half of 2007.

CORPORATE STRUCTURE AND HISTORY

History and Development

The operations of our group commenced in Hong Kong in 1990 when Mr. Chan Boon Teong and Mr. Jiang Ming formed a number of companies to engage in real estate development and investment in the PRC. Our Company was incorporated in Bermuda in 1997 to act as the holding company for such companies and was used as the listing vehicle for our listing on the Hong Kong Stock Exchange in that year. In 2003, we changed our Company's name from Coastal Realty Group Limited to Coastal Greenland Limited.

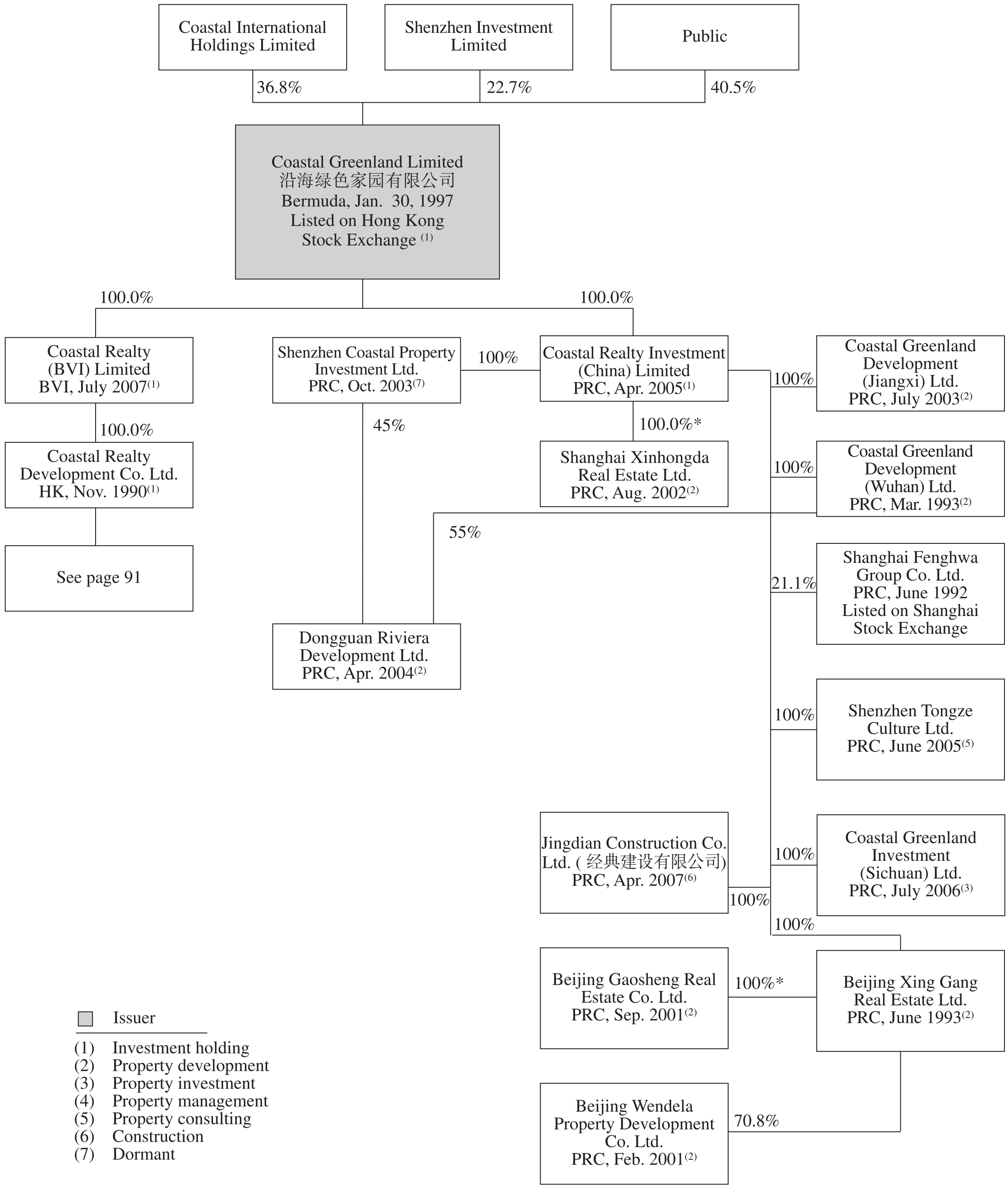
We undertook our first property development project in Xiamen in 1990, and by 2002, we had expanded our operations to Fuzhou, Qingdao, Wuhan, Shanghai, Shenzhen and Beijing. We established a national strategic alliance in 2004 to promote a "healthy residence" concept with the National Residence Center of the PRC and have since introduced that concept into all of our property development projects. In 2005, we became one of the first property developers in the PRC to join the U.S. Green Building Counsel (the "USGBC") and introduced the U.S. LEED-ND Green Building Rating System into our project design. The same year, Beijing Silo City was chosen as one of the USGBC's model projects in the world.

In August 2005, we issued US$12.5 million in convertible bonds to Mellon HBC Alternative Strategies LLC, which were fully converted into shares during 2006. In April 2006, we acquired a 21.13% stake in Shanghai Fenghwa Group Co. Ltd., a PRC-listed company principally engaged in industrial investment management, property development, rental of property, property management, hotel management, stationery and sporting good, crafting items, packaging materials and business consultancy. We acquired our stake in Shanghai Fenghwa Group Co. Ltd. for a consideration of approximately HK$64 million through a public auction. Our shares in Shanghai Fenghwa Group Co. Ltd. were initially not publicly tradable. Following the public auction, we sold Coastal Greenland Development (Anshan) Ltd. to Shanghai Fenghwa Group Co. Ltd. at its then fair market value in conjunction with Shanghai Fenghua Group Co. Ltd's share restructuring program. As a result of the share restructuring program, we will be able to convert into publicly tradable shares 5% of our non-tradable shares in Shanghai Fenghwa Group Co. Ltd. within 12 to 24 months after the completion of the share restructuring program (during the 12 months' period from March 1, 2008), 10% shares into publicly tradable shares within 12 to 36 months (during the 12 months' period from March 1, 2009), and our entire 21.13% interest 36 months after the completion of the share restructuring program (during the 12 months' period from March 1, 2010). This acquisition was a strategic move by us to acquire and hold a substantial equity stake in a PRC listed company. In July 2006, we issued US$40 million in Convertible Bonds and US$20 million in 2008 Senior Notes to Citadel Equity Fund Ltd. In October 2006, Shenzhen Investment Limited purchased US$40 million in Convertible Bonds and 162 million shares of our Company from Citadel Equity Fund Ltd. As a result, Shenzhen Investment Limited received three seats on our Company's board in January 2007. On July 23, 2007, Shenzhen Investment Limited converted the Convertible Bonds into 443,862,857 of our ordinary shares, which increased the percentage of our shares that it holds to 22.7%. In February 2007, we sold a 50% equity interest in the Dalian Xinghai Bay project to a number of funds managed by or are affiliates of Angelo Gordon & Co., L.P. ("Angelo Gordon"), a privately-held investment advisor that is active in the real estate sector. We sold an 80% interest in the residential development in the Shenyang Hunnan project to Angelo Gordon in September 2007 and have entered into an agreement in June 2007 to sell a 20% interest in the commercial development in the same project to Angelo Gordon.

Our Company has received several industry honors in the course of its history. Our Company was ranked by the China Real Estate TOP 10 Research Team in 2006 as one of the ten most valuable corporate brand names among PRC real estate companies from 2004 to 2007. Coastal Greenland Group was also recognized in 2007 as one of the top ten growing companies between 2005 and 2007 in an assessment of the "Top 100 Enterprises in the Real Estate Industry in China." In 2005, the USGBC chose the Beijing Silo City project as one of its international model projects.

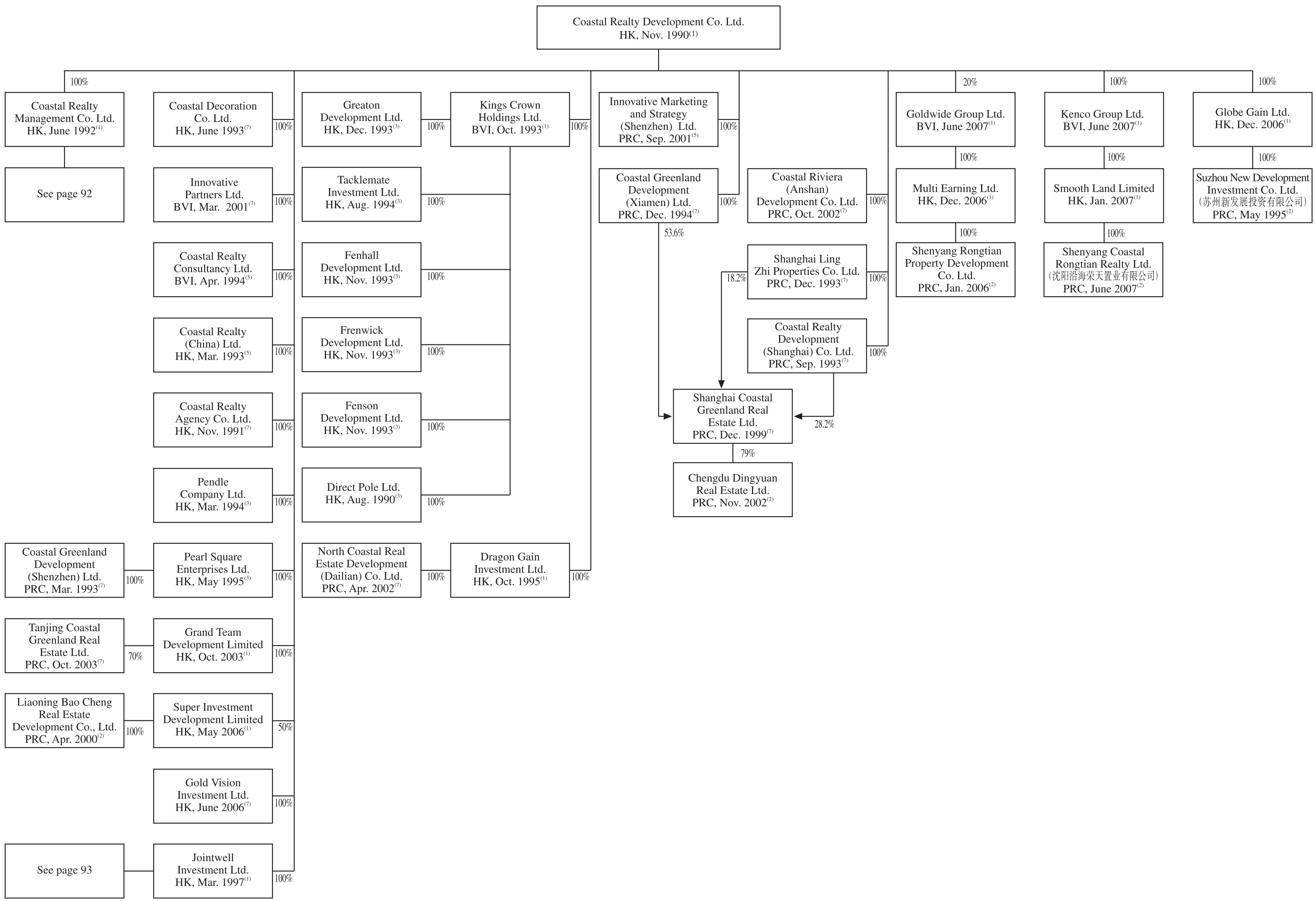
Corporate Structure

The following chart sets forth our organizational structure as of the date of this offering circular:

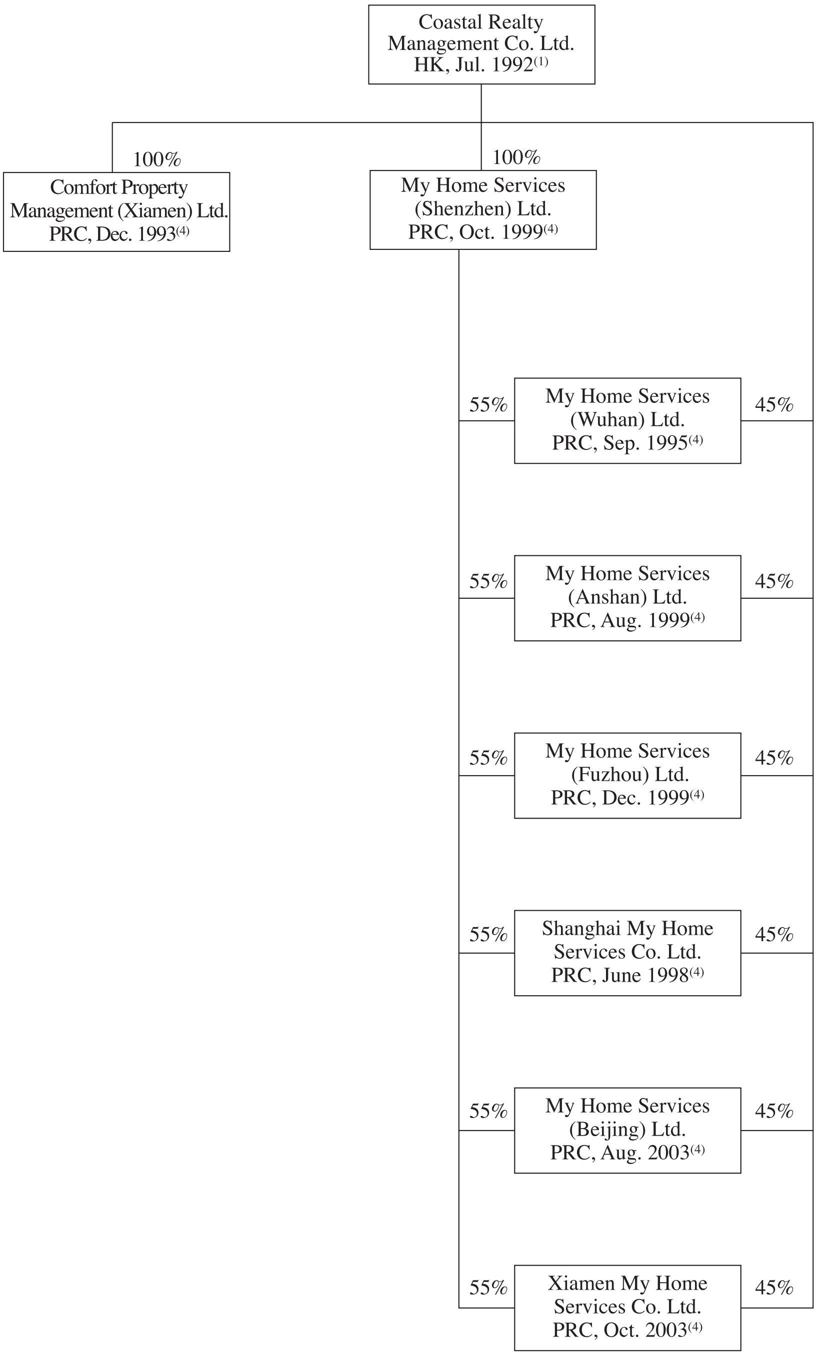


* Our wholly owned subsidiary Beijing Xing Gang Real Estate Ltd. currently holds 50% interest in Beijing Gaosheng Real Estate Development Ltd. but for accounting purposes, we consolidated 100% of Beijing Gaosheng Real Estate Development Ltd. in our consolidated financial statements for the year ended March 31, 2007, as we have entered into a contract to acquire the remaining 50% of such company. See "Related Party Transactions" for more details.

Shanghai Coastal Greenland Real Estate Ltd. currently holds a 15% interest in Shanghai Xinhongda Real Estate Ltd. However, for accounting purposes, we consolidated 100% of Shanghai Xinhongda Real Estate Ltd. in our consolidated financial statements for the years ended March 31, 2006 and 2007, because Coastal Realty Investment (China) Limited has entered into a contract to acquire the remaining 85% of such company. See "Description of Other Material Indebtedness – Refinancing Arrangement."



Coastal Realty Development Co. Ltd. HK, Nov. 1990(1)
100%
Coastal Realty Management Co. Ltd. HK, June 1992(1)
See page 92
Coastal Decoration Co. Ltd. HK, June 1993(7)
Innovative Partners Ltd. BVI, Mar. 2001(7)
Coastal Realty Consultancy Ltd. BVI, Apr. 1994(5)
Coastal Realty (China) Ltd. HK, Mar. 1993(5)
Coastal Realty Agency Co. Ltd. HK, Nov. 1991(7)
Pendle Company Ltd. HK, Mar. 1994(3)
Pearl Square Enterprises Ltd. HK, May 1995(3)
Coastal Greenland Development (Shenzhen) Ltd. PRC, Mar. 1993(7)
Grand Team Development Limited HK, Oct. 2003(1)
70%
Tanjing Coastal Greenland Real Estate Ltd. PRC, Oct. 2003(7)
50%
Super Investment Development Limited HK, May 2006(1)
Liaoning Bao Cheng Real Estate Development Co., Ltd. PRC, Apr. 2000(2)
Gold Vision Investment Ltd. HK, June 2006(7)
Jointwell Investment Ltd. HK, Mar. 1997(1)
See page 93
Greaton Development Ltd. HK, Dec. 1993(3)
Tacklemate Investment Ltd. HK, Aug. 1994(3)
Fenhall Development Ltd. HK, Nov. 1993(3)
Frenwick Development Ltd. HK, Nov. 1993(3)
Fenson Development Ltd. HK, Nov. 1993(3)
Direct Pole Ltd. HK, Aug. 1990(3)
North Coastal Real Estate Development (Dailian) Co. Ltd. PRC, Apr. 2002(7)
Kings Crown Holdings Ltd. BVI, Oct. 1993(1)
Dragon Gain Investment Ltd. HK, Oct. 1995(1)
Innovative Marketing and Strategy (Shenzhen) Ltd. PRC, Sep. 2001(5)
Coastal Greenland Development (Xiamen) Ltd. PRC, Dec. 1994(7)
53.6%
Coastal Riviera (Anshan) Development Co. Ltd. PRC, Oct. 2002(7)
Shanghai Ling Zhi Properties Co. Ltd. PRC, Dec. 1993(7)
18.2%
Coastal Realty Development (Shanghai) Co. Ltd. PRC, Sep. 1993(7)
28.2%
Shanghai Coastal Greenland Real Estate Ltd. PRC, Dec. 1999(7)
79%
Chengdu Dingyuan Real Estate Ltd. PRC, Nov. 2002(2)
20%
Goldwide Group Ltd. BVI, June 2007(1)
Multi Earning Ltd. HK, Dec. 2006(1)
Shenyang Rongtian Property Development Co. Ltd. PRC, Jan. 2006(2)
Kenco Group Ltd. BVI, June 2007(1)
Smooth Land Limited HK, Jan. 2007(1)
Shenyang Coastal Rongtian Realty Ltd. (沈阳沿海荣天置业有限公司) PRC, June 2007(2)
Globe Gain Ltd. HK, Dec. 2006(1)
Suzhou New Development Investment Co. Ltd. (苏州新发展投资有限公司) PRC, May 1995(2)


Coastal Realty Management Co. Ltd. HK, Jul. 1992(1)
100%
Comfort Property Management (Xiamen) Ltd. PRC, Dec. 1993(4)
100%
My Home Services (Shenzhen) Ltd. PRC, Oct. 1999(4)
55%
My Home Services (Wuhan) Ltd. PRC, Sep. 1995(4)
45%
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My Home Services (Anshan) Ltd. PRC, Aug. 1999(4)
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My Home Services (Fuzhou) Ltd. PRC, Dec. 1999(4)
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Shanghai My Home Services Co. Ltd. PRC, June 1998(4)
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My Home Services (Beijing) Ltd. PRC, Aug. 2003(4)
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Xiamen My Home Services Co. Ltd. PRC, Oct. 2003(4)
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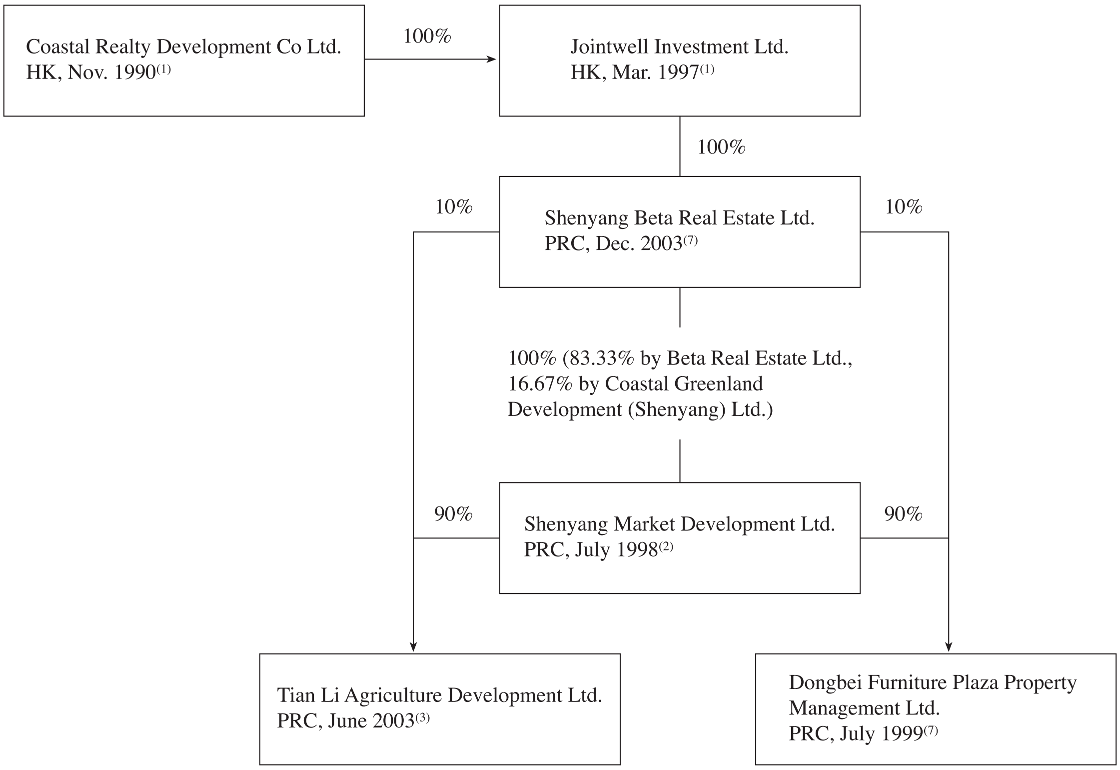


Below is a brief description of our major subsidiaries:

Coastal Realty Investment (China) Limited

We established Coastal Realty Investment (China) Limited in April 2005 as a foreign-invested investment Company in Shenzhen. Currently, it acts as the holding company for our major property development subsidiaries in the PRC.

Beijing Xing Gang Real Estate Ltd.

Beijing Xing Gang Real Estate Ltd. was set up in June 1993 and is 100% owned by Coastal Realty Investment (China) Ltd. Beijing Xing Gang Real Estate Ltd. is a property development company and has been developing our Beijing Sunvilla Realhouse project.

Beijing Wendela Property Development Co. Ltd.

Beijing Wendela Property Development Co. Ltd. was established in February 2001. It is a property development company and currently holds our property at Beijing Shunyi. In June 2006, Beijing Xing Gang Real Estate Ltd. acquired 70.8% of the outstanding equity interest in Beijing Wendela Property Development Co. Ltd. and was obligated to purchase the remaining 29.2% interest pursuant to a share transfer and capital increase framework agreement that it entered into in May 2006. See "Related Party Transactions – Share Transfer and Capital Increase Framework Agreement."

Beijing Gaosheng Real Estate Co. Ltd.

In April 2006, Beijing Xing Gang Real Estate Limited acquired a 50% equity interest in Beijing Gaosheng Real Estate Development Ltd., a project company holding the Beijing Silo City project. China Railway Erju Co. Ltd., a construction company that we have used for our property development projects, acquired the remaining 50% interest in Beijing Gaosheng Real Estate Development Ltd. On May 28, 2006, we entered into a joint venture agreement with China Railway Erju Co. Ltd., pursuant to which we were obligated to purchase the remaining equity interest in Beijing Gaosheng Real Estate Co. Ltd. For accounting purposes, we consolidated 100% of Beijing Gaosheng Real Estate Development Ltd. in our consolidated financial statements for the year ended March 31, 2007. See "Related Party Transactions – Joint Venture Agreement with China Railway Erju Co. Ltd."

Coastal Greenland Development (Wuhan) Ltd.

Coastal Greenland Development (Wuhan) Ltd. was established in March 1993 and is currently owned by China Realty Investment (China) Limited. Coastal Greenland (Wuhan) Ltd. is a property development company and has been developing our Wuhan Silo City and Wuhan Riviera Garden projects.

Shanghai Lingzhi Properties Co. Ltd.

Shanghai Lingzhi Properties Co. Ltd. was established in December 1993 and developed our Golden Bridge Garden project in Shanghai.

Shanghai Xinhongda Real Estate Ltd.

Shanghai Xinhongda Real Estate Ltd. is a property development company established in August 2002 that holds our Shanghai Riviera Garden project. Coastal Realty Investment (China) Limited currently holds a 15% equity interest in Shanghai Xinhongda Real Estate Ltd. and has entered into a contract to purchase the remaining 85% equity interest. See "Description of Other Material Indebtedness – Refinancing Arrangement."

Suzhou New Development Investment Co. Ltd.

Suzhou New Development Investment Co. Ltd. was established in May 1995. In March 2007, we entered into an agreement to acquire through our wholly owned subsidiary Shanghai Coastal Greenland Real Estate Ltd. 100% equity interest in the company. This subsidiary is currently developing our commercial properties in Suzhou (Suzhou Henhe Square project).

Liaoning Bao Cheng Real Estate Development Co., Ltd.

Liaoning Bao Cheng Real Estate Development Co., Ltd. was established in April 2000. We acquired through one of our subsidiaries, Super Investment Development Limited, all of the equity interest in Liaoning Bao Cheng Real Estate Development Co., Ltd. in June 2006. Liaoning Bao Cheng Real Estate Development Co. Ltd. is currently developing our Dalian Xinghai Bay project.

Shenyang Rongtian Property Development Co. Ltd.

Shenyang Rongtian Property Development Co. Ltd. was established in January 2006. One of our subsidiaries, Coastal Greenland Development (Shenyang) Co. Ltd. acquired 50% equity interest in Shenyang Rongtian Property Development Co. Ltd. in January 2007, and acquired the remaining 50% equity interest in March 2007. Subsequently, Multi Earning Ltd., one of our other wholly-owned subsidiaries, acquired all of the equity interests in Shenyang Rongtian Property Development Co. Ltd. Shenyang Rongtian Property Development Co. Ltd. currently holds our Shenyang Hunnan project. We sold an 80% interest in the residential development in the Shenyang Hunnan project to Angelo Gordon in September 2007 and have entered into an agreement in June 2007 to sell a 20% interest in the commercial development in the same project to Angelo Gordon.

Shenyang Market Development Ltd.

Shenyang Market Development Ltd. was established in July 1998. Shenyang Beta Real Estate Ltd. acquired 83.3% equity interest in Shenyang Market Development Ltd. in January 2004, and Coastal Greenland Development (Shenyang) Co. Ltd. acquired the remaining 16.7% equity interest in December 2005. Shenyang Market Development Ltd. holds our Shenyang Dongbei Furniture and Ornaments Plaza project.

Dongguan Riviera Development Ltd.

Dongguan Riviera Development Ltd. was established in April 2004, and our subsidiary, Shenzhen Coastal Property Investment Ltd., initially held a 45% equity interest in it. In March 2006, Shenzhen Coastal Property Investment Ltd. acquired the remaining 55% equity interest and then in June 2006, transferred the 55% equity interest to Coastal Greenland Development (Wuhan) Ltd. Dongguan Riviera Development Ltd. is a property development company that holds our Dongguan Riviera Villa project.

Coastal Greenland Development (Jiangxi) Ltd.

Coastal Greenland Development (Jiangxi) Ltd. was established in July 2003 and is 100% owned by Coastal Realty Investment (China) Limited. Coastal Greenland Development (Jiangxi) is currently developing our Jiangxi Riviera Garden project in Nanchang, Jiangxi.

My Home Services (Shenzhen) Ltd.

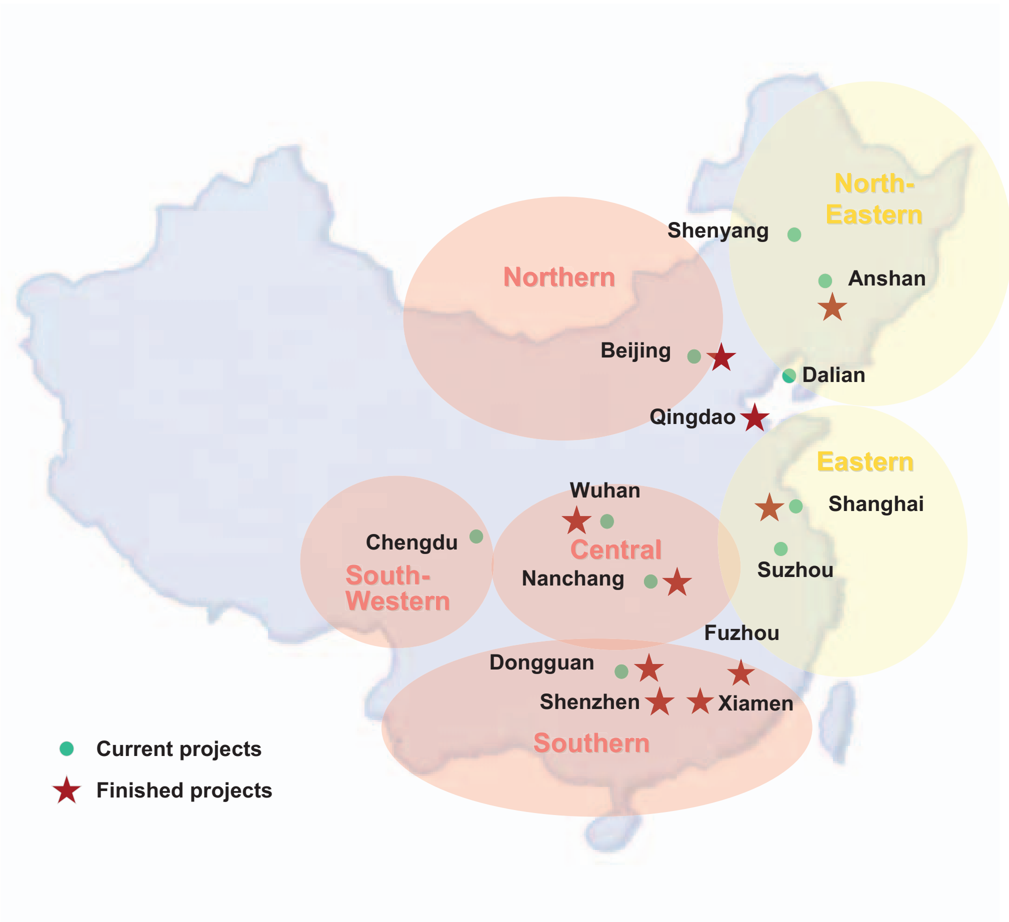
My Home Services (Shenzhen) Ltd. was established by Pearl Square Enterprises Ltd. in September 1999 as a property management company and is 100% owned by Coastal Realty Management Co. Ltd. My Home Services (Shenzhen) Ltd. has nine branches located in Dongguan, Wuhan, Beijing, Xiamen, Fuzhou, Anshan, Shanghai, Nanchang and Shenyang.

Shenzhen Tongze Culture Ltd.

Shenzhen Tongze Culture Limited was established in June 2005 and is 100% owned by Coastal Realty Investment (China) Limited. It owns a significant portion of the 26th and the 37th floors of Noble Center in Zhenzhen and engages in advertising activities for our projects.

Overview

We are a property development company with geographically-diverse properties and development projects in the PRC. Our development efforts are focused in the major cities of the six major economic areas in the PRC, namely the northeastern, northern, central, eastern, southern and southwestern regions. We currently have developments in cities such as Anshan, Beijing, Dongguan, Chengdu, Nanchang, Shanghai, Shenyang, Dalian, Wuhan and Suzhou within the six major economic areas in the PRC. Our primary business has been the development of medium- to high-end residential properties and the sale of various types of products, including villas, townhouses, apartment buildings, parking spaces and retail shops. For each of 2004, 2005, 2006 and 2007, our Group was ranked by the China Real Estate TOP 10 Research Team as one of the ten most valuable corporate brand names among real estate companies in China. Shenzhen Investment Limited, which is owned by the Shenzhen municipal government, is currently a 22.7% shareholder of our Company. The Chairman, the Chief Executive Officer and the Chief Operating Officer of Shenzhen Investment Limited also serve as directors on our Board of Directors. As of June 30, 2007, our property development portfolio comprised 15 projects with a total site area of approximately 2.6 million square meters, which, if fully developed, would amount to a total GFA of approximately 4.9 million square meters. Our shares have been listed on the Hong Kong Stock Exchange since 1997, and they are currently listed under stock code 1124 with a market capitalization of HK$6,864.8 million (US$878.5 million) as of October 12, 2007.



We focus on developing high-quality residential properties primarily targeted towards middle- to upper middle-income PRC households, in particular, young working couples or small families who prefer to stay close to the cities as well as bigger families who seek a more spacious living space and a more leisurely lifestyle in the suburban areas. Our residential projects are generally based on a "healthy residence" concept, whereby we incorporate healthy residence technology systems (such as comfortable ventilation systems, antiseptic toilet systems, body fitness systems, sound insulation technology systems, ecological field systems, sun-shading technology systems, healthy decoration systems, sun-powered lighting systems, handicapped-friendly systems and security systems) into our property developments. To further promote our "healthy residence" concept, we established a national strategic alliance with the National Residence Center of the PRC in July 2004 and became one of the first property developers in the PRC to join the USGBC and introduced the U.S. LEED-ND Green Building Rating System into our project designs in April 2005. Many of our residential developments are integrated residential complexes that typically have a total site area of over 200,000 square meters and offer various ancillary facilities such as club houses, schools and grocery stores. We have two main product series:

- villas or low density housing estates in the suburbs of big cities marketed under the brand name "Riviera" or "Sunvilla," which are typically stand-alone houses or townhouses with less than three stories or low to medium rise apartment buildings; and

- composite developments close to the cities marketed under the brand name "Silo City," with low-rise apartment buildings that are typically six to eight stories and high-rise apartment buildings that are typically 20 stories or higher as well as commercial properties such as hotels, office units and retail space.

In addition to residential properties, we are also developing a number of commercial properties, including retail, office and certain hotel properties within our property development complexes, which we intend to hold as long-term investments. Going forward, we intend to increase our focus on investment properties. Our plan is for investment properties to account for approximately 30% of the value of our property portfolio within the next five years. The investment properties in our current portfolio are primarily commercial properties, and to a lesser extent residential properties. We believe that diversification to include more investment properties will broaden our revenue base and provide a source of recurring revenue that may be more stable than revenue from sales of properties, which is more susceptible to fluctuations due to economic cycles, the timing of completion of developments and other factors. For the years ended March 31, 2005, 2006 and 2007, our property development business generated approximately HK$525.0 million, HK$742.9 million and HK$2,002.7 million (US$256.3 million) in revenues, which represented 94.9%, 97.9% and 99.5%, respectively, of our total revenue. For the years ended March 31, 2005, 2006 and 2007, our investment properties were valued at approximately HK$522.5 million, HK$302.8 million and HK$507.3 million (US$64.9 million), which represented 11.4%, 5.6% and 4.9%, respectively, of our total assets.

We currently have 15 major properties and development projects at various stages of development located in Anshan, Beijing, Dongguan, Chengdu, Nanchang, Shanghai, Shenyang, Dalian, Wuhan and Suzhou. Of these properties and projects, as of June 30, 2007, we had completed the development of a total GFA of approximately 468,200 square meters and were in the process of developing a total planned GFA of approximately 746,200 square meters. Our land bank portfolio includes sites located in Anshan, Beijing, Dongguan, Chengdu, Nanchang, Shanghai, Shenyang, Dalian and Wuhan, with a total planned GFA of approximately 4.9 million square meters. Residential and/or commercial properties (including hotels) are expected to be developed on these sites in accordance with the market demand then prevailing.

We have received a number of awards in recognition of the innovative product design and construction of our property developments. We believe these awards are testimony to the success of our efforts at building a strong brand name, as well as the high quality of our developments. The China Real Estate TOP 10 Research Team recognized us as one of the "Top 100 Enterprises in the Real Estate Industry in China – top 10 growing companies between 2005 and 2007" in 2007 and recognized us as one of "China's Top 10 Most Valuable Real Estate Brands" in each of 2004, 2005, 2006 and 2007. We were also recognized by World Brand Lab as one of the "Chinese Brands of the Year" in 2006.

We believe that our success has in part been based on our ability to procure land, our development capabilities across a spectrum of asset types, our knowledge of the local market, as well as our distinctive "healthy residence" design concepts for each our residential developments. We believe that these factors have enabled us to understand and meet the demand in our target markets and our ability to deliver the right products in turn has enabled us to generate high prices and profit margins. For the years ended March 31, 2005, 2006 and 2007, our consolidated revenue was HK$552.9 million, HK$759.1 million and HK$2,012.2

million (US$257.5 million), respectively. For the years ended March 31, 2005, 2006 and 2007, our consolidated profit attributable to equity holders was HK$102.4 million, HK$105.0 million and HK$126.7 million (US$16.2 million), respectively. For the years ended March 31, 2005, 2006 and 2007, our total consolidated assets were HK$4,569.8 million, HK$5,398.4 million and HK$10,221.5 million (US$1,308.1 million), respectively.

Our Company was incorporated in Bermuda in 1997 with limited liability, bearing registration number 22913. Our head office is located at 37/F, Noble Center, No. 1006, 3rd Fuzhong Road, Futian District, Shenzhen, China. Our principal place of business in Hong Kong is at Suite 1708, 17th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong. Our registered office in Bermuda is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

Our Competitive Strengths

We believe our key strengths are as follows:

We are a geographically-diversified property development company in the PRC with strong development expertise in both the commercial and residential sectors, and are therefore less susceptible to fluctuations in the property market in any one city or market sector.

We are a national property developer in the PRC with presence in the major cities of the six major economic areas in the PRC, namely the northeastern, northern, central, eastern, southern and southwestern regions of the PRC. We currently have developments in Anshan, Beijing, Dongguan, Suzhou, Shanghai, Dalian, Wuhan, Chengdu and Sheuyang, all of which are cities within the six major economic areas in the PRC. In addition to residential properties, we are also developing a number of commercial properties, including retail, office and certain hotel properties within our property development complexes, which we intend to hold as long-term investments. Going forward, we intend to increase our focus on investment properties. Our plan is for investment properties to account for approximately 30% of the value of our property portfolio within the next five years. By choosing not to focus on any one city or any market sector, we are less susceptible to fluctuations in any single market in the PRC. For instance, the Shanghai property market has experienced significant upward and downward movements in the last few years, which was due in part to changes in government policies and other regulatory measures, and a number of our competitors that focus exclusively or predominantly in that market have suffered as a consequence. We believe that our geographically-diversified property portfolio in prime locations in the major cities of the PRC will help us to become a leading PRC nation-wide property developer.

We have quality, low-cost properties and land reserves in prime locations.

We have been engaged in the property development business in the PRC for 17 years. Over the years, we have accumulated extensive knowledge of the PRC residential property industry in general and the regional markets where we operate, in particular. In addition, we have developed good working relationships with various provincial and municipal government bodies as well as third party land owners, and such relationships have generally helped us to identify opportunities shortly after they became available. We maintain a customer database to keep track of changes in demands and preferences of existing and potential customers. We also conduct regional market research and analysis in order to understand the competitive conditions in the regional markets where we operate or expect to expand. These efforts help us to better design and plan our property projects to meet market demand.

Due to our understanding of the local market, we believe we are able to clearly formulate the different ways to maximize the GFA of our sites, as well as understand the requirements of the relevant provincial and municipal governments, which we believe increases our likelihood of securing property development projects. For example, in June 2006, we learned of a likely foreclosure and auction of a site then owned by an independent third party land owner. We were able to structure a package agreeable to both the land owner and its debtors, avoid foreclosure and auction, and acquire the site directly from the land owner through one of our indirect subsidiaries, Liaoning Bao Cheng Real Estate Development Co., Ltd., at a price of approximately HK$673 million. We sold 50% of our interest in that site for approximately US$51 million (equivalent to approximately HK$398.5 million) to an unrelated party eight months later in February 2007. The sale price implied a valuation of HK$800 million for the site compared to our acquisition price of HK$673 million. We believe our experience in and understanding of the PRC property market has enabled us to acquire quality, low-cost properties and land reserves in prime locations.

Our valuable and well-recognized brand names and developments based on the innovative "healthy residence" concept help us to differentiate our properties.

We believe that our commitment to develop residential properties incorporating a "healthy residence" concept has been one of the key factors that has allowed us to distinguish ourselves from our competitors and establish our strong brand name in the PRC. In July 2004, we established a national strategic alliance in promoting a "healthy residence" concept with the National Residence Center of the PRC and have since then introduced into all of our projects a comprehensive national healthy residence technology system (integrating ten different technologies and measures, consisting of comfortable ventilating systems, antiseptic toilet systems, body fitness systems, sound insulation technology systems, ecological field systems, sun-shading technology systems, healthy decoration systems, sun-powered lighting systems, handicapped friendly systems and security guard systems). In April 2005, we became one of the first property developers in the PRC to join the USGBC and introduced the U.S. LEED-ND Green Building Rating System into our project design. To date, we have four property development projects located in Beijing, Shanghai, Wuhan and Dongguan that are healthy residence pilot projects in conjunction with the Ministry of Construction. The goal of these projects is to establish national standards together with the Ministry of Construction for developing healthy residences. In July 2007, one of our property development projects, Beijing Silo City, became one of the first three property development projects in China to receive the U.S. LEED-ND Green Building Rating System certification.

We have received a number of awards in recognition of the innovative product design and construction of our property developments. We believe these awards are testimony to the success of our efforts at building a strong brand name, including the brand names "Riviera" or "Sunvilla" for our villas and apartments and the brand name of "Silo City" for our composite developments, as well as the high quality of our developments. The China Real Estate TOP 10 Research Team recognized us as one of the "Top 100 Enterprises in the Real Estate Industry in China – top 10 growing companies between 2005 and 2007" in 2007 and recognized us as one of "China's Top 10 Most Valuable Real Estate Brands" in each of 2004, 2005, 2006 and 2007. We were also recognized by World Brand Lab as one of the "Chinese Brands of the Year" in 2006. We believe that our recognized brand name associated with the innovative healthy residence concept enables us to successfully distinguish ourselves from our competitors in the same market and facilitates a high level of sales.

The large scale of our developments provides us with greater economies of scale, the ability to incorporate distinctive design features, and the flexibility to offer a variety of products, including commercial, residential and mixed-use properties.

We seek to distinguish ourselves from our competitors by focusing exclusively on developing large-scale properties. Substantially all of our current projects under development have a GFA of more than 100,000 square meters. Two of our current major projects, Beijing Silo City and Wuhan Silo City, have GFAs of approximately 850,280 square meters and 1,460,000 square meters, respectively. We believe the large scale of these projects has provided us with greater economies of scale. The size of our projects also facilitates our effort to incorporate design features based on our "healthy residence" concept. These design features are aimed at enhancing the ambience of our projects, and thus our brand recognition. In addition, the scale of our developments enables us to offer a more comprehensive range of support services within our residential development projects, such as club houses and grocery stores, and for some of our larger projects, schools. We also seek to provide property management services such as security, cleaning, repair and maintenance work to many of the properties we develop. We believe the availability of such services at our sites enhances the appeal of our developments to our potential purchasers and tenants.

Substantially all of the land in our existing portfolio consists of land that has already been cleared and for which there are no major relocation challenges.

Under PRC laws and regulations, a property developer that wishes to demolish the existing buildings to make way for new development must compensate the residents of those existing buildings for their resettlement costs. The amount of the relocation costs payable by the property developer is generally determined by negotiation between the developer and the affected residents. If the property developer is unable to reach agreement with the residents on a mutually acceptable relocation cost, it may not be able or willing to proceed with any development on that site notwithstanding it having obtained the exclusive right to undertake a development on that site.

The total site areas of substantially all of our current development projects and land bank were acquired free of any significant need for relocation of any current residents or tenants, including the payment of resettlement costs. Accordingly, the absence of major relocation issues on our existing projects reduces our development risks from both a cost and financing perspective.

We have 17 years' experience in the property development business and have been a listed company for ten years.

We have been engaged in the property development business in the PRC for 17 years and have been listed on the Hong Kong Stock Exchange for ten years. As of October 12, 2007, our Company had a market capitalization of HK$6,864.8 million (US$878.5 million). Over this seventeen-year period, we have accumulated extensive experience in the PRC and regional property markets in which we operate. We have also experienced various cycles in the PRC property market, including previous down cycles. In addition, our second largest shareholder, Shenzhen Investment Limited, is a Hong Kong Stock Exchange-listed company that is owned 45.9% by the Shenzhen municipal government of the PRC. Three of the directors of Shenzhen Investment Limited (including its Chairman) are directors in our Company. We believe our history and experience, together with the experience and financial strength of Shenzhen Investment Limited, provide us a greater depth and ability to weather the cyclical nature of the PRC property market than many of our competitors.

We have an extensive distribution network and a large customer base to which we market our properties.

We have a sales division at our operating headquarters in Shenzhen as well as some local sales teams who work in conjunction with dedicated local third party sales agents to market and sell our properties. We have over 100 representatives on our sales team. Our sales team gathers market information on a regular basis to assess market conditions in order to determine the timing for the launch of a development project. For each development project, our sales force formulates a marketing strategy. Once a marketing strategy is formulated, we typically engage local marketing firms or real property agents to conduct sales. Our local sales team typically works closely with these third party marketing firms and real property agents on issues relating to advertising, sales literature and customers' feedback on designs to generate sales. Our local sales team also provides training to the third party marketing firms and real estate property agents that we hire from time to time. We advertise through local media and TV stations, newspapers and magazines, outdoor advertising boards and participate in real estate exhibitions. We also typically set up on-site reception centers to display information relating to the relevant property development.

We have a large customer base to which we market our property developments. We have established a members' club, the Coastal Club, for purchasers of our properties and individuals that are interested in our property developments. This club offers its members priority in selecting properties that we develop. We have members of the club in almost all cities in which we operate. Currently, the Coastal Club has approximately 3,000 members. From time to time, we distribute pamphlets or information kits to and hold various activities for the members of our Coastal Club to promote our products. We maintain a database with information on our club members, and through this database, we are able to market our new properties to these individuals as and when they are ready to be sold or pre-sold.

We have an experienced, stable and motivated management team and an efficient management structure.

Our senior management team consists of experienced professionals, some of whom have received internationally recognized qualifications, and have extensive experience in property development in the PRC. See “Directors and Management” for a detailed description of the management’s qualifications and experiences. Also, Shenzhen Investment Limited, another PRC property company and our second largest shareholder, has three seats on our Board. Accordingly, our management team and Board are able to draw on the experience and expertise of Shenzhen Investment Limited through its representatives’ Board level participation, including through their participation in our strategic planning committee. In April 2006, we acquired a 21.13% stake in Shanghai Fenghwa Group Co. Ltd., a company listed on Shanghai Stock Exchange. See “Related Party Transactions.” By obtaining a substantial stake in the PRC-listed property company, we are able to draw on the experience as well as local knowledge of Shanghai Fenghwa Group Co. Ltd.

In addition, we have established a two-tier management structure consisting of our central management located in our headquarters and local project teams in cities in which we operate. Our central management and local project teams work closely together and maintain an open dialogue. We believe this management structure allows us to both build and capitalize on knowledge of our local property markets and maintain a centralized and efficient decision making process.

We have been able to capitalize on the collective expertise of our senior management and local management teams in the property markets, and selectively apply different ideas, concepts and practices so that we can develop and sell properties that appeal to our targeted customers at various locations. We believe that we have benefited, and will continue to benefit, from our management’s extensive experience and knowledge of the PRC property market.

Our Strategies

We intend to continue to focus selectively on property developments in and around major cities in the PRC. We also intend to expand into other property-related businesses at an appropriate level, such as the development of hotel, shopping mall or office building within our property development complexes, with a view to strengthening our performance and diversifying our business risks. We intend to achieve our overall objective by pursuing the following strategies:

Selectively identifying land for future development, maintaining an appropriate level of high quality and geographically-diverse land reserves and using different methods to acquire land to meet our development requirements.

Our aim is to increase the size of our land bank to 8 to 9 million square meters from our current 4.9 million square meters over the next 3 to 5 years. We plan to complete approximately 1 to 2 million square meters of property each year from 490,000 square meters for the year ended March 31, 2007. As part of our continuing strategy to focus on the development of large-scale projects at strategic locations, we intend to continue to be selective in identifying land suitable for our future development in the six major economic areas in the PRC that we are currently focusing on. We intend to build upon our extensive experience and market knowledge and maintain and strengthen our relationships with relevant provincial and municipal government bodies and third party land owners to enable us to acquire attractive sites for development. We have historically held for our future development land reserves equivalent to approximately three to four years’ of our anticipated development requirements.

We have, on occasion, acquired land for development by acquiring interests in companies that own the relevant land use rights. This method of acquisition has allowed us to move quickly, as the acquisition of land use rights generally involves a relatively lengthy and extensive approval process. In acquiring land use rights, we have generally been able to secure prices that are more favorable through private transactions with independent land owners than through public auctions or government tender process. See "– Our Competitive Strengths – We have quality, low-cost properties and land reserves in prime locations." Accordingly, where possible, we intend to acquire land use rights through private transactions, such as purchasing from non-government third parties or forming joint ventures with other property developers. We may also seek to acquire land use rights through the mandatory government public tender process if market conditions are favorable.

Continuing to promote our strong brand names and the "healthy residence" concept to further strengthen public recognition of our brand and enhance the value of our projects.

Our Company was ranked as one of the top ten most valuable corporate brand names among PRC real estate companies in each of 2004, 2005, 2006 and 2007. We believe that we are one of the first companies to focus on developing mid-priced residential properties in the PRC that incorporate the healthy residence concept. Going forward, we plan to incorporate the healthy residence concept into all of our projects to strengthen and consolidate public recognition of our brand name. We also intend to continue to promote our brand names, including the brand names "Riviera" or "Sunvilla" for our villas and apartments and the brand name of "Silo City" for our composite developments. We believe such efforts will increase public recognition of our brand, which in turn will enable us to continue to differentiate ourselves from our competitors, increase our product appeal, maximize our efficiency by creating product standardization and enhance the competitiveness of our business.

Continuing to increase the proportion of investment properties in our project portfolio by developing commercial, office and hotel investment properties within our property development complexes in order to achieve a more balanced revenue profile.

Historically, we earned substantially all of our revenue from sales of properties. With our more recent development of properties located at Suzhou, Dalian, Beijing, Shenyang and Wuhan, we have sought greater diversification into retail, hotel and other commercial properties. Going forward, we intend to increase our focus on investment properties. Our objective is for investment properties to account for approximately 30% of the value of our property portfolio within five years. We believe that by diversifying into the retail, hotel and other commercial markets, while continuing to develop our properties in the residential sector, we will reduce our risk of over-reliance on any particular sector of the market. In addition, we believe that our strategy to increase our portfolio of properties held for investment will provide us with a more recurring and stable revenue stream. We intend to develop most of our investment properties ourselves, but we may also purchase completed or almost completed buildings from third parties and through bank foreclosure sales.

We expect our development properties, together with our investment properties, to form complementary components of the same large-scale developments. We believe the benefits of this strategy include:

- rental income helps provide greater diversification and stability of future income during unpredictable market cycles;
- potential for long-term capital gains through our investment portfolio; and
- a diversified asset base to support funding for our future activities.

Partnering with reputable companies and strategic partners to further expand our presence and to maintain the quality of our projects.

We have in the past partnered with other property developers as well as construction companies to develop our projects. We were able to benefit from the financial strengths and local expertise offered by such property developers, and we were able to maintain the quality of our projects in part through working with reputable construction companies.

Shenzhen Investment Limited currently holds 22.7% of our issued share capital and is our second largest shareholder. A mid-market property developer in southern China, Shenzhen Investment Limited is 45.9% owned by the Shenzhen municipal government of the PRC and has been listed on the Hong Kong Stock Exchange since 1997. We may explore some of our property development opportunities with Shenzhen Investment Limited, as we expect that Shenzhen Investment Limited will be able to provide us with valuable local expertise as well as financial resources.

Over the years, we have developed strategic relationships with a number of construction companies in the PRC, including China Railway Erju Co. Ltd. and China No. 7 Construction Engineering Bureau. We intend to continue to engage these companies, as we have generally been satisfied with the work performed by them. We may also seek to develop relationships with additional construction companies as the need or opportunities arise. We believe that continuing these relationships and developing new strategic relationships will help us to ensure the consistency in the quality of our projects, as well as to alleviate our capital burden and optimize our capital structure.

Outsourcing more of our property sales function and continuing to focus on pre-sales of our properties whenever possible.

Our property sales are currently managed by our sales division at our operating headquarters in Shenzhen as well as local sales teams who work together with dedicated local third party sales agents. In a typical development project, our internal sales force formulates a marketing strategy and engages local marketing firms or real property agents to conduct sales, who work closely with our local sales teams to effect our sales strategy. We generally hire third party sales agents to help sell our properties. These third party sales agents are dedicated to sell our projects only and will not sell other competing projects for the duration of their engagement with us. In the future, we intend to increase the outsourcing of our sales function to local real property sales agents and rely less upon our internal sales division. We will still retain certain sales and marketing personnel to develop sales and marketing strategies and coordinate selling efforts with local sales agents. We believe that the use of local sales agents, as opposed to reliance on our internal sales division, will enable us to capitalize on the local market knowledge of such agents, as well as allow us to save costs.

Pre-sales of our properties is an integral component of our sales strategy. We believe that pre-selling our properties provides a number of strategic benefits to us, such as:

- reducing upfront cash requirements to fund developments;
- improving working capital efficiency;
- improving our ability to predict our future earnings;
- providing additional timing flexibility, which in turn increases our ability to deal with property market cycles;
- decreasing the time our developments are exposed to sales risk; and
- helping to offset any reduction in our cash flows from operations resulting from our intention to hold an increasing proportion of investment properties and to fund development of such investment properties.

Accordingly, we intend to continue to strive to maximize our pre-sales whenever possible. Our strategy in maximizing pre-sales is centered upon promoting our group and project brand names in the property markets in which we operate and achieving product penetration in our market by utilizing an effective sales force and through targeted marketing to our selected demographic of potential purchasers. See “Business – Property Development – Sales and Marketing.”

Partnering with strategic partners to share financing of our development projects.

We finance our property development projects principally by our cash flow from operating and financing activities (approximately 30%), bank loans (approximately 30% to 40%) and proceeds from pre-sales (approximately 25% to 30%). From time to time, we also seek reputable business partners with which to establish joint ventures to fund our larger property development projects. For instance, we established a joint venture with China Railway Erju Co. Ltd., a construction company that we regularly use, to develop one of our larger projects, Beijing Silo City. We have also in the past financed particular projects by selling equity interests in our subsidiaries holding such projects to strategic partners. For example, in February 2007, we sold a 50% equity interest in our Dalian Xinghai Bay project to a number of funds managed by or are affiliates of Angelo Gordon & Co., L.P., a privately-held investment advisor. We believe partnering with strategic partners, whether by establishing joint ventures or selling equity interests in our projects, provide us with additional sources of financing beyond commercial bank loans while requiring less of a capital commitment per project. We believe such financing will enable us to engage in more property development projects than we otherwise would be able to if we only sought financing from commercial bank loans. Accordingly, we intend to establish such strategic partnerships in the future to fund our development projects.

Property Descriptions

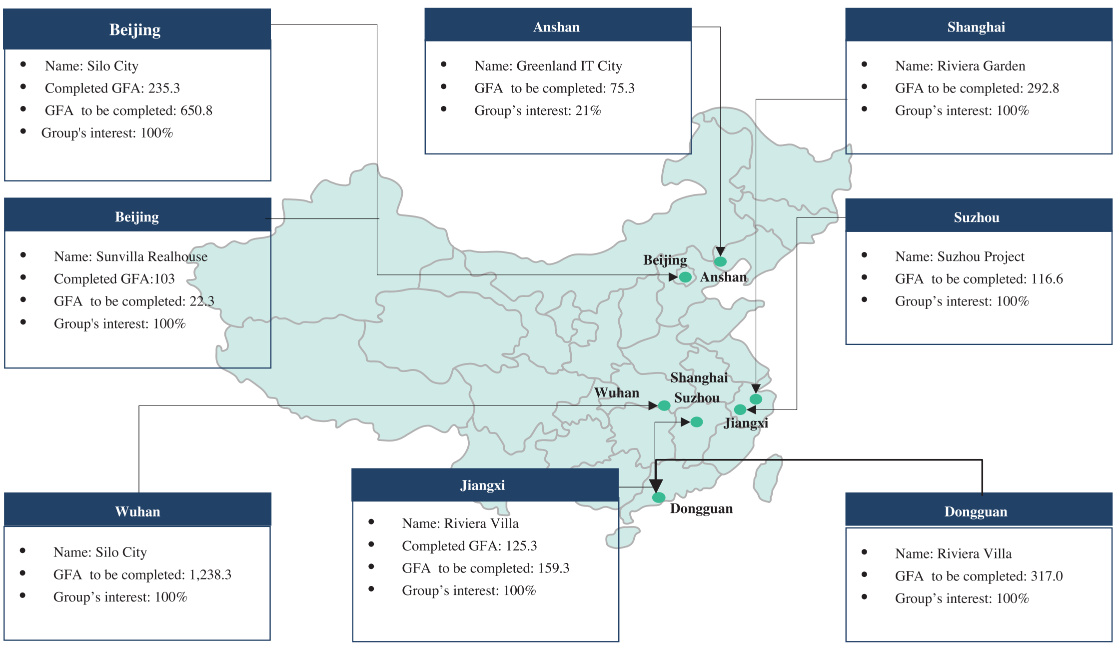
Summary of Our Projects

As of June 30, 2007, we had a total of 15 projects in our portfolio which included:

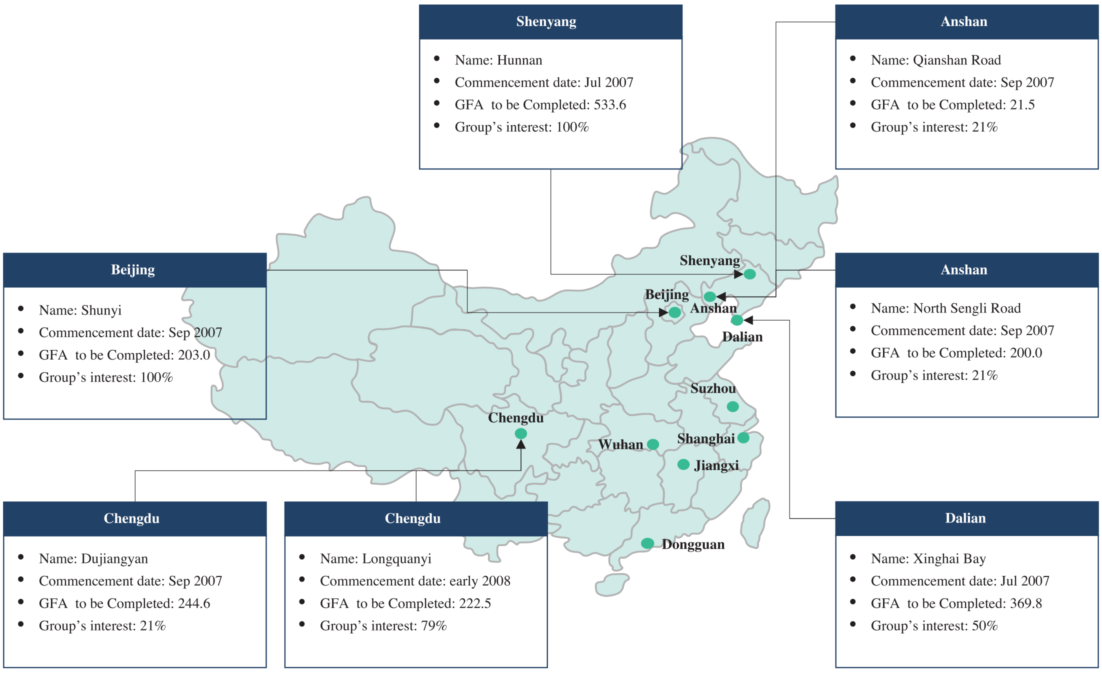
- six properties under development; and
- nine properties for future development.

As of June 30, 2007, we had approximately 68,700 sq.m. of GFA available for sales and 351,600 sq.m. of GFA available for pre-sales. We expect to have approximately 607,500 sq.m. of additional GFA become available for sales and 1,371,700 sq.m. of additional GFA become available for pre-sales during the year ended March 31, 2008.

The following map shows the location of our current projects (GFA in thousands square meters):



The following map shows the location of our new projects (GFA in thousands square meters):



The tables below set forth certain information relating to the particulars of our major properties, including properties under development and properties that we hold for future development, as of June 30, 2007.

Summary of Major Properties

Land Bank Summary – June 30, 2007
Note: Unit for GFA = 1,000 sq.m.

			Completed Property Developments			Properties Under Development			Properties Held for Future Development	
Project	**Location**	**Aggregate GFA for Entire Project**	**GFA Completed**	**Total Completed Saleable GFA**	**Total Saleable GFA Sold**	**GFA Under Development**	**Total Saleable GFA Under Development**	**Total Saleable GFA Presold**	**GFA Held for Future Development**	**Interest Attribut-able to us**
Beijing Sunvilla Realhouse[(1)]										
Phase I	Beijing	62.90	62.90	62.90	62.90					100%
Phase II	Beijing	49.26	40.90	40.00	36.60	8.90	8.90	8.65		100%
Phase III	Beijing	22.30							22.30	100%
Shanghai Riviera Garden[(2)]										
Phase I	Shanghai	135.40				135.40	131.10	26.30		100%
Phase II	shanghai	157.40							157.40	100%
Dongguan Riviera Villa[(2)]										
Phase I	Dongguan	59.00				59.00	59.00	43.80		100%
Phase II	Dongguan	66.00							66.00	100%
Phase III	Dongguan	192.00							192.00	100%
Jiangxi Riviera Garden[(1)]										
Phase I (Nanchang)	Jiangxi	47.20	47.20	46.70	37.50					100%
Phase II (Nanchang)	Jiangxi	78.10	78.10	78.10	59.60					100%
Phase III (Nanchang)	Jiangxi	76.00							76.00	100%
Phase IV (Nanchang)	Jiangxi	83.30							83.30	100%
Wuhan Silo City[(2)]										
Phase I	Wuhan	221.70				221.70	212.50	25.30		100%
Phase II	Wuhan	219.00							219.00	100%
Phase III-V	Wuhan	1,019.30							1,019.30	100%
Beijing Silo City[(2)]										
Phase I	Beijing	122.60	122.60	109.30	80.90					100%
Phase II	Beijing	112.70	112.70	92.00	83.70					100%
Phase III	Beijing	79.00				79.00	69.10	57.70		100%
Phase IV (East block)	Beijing	51.20							51.20	100%
Phase IV (West block, including hotel)	Beijing	121.40							121.40	100%
Phase V	Beijing	116.70				116.70	101.10	75.40		100%
Phase VI	Beijing	112.40							112.40	100%
Phase VII	Beijing	180.10							180.10	100%

Project	Location	Aggregate GFA for Entire Project	Completed Property Developments			Properties Under Development			Properties Held for Future Development	Interest Attribut-able to us
			GFA Completed	Total Completed Saleable GFA	Total Saleable GFA Sold	GFA Under Development	Total Saleable GFA Under Development	Total Saleable GFA Presold	GFA Held for Future Development	
Shenyang Hunnan(1)(4)	Shenyang								533.60	100%
Phase I	Shenyang	346.50							346.50	
Phase II	Shenyang	187.10							187.10	
Suzhou Project(2)	Suzhou	116.60				116.60	116.60			100%
Dalian Xinghai Bay(1)										
Phase I	Dalian	216.50							216.50	50%
Phase II	Dalian	153.30							153.30	50%
Beijing Shunyi(1)	Beijing	203.00							203.00	100%
Chengdu Longquanyi(1)	Chengdu	222.50							222.50	79%
Chengdu Dujiangyan(1)	Chengdu	244.60							244.60	21%
Anshan Qianshan Road(1)	Anshan	21.50							21.50	21%
Anshan Greenland IT City phase VI, B(2)	Anshan	75.30							75.30	21%
Anshan North Shengli Road(1)	Anshan	200.00							200.00	21%
Total		5,371.86	464.40	429.00	361.20	737.30	698.30	237.15	4,170.70	

(1) These properties are classified as properties held for future development as we are not currently conducting any development on these properties (except for past development already completed).

(2) These properties are classified as properties under development.

(3) GFA for project held for future development is based on the estimate of the Company.

(4) In June 2007, the Company entered into an agreement with Angelo Gordon pursuant to which the Company agreed to sell 80% of its interest in phase I and 20% of its interest in phase II of the Shenyang Hunnan project. Completion for the phase I sale took place in September 2007, whereas completion for the phase II sale had not taken place as of the date of this offering circular.

In addition to the properties set forth in the tables above, as of the date of this offering circular, we are holding 14 properties for sale and investment, which are comprised primarily of car parks attached to the residential properties that we have completed and/or sold, two residential apartments in Hong Kong, which we currently use as staff quarters, and Shenyang Dongbei Furniture and Ornaments Plaza, a commercial property that we recently acquired and currently lease to third parties.

Properties under Development

A summary of the status of our major properties under development is set out below:

Beijing Silo City

(Artist's Impression)

Beijing Silo City is a large-scale, high quality residential and commercial development located in Chaoyang District, close to the central business district of Beijing. The development has a unique modern design and convenient transportation options. We own 50% of Beijing Silo City. For accounting purposes, we consolidated 100% of Beijing Silo City in our consolidated financial statements. See "Related Party Transactions." The development has a total site area of approximately 222,015 square meters and we plan to develop it into a residential/commercial/leisure complex with a total GFA of approximately 896,100 square meters. The development is being carried out in phases.

Phase I has a total GFA of approximately 122,600 square meters. The construction of this phase commenced in April 2005, and it was completed in March 2007. Phase II has an approved GFA of approximately 112,700 square meters. The construction of this phase commenced in September 2005, and it was completed in March 2007. Phase III has a total GFA of approximately 79,000 square meters and was completed in September 2007. Pre-sales of phase III commenced in April 2006. As of June 30, 2007, approximately 84% of the total GFA in phase III had been pre-sold, with an average selling price of RMB8,797 per sq.m. Phase IV is to develop commercial properties including hotel and retail properties with a total GFA of approximately 169,300 square meters. We intend to hold phase IV for investment purposes. The construction of phase IV commenced in March 2007. Phase V has a total GFA of approximately 116,700 square meters. The construction of this phase commenced in August 2006 and we expect that construction will be completed in March 2008. Pre-sales of phase V commenced in August 2006. As of June 30, 2007, approximately 75% of the total GFA in phase V had been pre-sold, with an average selling price of RMB9,862 per sq.m. We expect construction of the next phase to commence in late 2007.

Wuhan Silo City

(Artist's Impression)

Upon completion, Wuhan Silo City will be an upscale residential and commercial development conveniently located north of Jinshan Avenue in the Dongxihu District of Wuhan. We own 100% of Wuhan Silo City. The development has a site area of approximately 874,947 square meters and we plan to develop it into a large-scale development with a total GFA of approximately 1,460,000 square meters, which will include both residential and commercial areas. The development is being carried out in phases.

Phase I has a total GFA of approximately 221,700 square meters. The construction commenced in December 2005 and is expected to be completed in March 2008. Pre-sales of phase I commenced in April 2007. As of June 30, 2007, approximately 12% of the total GFA had been pre-sold, with an average selling price of RMB3,623 per sq.m. The development plan for the remaining phases will be fixed as the development goes forward. We expect construction of the next phase to commence in late 2007.

Beijing Sunvilla Realhouse

Beijing Sunvilla Realhouse is a high quality residential development in Panggezhuang Town, an attractive location in Dexing County, Beijing. We own 100% of Beijing Sunvilla Realhouse. The development comprises a villa estate with a total site area of approximately 484,521 square meters. The development is being carried out in three phases.

Phase I has a total GFA of approximately 62,900 square meters. We completed the construction of phase I in September 2005. Pre-sales of phase I commenced in April 2006. As of June 30, 2007, we had sold 100% of the GFA in phase I, excluding the clubhouse with a GFA of 4,189 square meters that we held as property, plant and equipment, with an average selling price of RMB6,313 per sq.m.

Phase II has a total GFA of approximately 49,260 square meters. We started the construction in June 2006 and completed it in March 2007. We commenced pre-sales of phase II in May 2006. As of June 30, 2007, we had sold 95% of the GFA in phase II, with an average selling price of RMB8,003 per sq.m.

We plan to start the construction of phase III with a total GFA of approximately 22,300 square meters in late 2007 and expect the construction to be completed in late 2008.

Dongguan Riviera Villa


(Artist's Impression)

When completed, Dongguan Riviera Villa will be an upscale low-density residential estate development with ancillary facilities and an attached commercial area in the Dao Jiao District of Dongguan. We own 100% of Dongguan Riviera Villa. The project has a site area of approximately 382,649 square meters and development is being carried out in three phases.

Phase I has a total GFA of approximately 59,000 square meters and phase II has a total GFA of approximately 66,000 square meters. We started the construction of both phases in March 2005. We completed phase I in mid-2007 and expect to complete phase II in early 2008. We commenced pre-sales of phase I in November 2005. As of June 30, 2007, we had sold 74% of the GFA in phase I, with an average selling price of RMB6,521 per square meter. We commenced pre-sales of phase II in July 2007.

We plan to start the construction of phase III with a total GFA of approximately 192,000 square meters in October 2007 and expect to complete the construction in early 2009.

Jiangxi Riviera Garden


(Artist's Impression)

Jiangxi Riviera Garden is a low-density residential estate development with ancillary facilities and an attached commercial area conveniently located south of Gaoxin Avenue in Changling Town, Xinjian Country, Jiangxi. We own 100% of Jiangxi Riviera Garden. The development has a site area of approximately 186,394 square meters and is being carried out in four phases.

We started the construction of phase I with a total GFA of approximately 47,200 square meters in May 2005 and completed the construction in September 2006. We commenced pre-sales of phase I in October 2005. As of June 30, 2007, we had sold 80% of the GFA in phase I, with an average selling price of RMB2,097 per sq.m.

We started the construction of phase II with a total GFA of approximately 78,100 square meters in September 2006 and completed the construction in March 2007. We commenced pre-sales of phase II in December 2006. As of June 30, 2007, we had sold 76% of the GFA in phase II, with an average selling price of RMB2,515 per sq.m.

We started the construction of phase III with a total GFA of approximately 76,000 square meters in March 2007 and expect to complete the construction in early 2008. The development plan for the remaining phase IV will be fixed as the development goes forward.

Shanghai Riviera Garden

Shanghai Riviera Garden is a low-density residential estate development on Mingzhong Road in the Songjiang District of Shanghai. We own 15% of Shanghai Riviera Garden and the right and obligation to purchase the remaining 85% of it. The development has a site area of approximately 320,118 square meters and is being carried out in two phases.

We started the construction of phase I with a total GFA of approximately 135,400 square meters in May 2005 and completed the construction in September 2007. We commenced pre-sales of the development in May 2006. As of June 30, 2007, we had sold 20% of the GFA in phase I, with an average selling price of RMB7,590 per sq.m.

We plan to start the construction of phase II with a total GFA of approximately 157,400 square meters in November 2007 and expect to complete construction in August 2009.

Suzhou Commercial Property

We acquired certain half-developed property in Suzhou in March 2007 with a total GFA of approximately 116,600 square meters. We expect to complete the construction in March 2008 and intend to hold it for investment.

Land Use Rights Held for Future Development

As of the date of this offering circular, we have nine sites for which we hold land use rights but have not yet developed or in which we have various interests but for which we have not obtained land use rights certificates. The nine sites consist of Beijing Sunvilla Realhouse phase III, Jingxi Riviera Villa phases III and IV, Shenyang Hunnan, Dalian Xinghai Bay, Beijing Shunyi, Chengdu Longquanyi, Chengdu Dujiangyan, Anshan Qianshan Road, Anshan North Shengli Road. We have paid the land premium of RMB116.8 million and RMB107.6 million, respectively, for Anshan North Shengli Road and Chengdu Longquanyi, and are in the process of applying for the relevant land use rights certificates. We believe these nine sites are capable of being developed into properties with a total GFA of approximately 1.9 million square meters. We have calculated this number based upon the plot ratios stated in the relevant land grant contracts, land use right certificates or approvals issued by competent authorities. If we do not have or are not able to obtain all approvals required for developing these sites, however, we may not be able to develop these sites into properties with this approximated GFA, or at all. We have yet to decide definitively on the mix of residential and commercial properties for the properties we hold for future development but will base such decision principally on our assessment of the likely demand for residential and commercial properties at those locations at the time. See "Summary of Major Properties" table under "– Property Descriptions – Summary of Our Projects" for a list of properties that we hold for future development.

We are consistently seeking suitable additions to our land bank portfolio for our future development. Currently, negotiations are underway between us and a number of independent third parties regarding acquisitions of certain land parcels in the PRC. There is no assurance that these negotiations will actually result in acquisitions. Our strategy is not to hold high levels of land reserves due to the large capital expenditures required for land reserves and certain PRC government policies. See "Risk Factors – Risks Relating to the Property Market in China – The enforcement of regulations on LAT by the PRC tax authorities may materially and adversely affect our profitability and cash flow position." and "– Our Strategies – Selectively identifying land for future development, maintaining an approximate level of high quality and geographically-diverse land reserves and using different methods to acquire land to meet our development requirements." As of the date of this offering circular, we believe we are holding land reserves which are equivalent to approximately three to four years' of our development requirement.

Property Development

Our business operations primarily involve the development and subsequent sale of high quality residential properties targeted mainly at middle- to upper middle-income residents in the PRC, in particular, young working couples or small families who prefer to stay close to the cities and bigger families who seek more spacious living space and a more leisurely lifestyle in the suburban areas. Our residential developments include villas or low density housing estates in the suburbs of big cities, which are typically stand-alone houses or townhouses with less than three stories or low to medium rise apartment buildings, and composite developments close to the cities with low-rise apartment buildings which are typically six to eight stories, and high-rise apartment buildings, which are typically 20 stories or higher. We also develop commercial properties such as hotels, office units and retail space. In order to ensure the quality of our properties, we are involved in all the major stages of property development, as detailed below:

Land Acquisition

Under the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Announcements (招標拍賣掛牌出讓國有土地使用權規定) issued by the Ministry of Land and Resources, with effect from July 1, 2002, as amended on September 28, 2007 and effective on November 1, 2007, land use rights for commercial use, tourism, entertainment and commodity residential properties in the PRC can only be granted by the government through public tender, auction or listing-for-sale.

Historically, we obtained land use rights directly from the PRC government or from independent third parties. In acquiring land use rights, we have generally obtained more favorable prices through private transactions than government public tender process. Accordingly, where possible, we intend to acquire land use rights through private transactions, including through purchasing from non-government third parties or forming joint ventures with large property developers. We may also seek to acquire land use rights through the mandatory government public tender process if market conditions are favorable.

On June 5, 2003, the PBOC published the Notice on Further Strengthening the Administration of Real Estate Loans (中國人民銀行關於進一步加強房地產信貸業務管理的通知). This notice prohibits commercial banks from advancing loans to fund the payments of land premiums. As a result, real estate developers may only use their own funds to pay for land premiums. We intend to use a portion of the fund raised from issuance of the Notes to fund the payment of land premiums. See "Use of Proceeds."

Site Selection and Project Appraisal

We believe that securing a good location is a major factor in the success of a property development project. We have established a two-tier system to monitor the site selection and project appraisal process for each of our development projects. We have two investment management committees comprising four and five members, respectively. The five-member committee at the management level (three of its members are Directors) typically screens and proposes potential sites for acquisition and, with the assistance of our investment division, formulates a comprehensive development plan, while the four-member committee at the board of Directors level evaluates and selects the site to acquire. The four-member committee at the board level is authorized to decide without any additional approval or authorization by our board of Directors on any acquisition of properties with a purchase price of less than RMB700 million. The four-member committee typically evaluates property development sites in accordance with the following major factors:

- geographical location;
- potential appreciation in value and financial return;
- potential market demand for the development;
- our existing property portfolio and resources;
- overall market situation and opportunities;

- geological conditions;
- demolition and resettlement costs; and
- transportation access and infrastructure support.

During the site selection process, we research and analyze the economic and social situation of the relevant region, the market demand for, and potential returns from, a project, and the funding and manpower requirements. Once a site is selected and approved by the four-member committee or board of Directors, as applicable, we adopt the comprehensive development plan that the five-member committee has proposed.

Project Management and Construction

Our project management division, consisting of 251 staff members, is responsible for the overall management of all development projects undertaken by us. The division has a two-tier management structure comprising a management team in Shenzhen as well as on-site project management teams for each project that is responsible for the day to day management of the project. Project management covers all major stages of a development project, as follows:

- *feasibility study:* conduct detailed site geological study and market study, formulate master timetable, select types of construction materials and prepare preliminary proposal for the type and class of property to be constructed;
- *design:* complete preliminary design layout and obtain approvals from relevant authorities, commence site preparation, modify design layout, produce construction blue-print and establish construction management team;
- *construction:* obtain, evaluate and select tenders of contractors, finalize design layout and construction blue-print, monitor construction progress against timetable, introduce and implement quality and cost control procedures;
- *completion:* establish property management team, submit completion and inspection report to government, obtain relevant government approvals and settle payments; and
- *project transfer:* transfer responsibility for the property to the relevant property management office.

We outsource all of our construction work to construction companies. It is our policy to contract out our construction work only to contractors rated by the relevant government authorities as first- or second-class contractors. The majority of the contractors that we use are rated as first-class contractors. We select contractors according to their experience in the relevant construction work, their quality of work, their proposed completion schedules, their tender prices, their financial position and their work force. We are free to choose any contractors for our construction work so long as the contractors meet the requirements of the relevant regulations. Our construction team located in our operating headquarters in Shenzhen oversees the major stages of the construction work and procures the major construction materials for each project.

We maintain good relationships with our contractors, in particular, China Railway Erju Co. Ltd. and China No. 7 Construction Engineering Bureau, two large construction companies in the PRC that we regularly use for our construction work. We were involved in a dispute with China Construction Third Bureau, the main contractor for our development in the Dongguan Riviera Villa project, in 2006. The dispute related to additional amounts that the contractor claimed we were liable to pay it due to changes in the scope of work and the occurrence of certain unforeseen circumstances that we have previously agreed would be our liability. The dispute resulted in a delay of approximately nine months to the completion of the Dongguan Riviera Villa project. As of the date of this offering circular, we have an outstanding claim in the amount of RMB122 million from a previous contractor for our Dongguan Riviera Villa project. The contractor has lost in trial and is currently appealing. We have already paid the contractor the amount of RMB50 million pursuant to the relevant construction contract and do not believe that they are entitled to any additional amount. Except for this incident, we have not experienced any major disputes with any of our major contractors in the last three years.

All of our construction contracts contain quality warranties and penalty provisions for substandard work. In the event of delay or poor quality of work, the contractor may be required to pay pre-agreed damages under the relevant construction contract. We require our contractors to comply with PRC laws and regulations on quality of construction projects, as well as our own standards and specifications. The contractors are also subject to our quality control procedures, including examination of materials and supplies, onsite inspection and production of progress reports. We devote considerable resources to oversee the construction work for quality, timing and cost control reasons.

For the years ended March 31, 2005, 2006 and 2007, payments to China Railway Erju Co., Ltd., our single largest construction contractor, accounted for approximately 0%, 11.2% and 5.5%, respectively, of our total payments under our construction contracts. For the same years, payments to China Railway Erju Co., Ltd. and Zhejiang Proprietary Construction Engineering Co., Ltd., our two largest construction contractors, accounted for approximately 0%, 21.1% and 12.5%, respectively, of our total payments under our construction contracts.

China Railway Erju Co. Ltd., one of the two contractors that we regularly use, currently owns a 50% interest in Beijing Gaosheng Real Estate Development Ltd., our jointly controlled entity that owns the Beijing Silo City project. However, we have entered into an agreement to purchase the 50% interest held by China Railway Erju Co., Ltd. See "Related Party Transactions." We are not aware of any of our contractors, including China Railway Erju Co. Ltd. and China No. 7 Construction Engineering Bureau, holding any shares in our Company.

Quality Control

We emphasize quality control in an effort to ensure that the quality of our products and services meets or exceeds market standards. Our construction department monitors the work of our contractors to ensure that the building quality standards are observed during the construction phase.

We provide our customers with warranties covering the structure and certain fittings and facilities of our property developments in accordance with the relevant regulations. For any issues relating to the construction work of our project, we require the contractors to remedy such issues before settling the remaining balance due under the construction agreements.

We seek to contract only with experienced design and construction companies. We have internal guidelines to ensure control over documentation, record-keeping, internal audit, remedial actions, preventive actions, management control, construction standards, staff quality, recruitment standards, staff training, construction supervision, supervisory inspection, monitoring and surveillance, information exchange and data analysis.

We also have local customer service teams as well as a customer service center at our operating headquarters in Shenzhen to handle any customer complaints or concerns.

Design

We seek to design the master plan of each project with a large amount of detail in an effort to ensure that our design features are incorporated consistently throughout the project. Creating detailed master plans also reflects our belief that careful planning is essential in controlling cost, quality and timing of our projects. Accordingly, in determining the architectural design of our projects, we work closely with our professional advisors, including architects, planning experts and market consultants, and consider:

- the proposed type of residential or commercial development;
- the project area;
- targeted end-users of the property; and

- the surrounding environment or neighborhood of the project.

Our product design team has 48 employees and is responsible for overseeing the architectural design and interior design of our property developments. For each of our projects, we typically retain a team of designers from reputable PRC architectural institutes/architectural design firms. Our product design team provides an initial overall design to our international design firms, and works closely with our external designers in an effort to ensure that our designs comply with PRC laws and regulations, as well as meeting our design objectives.

In selecting architectural design firms, we consider, among other things, their reputation for reliability and quality, their track record, the price quoted and the design proposed. Design firms are normally selected by invitation. Our product design team monitors the progress and quality of the design firms to ensure they meet our requirements.

Project Financing

We finance our property development projects principally by our cash flow from operating and financing activities (approximately 30%), bank loans (approximately 30% to 40%) and proceeds from pre-sales (approximately 25% to 30%). Typically, the bank loans we obtain to fund our property development projects are secured only by the relevant projects. To secure financing for our projects, we have established several credit facilities with some major banks in the PRC, including China Construction Bank and Agricultural Bank of China. From time to time, we also finance our larger projects by setting up joint ventures with reputable business partners. We may also finance particular projects by selling equity interests in our subsidiary holding such projects. For example, in February 2007 we sold a 50% equity interest in the Dalian Xinghai Bay project to Angelo Gordon for a consideration of RMB400 million as an alternative means of financing the development. See "– Our Strategies – Continuing to increase the proportion of investment properties in our project portfolio by developing commercial, office and hotel investment properties within our property development complexes in order to achieve a more balanced revenue profile."

Where market and regulatory conditions allow, we conduct pre-sales so as to reduce the level of external borrowings required. By engaging in pre-sales of our development projects, we are able to reduce the level of external funding required and reduce our costs. Under PRC law, we must comply with certain conditions before we can conduct pre-sale. See " – Property Development – Pre-sale and Sales/Rentals."

Further, our contractors usually allow us to defer payment of an agreed amount of the construction work done for up to two or three months, which also helps us to reduce our external funding required.

Pre-sale and Sales/Rentals

Pre-sale typically commences several months after the beginning of construction, depending on market conditions. Our general approach is to pre-sell properties when market and regulatory conditions allow.

Under the Law of the Administration of Urban Real Estate of the PRC and the Measures for the Administration of the Pre-sale of Commodity Properties as amended in 2001 and 2004, respectively (which are generally applicable in the PRC, including Shanghai), we must comply with the following conditions before we can pre-sell a particular property:

(i) the land premium must have been fully paid and the relevant land use rights certificates must have been obtained;

(ii) the construction work planning permit and the construction project building permit must have been obtained;

(iii) the funds contributed to the development of the project where commodity property units are pre-sold must not be less than 25% of the total amount invested in the project and the progress and the expected completion date of the construction work must have been confirmed; and

(iv) applications must have been submitted to obtain pre-sale permits from the real estate administration bureau at the county level.

To comply with (iv) above, we must apply to the relevant government authorities for pre-sale permits before commencing pre-sale of our properties.

Pre-sale is based upon contracts entered into between the purchasers and us. The contracts typically provide for the GFA of the property sold, purchase price per square meter, method and manner of payment and date and manner of delivery of the completed property. There are also provisions for examination, acceptance and certification to be carried out by the relevant government authorities before delivery of the completed property. We normally have required from each purchaser a deposit at the time we and the purchaser execute a pre-sale contract. Pursuant to prior PRC regulations, purchasers were previously able to obtain mortgages for up to 80% of the purchase price of the property with a repayment period of up to 30 years. However, the PBOC removed its subsidies on mortgage lending in March 2005 and raised the minimum upfront payment by purchasers of properties from 20% to 30% of the purchase price in certain regions considered to have an overheated property market. Furthermore, with effect from June 1, 2006, the minimum down payment is 30% of the total purchase price for the purchase of a residential unit with GFA exceeding 90 square meters on all existing units and those yet to be completed, and a down payment of 20% on residential units for self use with GFA under 90 square meters. In addition, the loan-to-value of the mortgage loan is subject to change according to the economic policies of the central and local governments and banks in China. See "Risk Factors – Risks Relating to the Property Market in China – The terms on which mortgages are available, if at all, may affect our sales."

Sales and Marketing

We have a sales division at our operating headquarters in Shenzhen as well as some local sales teams who work closely with local third party sales agents that we hire to sell our properties. Our sales force in Shenzhen, comprising 96 employees, gathers market information on a regular basis to assess market condition in order to determine the timing for the launch of a development project. For each development project, our sales force formulates a marketing strategy. Once a marketing strategy is formulated, we typically outsource our sales efforts from local marketing firms or real property agents who we believe have an in-depth understanding of the local markets. Our local sales team typically works closely with these third party marketing firms and real property agents on issues relating to advertising, sales literature and customers' feedback on designs to generate sales. Our local sales team also provides training to the third party marketing firms and real estate property agents that we hire from time to time.

We advertise through local media and TV stations, newspapers and magazines, outdoor advertising boards and participate in real estate exhibitions. We typically set up on-site reception centers to display information relating to the relevant property development. In addition, we have established a members' club, the Coastal Club, for purchasers of our properties and individuals that are interested in our property developments. This club offers its members priority in selecting properties that we develop. We have members of the club in almost all cities where we operate. Currently, the Coastal Club has approximately 3,000 members. From time to time, we distribute pamphlets or information kits to and hold various activities for the members of our Coastal Club to promote our products. We maintain a database with information on our club members, and through this database, we are able to market our new properties to these individuals as and when they are ready to be sold or pre-sold.

In the future, we intend to increasingly outsource our sales function to local real property sales agents and rely less upon our internal sales division. We will still retain certain sales and marketing personnel to develop sales and marketing strategies and coordinate selling efforts with local sales agents, we envision that our properties will mostly be sold through local agents. We believe that the use of local sales agents, as opposed to reliance on our internal sales division, will enable us to capitalize on the local market knowledge of such agents, as well as be more cost effective for us. See "Business – Our Competitive Strengths – We have an extensive distribution network and a large customer base to which we market our properties."

Delivery of Property

We endeavor to deliver quality products to our customers on a timely basis. We closely monitor the progress of construction of our property developments through, among other steps, regular property inspections. Our pre-sale or sale contracts provide for the time frame for delivery and we are required to make penalty payments to the purchasers for any delay in delivery. We made HK$0 million, HK$0.5 million and HK$2.5 million (US$0.3 million) in penalty payments for the years ended March 31, 2005, 2006 and 2007, respectively. Once a property development has passed the requisite government inspections and is ready for delivery, we will notify our customers and hand over keys and possession of the properties.

After-sales Services

We assist customers who purchase our residential properties in arranging for and providing information relating to financing, including information on potential mortgage banks and the mortgage terms they may offer. Our local sales offices typically have relationships with various PRC banks which provide mortgage loans to purchasers of our residential properties. Consistent with what we understand to be market practice, we currently provide guarantees to these banks in respect of mortgages offered to our customers by the banks until the completion of the registration of the mortgage with the relevant mortgage registration authorities. In most cases, guarantees for mortgages on residential properties are discharged when we submit the individual property ownership certificates and certificates of other interests in the property to the mortgagee bank. In our experience, the guarantee periods typically last for up to six months after delivery. In such cases, the guarantee periods may last for approximately 24 months from the time we enter into the guarantees, taking into account the approximate 18 months needed to complete the construction and the additional six months for the application for and issuance of the individual property ownership certificates.

If a purchaser defaults under the loan while our guarantee is in effect, and we are required to repay all debt owed by the purchaser to the mortgagee bank under the loan, the mortgagee bank must assign its rights under the loan and the mortgage to us and, after the registration of the mortgage, we will have full recourse to the property. In line with what we believe is industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of March 31, 2005, 2006 and 2007, we guaranteed mortgage loans in the aggregate outstanding amounts of HK$217.3 million, HK$392.9 million and HK$890.2 million (US$113.9 million), respectively. See "Risk Factors – Risks Relating to Our Business – Our businesses have and will have substantial capital requirements and may require additional financing in the form of debt or equity to meet our budgetary and operating expenses, and we may not be able to raise the required capital."

We also assist our customers in various title registration procedures relating to their properties, attend to the delivery of the properties to the relevant customers and deal with complaints by our customers. We believe that such services promote customer confidence and are effective in enhancing our brand name and encouraging customers to purchase, or recommend others to purchase, properties that we develop.

Property Investment/Property Leasing

We hold some of our properties for investment purposes. At present, our property investment portfolio includes the retail spaces at Shenyang Dongbei Furniture and Ornaments Plaza and the 12,500 sq.m. of commercial areas in phases I and II of Beijing Silo City. As of June 30, 2007, the total GFA of the investment property portfolio amounted to approximately 90,490 square meters. We believe that increasing our investment property portfolio will help us to build up a stable recurring income base. Going forward, we intend to increase our focus on property investment, with a view that, in five years, our investment properties will account for approximately 30% of the value of our property portfolio. However, we may sell some of our investment properties if we deem the conditions to be favorable.

We are currently developing approximately 534,300 square meters in total GFA of commercial, retail and hotel space which we intend to hold for investment properties. These properties include commercial and retail space of approximately 261,600 square meters in GFA and five hotels of approximately 272,700 square meters in GFA located in Wuhan, Beijing, Suzhou, Dalian and Shenyang.

With respect to the hotels we are currently developing, we are seeking to enter into long-term management agreements with reputable international operators and have had some initial discussions with a number of operators. However, we have not entered into any definitive management agreement with any operator to date. We expect that the terms of these management contracts will provide for the hotel management companies to be responsible for all aspects of managing the daily operations of the hotel, including formulating operational and strategic plans for the hotel business.

We expect that our hotels will cater to the high-end luxury market for domestic and international travelers, and that they will range from four to five stars. We expect customers for these hotels to consist of both domestic and international travelers. We expect a recurring income stream from the operation of the hotels, including income derived from room rent, food and beverage sales and other consumption within our hotels. We also expect that we will bear all the operational costs, staff costs and management fees in relation to our hotels.

Property Management Services

We provide property management services to all the properties we have developed as well as certain properties we have marketed and underwritten continually as a value-adding service, until the owners' committee of the relevant property is established and a new property manager is appointed. Our existing portfolio under management comprises only properties developed by us. Our property management services include maintenance and security of the common areas, gardening and landscaping, cleaning, fire protection and rental agency services. For the years ended March 31, 2005, 2006 and 2007, income from property management services amounted to approximately HK$3.1 million, HK$3.6 million and HK$3.4 million (US$0.4 million), respectively.

Suppliers and Customers

Our principal customers are individual purchasers of residential properties in the PRC. As such, our five largest customers are individual purchasers of our properties and accounted for less than 1.5% of our total sales in the years ended March 31, 2005, 2006 and 2007. We typically procure most of the main construction materials we use for our property development directly from our suppliers. Our five largest suppliers, including material suppliers and construction contractors, accounted for approximately 12.7%, 32.3% and 16.9% of our total purchases in 2005, 2006 and 2007, respectively. Our single largest supplier accounted for 3.1%, 11.2% and 7.0% of our purchases in 2005, 2006 and 2007, respectively. Our principal supplier is the main contractor for Wuhan Riviera Garden in 2005, phases I and II of Beijing Silo City in 2006, and Jiangxi Riviera Garden in 2007.

We offer our customers the option of paying by lump sum or by installments. Our domestic customers normally pay in Renminbi. Our customers can choose to pay by cash or by bank settlement. We typically settle payment with our suppliers within 30 to 60 days by way of bank settlement. We normally pay Renminbi to our suppliers, as we purchase most of our construction materials from suppliers located in China.

None of our Directors, their associates or any of our major shareholders has any interest in any of our five largest suppliers.

Employees

We had 1,845 full-time employees as of March 31, 2007. The following table shows a breakdown of employees in the PRC and Hong Kong, respectively, by function as of March 31, 2007.

PRC	
Land Acquisition and Project Management	251
Sales and Marketing	96
Property Management	1,187
Customers Service	59
Contracts and Cost Management	53
Accounting and Finance	66
Human Capital, Knowledge Management and Administration	90
Commercial Properties Development	32
HK	
Accounting and Finance	6
Company Secretariat, Personnel and Administration	5
Total	1,845

All of our employees are employed under employment contracts which specify, among other things, the employee's responsibilities, remuneration and grounds for termination of employment.

Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, we also provide other benefits to our employees, including mandatory provident fund, medical insurance coverage, housing allowances and share options. For each of the three years ended March 31, 2007, our aggregate staff costs recorded on our income statements were HK$19.9 million, HK$24.5 million and HK$39.4 million (US$5.0 million), respectively. We have also capitalized staff costs in the amount of HK$10.7 million, HK$12.0 million and HK$31.2 million (US$4.0 million), respectively, to properties under development for each of the three years ended March 31, 2007. For further details, see the notes to the Audited Consolidated Financial Statements included as Appendix of this offering circular.

None of our employees are members of a trade union. We consider our relationship with our employees to be good and we have not experienced any disruption at our operations as a result of any labor disputes with our employees.

Competition

The PRC property market is highly competitive. We compete with other property developers for the opportunity to participate in property and land development projects and the acquisitions of land use rights. The principal factors of competition for such opportunities include the acquisition price and the financial resources of the developers. Because we focus on developing large-scale projects with strategic locations, our competitors include major PRC state-owned, collectively-owned and private developers and international developers, including many leading property developers from Hong Kong and Singapore. One of our competitors, Shenzhen Investment Limited, is a 22.7% shareholder of our Company. See "Risk Factors – Risks Relating to the Property Market in China – We face increasing competition which could adversely affect our business and financial position."

We believe that our geographically-diversified property portfolio in prime locations in major cities of the PRC, our experience in developing and marketing properties in the PRC, our active involvement in all major stages of property development and our stringent cost control policy should help us to remain competitive and become a major PRC property developer.

In competing for customers for our residential properties, we believe the principal factors are price, location, quality and design. These factors are affected by market perceptions about the "brand" name and reputation of the developer, particularly with respect to residential properties. Accordingly, we believe that prompt after-sales service to deal with any construction issues is important in maintaining brand quality and reputation. With regard to retail and other commercial properties, we compete for lessees primarily on the basis of location, rental price, quality and design, as well as potential customer traffic.

Insurance

Our building contractors are required to maintain insurance coverage for our properties that are under construction against operational risks at the construction site and third party liabilities.

We do not maintain insurance coverage over our properties under development or properties that have been delivered to our customers and do not hold business interruption insurance. We believe that these practices are consistent with the customary industry practice in China. As part of our management service, we maintain all risks property insurance and public liability insurance for common areas and amenities of the properties under our management. We also maintain on a voluntary basis personal accidental insurance and supplementary commercial medical insurance for some of our employees. Our insurance policies are subject to deductibles and limitations on coverage which we believe are customary with industry practice in China. See "Risk Factors – Risks Relating to Our Business – Our insurance coverage may be inadequate to cover potential liabilities."

Environmental Matters

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by the relevant local government authorities. These include regulations on air pollution, noise emissions, as well as water and waste discharge. Each of our property development projects, other than certain property developments that were approved before the applicable environmental laws were promulgated, is required under PRC law to undergo environmental assessments. In addition, an environmental impact study report is required under PRC law to be submitted to the relevant government authorities before approval is granted for commencement of the property development. We have not experienced any material difficulties in obtaining such approvals in the past, although we cannot assure you that we will not experience any difficulties going forward. Upon completion of each property development, the relevant government authorities also inspect the site to ensure that applicable environmental standards have been complied with, and the resulting reports are then presented together with other specified documents to the local construction administration authorities for their records.

Our operations are also subject to inspections by governmental officials with regard to various safety and environmental issues.

We believe that we are in compliance in all material respects with applicable environmental regulations in the PRC. We are not aware of any environmental proceedings or investigations to which we are or might become a party.

Intellectual Property Rights

As of the date of this offering circular, we have registered the trademarks of "Coastal" and "Lakeside Apartment," our logo as it appears on the front cover of this offering circular, and the domain name of "www.coastal.com.cn." In addition, we have applied for the registration of "Silo City" as a trademark in the PRC but have not received the approval or the registration certificate for "Silo City." Our project companies have registered certain domain names associated with our projects. The information on our website does not form part of this offering circular.

Except as disclosed in this offering circular, we do not own, have not registered or applied for registration of, nor otherwise have right to, any material intellectual property rights relating to our business. See "Risk Factors – Risks Related to the Company's Business – Infringement of intellectual property rights may dilute the value of our brand name and adversely affect our operations."

Legal Proceedings

From time to time, we are involved in legal or other proceedings arising out of the ordinary course of our business, with various parties involved in the development, sales and leasing of our properties, including contractors, suppliers, purchasers and lessees.

As of the date of this offering circular, we are not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us that would have a material adverse effect on our results of operations or financial conditions. We are currently involved in a dispute with our previous contractor for the development of the Dongguan Riviera Villa project, but we do not expect such dispute to have a material adverse effect on our results of operations or financial condition. See "– Property Development – Project Management and Construction."

DIRECTORS AND MANAGEMENT

Directors

We are managed by a board of directors comprising sixteen directors, three of whom are independent non-executive directors. Members of our board are appointed through a general meeting of shareholders and are generally elected for a fixed term of no more than three years.

We are a company listed on the Hong Kong Stock Exchange and the rights and obligations of each member of our board of directors are regulated by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Under the Listing Rules, the Board must consist of at least three independent non-executive directors. The rights and obligations of our directors are also governed by our bylaws. The board of directors is empowered under our bylaws to appoint any person as a director, either to fill a vacancy or as an additional member of the board.

Our governance framework provides for checks and balances while allowing our management flexibility for prompt decision making in the ordinary course of business. Post-implementation audits of significant expenditures are conducted and reviewed by designated committees and by our board.

Board of Directors

The following table sets forth certain information with respect to our directors as of the date of this offering circular:

Name	Age	Title
Chan, Boon Teong	65	Chairman
Jiang, Ming	49	Vice Chairman
Wu, Xin	40	Managing Director
Tao, Lin	49	Executive Director
Cheng, Wing Bor	47	Executive Director and Chief Financial Officer
Lin, Chen Hsin	63	Executive Director
Wu, Xin	40	Executive Director
Xin, Xiangdong	37	Executive Director
Zheng, Hong Qing	59	Non-Executive Director
Hu, Aimin	57	Non-Executive Director
Zhang, Yijun	51	Non-Executive Director
Zhang, Huaqiao	43	Non-Executive Director
Weisberg, Oliver P.	33	Non-Executive Director
Tang, Lap Yan	61	Independent Non-Executive Director
Law, Kin Ho	39	Independent Non-Executive Director
Wong, Kai Cheong	45	Independent Non-Executive Director

Set forth below is a short biography of each of our Directors:

Mr. Chan Boon Teong, aged 65, is the Chairman of our Board and one of our founders. He is responsible for our overall corporate direction and business development. He graduated from the Imperial College of the University of London, United Kingdom with a Bachelor's degree in Electrical Engineering and also holds Master's degrees in Electrical Engineering and Operational Research from the Polytechnic University of New York City, United States of America. He has over 36 years' experience in commercial, industrial and real estate business in the Southeast Asia region. He was a director of the Kowloon Stock Exchange. He is also an independent non-executive director of TPV Technology Limited, a listed company in Hong Kong, and a director of Cathay United Bank, Ltd., a previously listed company in Taiwan. Mr. Chan is a member of the National Chinese People's Political Consultative Conference and is also a member of the Standing Committee of All-China Federation of Returned Overseas Chinese.

Mr. Jiang Ming, aged 49, is the Vice Chairman of our Board and one of our founders. He is responsible for the formulation of our business strategy and general management. He graduated from the National University of Singapore with a Master's degree in Business Administration. He has over 23 years' experience in investment and corporate management. Prior to our establishment, he was a general manager of a joint venture enterprise in the PRC for over seven years. He is a vice-chairman of the Fujian Province Foreign Enterprises Association and an honorary professor at the Wuhan University.

Mr. Wu Xin, aged 40, was appointed an executive director of our Board and our managing director in 2007. He was previously the president of a subsidiary of us, Coastal Realty Investment (China) Limited, where he was responsible for the execution of business strategy and management of the real estate business in the PRC. He graduated from Tsinghua University with a Bachelor's degree in computer science and from the National University of Singapore with a master's degree in business administration.

Mr. Tao Lin, aged 49, is an executive director of our Board. He is responsible for our investment planning, investment management and project development. He has over 19 years' experience in investment and management. He graduated from Beijing Communication Engineering College (北京信息工程學院). Before joining us in 1991, he had served as an operations officer in a software development company in the PRC.

Mr. Cheng Wing Bor, aged 47, is an executive director of our Board and our Chief Financial Officer. He is responsible for our financial and accounting management. He has over 21 years' experience in accounting and auditing. He holds a professional diploma in accountancy from the Hong Kong Polytechnic University and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants, United Kingdom. Before joining us in 1994, he worked in an international accounting firm in Hong Kong for eight years.

Mr. Lin Chen Hein, aged 63, is an executive director of our Board and is responsible for administration of our Hong Kong office and our public relations. He has over 20 years' experience in import and export trading and manufacturing. He graduated from the Shanghai Education Institute (上海教育學院). He joined us in 1990.

Mr. Xin Xiangdong, aged 38, was appointed an executive director of our Board in 2007. He is responsible for our commercial property portfolio. Previously he was the general manager of the Group's investment department. He has over 16 years' experience in the property business sector. He holds a bachelor's degree in engineering from the Tianjin Institute of Urban Construction, a master's degree in business administration from the National University of Singapore and a master's degree in real estate from the University of Reading. He is also qualified as a chartered surveyor in the United Kingdom.

Mr. Zheng Hong Qing, aged 59, is a non-executive director of our Board who was appointed in 1997. He graduated from the Chinese People's University (中國人民大學) with a Master's degree in Economics. He has held senior positions in various major corporations in the PRC and has extensive business management experience. He is also a director of China Travel International Investment Hong Kong Limited, a listed company in Hong Kong.

Mr. Hu Aimin, aged 57, is a non-executive director of our Board who was appointed in 2007. He is the Chairman of Shum Yip Holdings and the Chairman of Shenzhen Investment. He has over thirty years of experience in administrative management. He graduated from Hunan University of China and obtained a master's degree in business administration.

Mr. Zhang Yijun, aged 51, was appointed a non-executive director of our Board in 2007. He is the president of Shenzhen Investment and Shum Yip Holdings, the holding company of Shenzhen Investment. He graduated from South China National University with a Bachelor of Philosophy. He also holds an EMBA from Shanghai Jiao Tong University.

Mr. Zhang Huaqiao, aged 43, is a non-executive director of our Board who was appointed in 2007. He is an executive director and chief operating officer of Shenzhen Investment. He holds a master of economics degree from the Australian National University and a master of economics degree from the Graduate School of the People's Bank of China.

Mr. Oliver P. Weisberg, aged 33, was appointed a non-executive director of our Board in 2006. He is currently a managing director and head of Special Situations at Citadel Investment Group (Hong Kong) Limited. He graduated from Harvard College and spent one year on advanced Chinese language studies at the Stanford Center of Taiwan National University.

Mr. Tang Lap Yan, aged 61, is an independent non-executive director of our Board who was appointed in 1997. Mr. Tang is a fellow of the Chartered Institute of Management Accountants, United Kingdom. He is the former chairman of The Chinese Language Press Institute and The Newspaper Society of Hong Kong.

Mr. Law Kin Ho, aged 39, is an independent non-executive director of our Board who was appointed in 2002. Mr. Law graduated from Hong Kong Baptist University with a Bachelor's degree in accountancy. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, United Kingdom. Mr. Law is currently practicing as a certified public accountant in Hong Kong.

Mr. Wong Kai Cheong, aged 45, an independent non-executive director of our Board who was appointed in 2004. Mr. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England & Wales. Mr. Wong is currently practicing as a certified public accountant in Hong Kong. Mr. Wong is also an independent non-executive director of U-RIGHT International Holdings Limited, Continental Holdings Limited and Radford Capital Investment Limited, all of which are listed companies in Hong Kong.

The business address of each director is the address of our registered office.

Senior Management

The members of our senior management are as follows:

Name	Age	Title
Chen Xin	38	Vice President
Cheng Shi	40	Vice President
Xu Menghan	34	Vice President
Wei Guiqing	51	Vice President
Zhang Ming	39	Vice President
Zong Weizhong	41	Chief Architect
Simon Fung	44	Financial Controller

Set forth below is a short biography of each of our members of senior management:

Mr. Chen Xin, aged 38, is our Vice President. He is responsible for the intellectual capital management of the Group. Mr. Chen holds a masters degree in economic management from Huazhong University of Science & Technology (華中理工大學). Mr. Wu has extensive experience in land investment and marketing and sales and is an expert on real property marketing and sales. Prior to joining us in 2005, Mr. Chen worked at China Vanke Co., Ltd. (萬科集團) and acted as assistant to manager of business planning, vice manager of business planning, vice general manager of Beijing Vanke Enterprises Ltd. (北京萬科企業有限公司) and general marketing and sales manager at China Vanke Co., Ltd. (萬科集團).

Mr. Cheng Shi, aged 40, is our Vice President. He is responsible for our marketing and sales as well as customer services. Mr. Cheng holds a Ph.D in psychology from Kennedy Western University of the United States and has extensive experience in corporate management. Prior to joining us in 2004, Mr. Cheng worked for large domestic companies.

Ms. Xu Menghan, aged 34, is our Vice President responsible for our investment and financing strategies. Ms. Xu holds a master's degree from Dongbei University of Finance & Economics (東北財經大學) and has extensive experience in financing and investment. Prior to joining us in 2003, she worked as a general manager at Shanghai Changjiang Venture Capital Investment Co. (上海長江創業投資公司).

Ms. Wei Guiqing, aged 51, is our Vice President for commercial properties. Ms. Wei holds a master's degree in business administration from the National University of Singapore and has over 14 years management experience. Prior to joining us in 1995, Ms. Wei worked as managers at renowned Hong Kong companies.

Mr. Zhang Ming, aged 39, is our Vice President for commercial properties. He holds a master's degree in finance from Saint Mary's University in Canada and has extensive experience in product design and project positioning. Prior to joining us in 2002, he worked as a senior manager at Reichmann Int'l Ltd. Partnership.

Mr. Zong Weizhong, aged 41, is our Chief Architect. He holds a master's degree from Chongqing University, is a committee member of China Construction Industry Association (中國建築專業委員會委員) and a State Certified Level I Architect (國家一級註冊建築師). Prior to joining us in 2002, Mr. Zong worked as the chief architect for Haikou Zonggong Engineering and Consulting Co. Ltd. (海口縱工工程諮詢有限公司).

Mr. Simon Fung, aged 44, is our Financial Controller. He joined the Group in December 2006. He holds a master degree in business administration from the University of Western Ontario, Canada, a master of arts degree in electronic business from the City University of Hong Kong and a master of arts degree in English from the Hong Kong Polytechnic University. He is a fellow of The Association of Chartered Certified Accountants in the UK, a certified public accountant in Hong Kong and the USA and a certified management accountant in Canada. Prior to joining the Group, Mr. Fung has seven years' experience in Financial Controllership in two Hong Kong listed companies with state-owned enterprises as the largest shareholders; eight years' experience in a multi-national corporation; and six years experience in an international accounting firm.

Board Practices

In the absence of extraordinary events, it is the practice of the Board to meet at least once every quarter. At such meetings, the directors conduct, among other things, an operational review of our business.

Audit Committees

We established an audit committee on August 26, 1999 in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting processes, internal control system and corporate governance issues and to make relevant recommendations to the Board.

The audit committee has three members comprising Mr. Tang Lap Yan, Mr. Law Kin Ho and Mr. Wong Kai Cheong, all of whom are independent non-executive Directors. The chairman of the audit committee is Mr. Tang Lap Yan.

Remuneration Committee

The remuneration committee has five members comprising Mr. Tang Lap Yan, Mr. Law Kin Ho, Mr. Wong Kai Cheong, Mr. Chan Boon Teong and Mr. Cheng Wing Bor. The chairman of the remuneration committee is Mr. Tang Lap Yan.

Our remuneration committee is responsible for recommending the salaries and compensation packages of the directors and senior management personnel to the Board.

Strategic Planning Committee

The strategy planning committee has eight members. Its principal role is to review the business strategy of our Group in the coming three years.

Investment Committee

The investment committee has five members. Its principal roles are to review, pursue and evaluate investment opportunities in property development and investment projects and approve and execute such investments within the limit as delegated and authorized by our Board from time to time.

Compliance Officer

We currently intend to hire a compliance officer who will monitor compliance, and report to our senior management regarding our compliance, with the listing rules of The Stock Exchange of Hong Kong Limited, as well as the terms and conditions of the Notes and our other indebtedness.

Share Option Scheme

On September 20, 1997, we adopted a share option scheme (the "Scheme 1997") which was terminated on August 30, 2002. All the options which remained outstanding on the date of termination of the Scheme 1997 continue to be valid and exercisable. We adopted a new option scheme (the "Scheme 2002") on September 24, 2002. Under the Scheme 2002, our staff and non-executive directors, among others, may be granted options entitling them to subscribe for shares.

The Scheme 2002 was adopted pursuant to a resolution passed by our shareholders at the annual general meeting held on September 24, 2002. Under the Scheme 2002, our staff and non-executive directors, among others, may be granted options entitling them to subscribe for shares which, when aggregated with options granted under any other share option schemes, amount to a maximum of 30% of our issued share capital from time to time and the total number of which, when aggregated with options granted under any other share option schemes, shall not exceed 102,400,000 shares, representing 10% of the issued share capital as of the date of the adoption of the Scheme 2002.

As of the date of this offering circular, a total of 125,940,000 share options are outstanding under the Scheme 2002, and no share options are outstanding under the Scheme 1997.

Compensation of Directors

All our directors receive reimbursements from us for expenses which are necessarily and reasonably incurred for providing services to us or in the execution of matters in relation to our operations. The aggregate amount of fees, salaries and allowances, discretionary bonuses and retirement benefits scheme contributions paid by us to our directors during the three years ended March 31, 2005, 2006 and 2007 was approximately HK$6.2 million, HK$5.9 million and HK$6.3 million (US$0.8 million), respectively.

Directors, Interest in Securities

As of March 31, 2007, the interests of our directors and their associates in our issued share capital were as follows:

	Number of shares held, capacity and nature of interest		
Name of directors	**Directly beneficially owned**	**Through controlled corporation**	**Percentage of the Company's issued share capital**
Chan Boon Teong(1)(2)(3)	–	1,027,890,527	44.39
Jiang Ming(1)(2)(3)	–	1,027,890,527	44.39
Tao Lin(1)(2)(3)	–	1,027,890,527	44.39
Cheng Wing Bor(1)(2)(3)	–	1,027,890,527	44.39
Lin Chen Hsin(1)(2)(3)	480,000	1,027,890,527	44.41

(1) 497,600,000 shares are beneficially owned by Coastal International Holdings Limited of which the issued voting share capital is held as to 20% by Chan Boon Teong, 35% by Jiang Ming, 12% by Tao Lin, 5% by Cheng Wing Bor, 3% by Lin Chen Hsin and 25% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Jiang Ming). These 497,600,000 shares represent an aggregate of approximately 21.49% of the issued share capital of the Company.

(2) 46,080,000 shares are beneficially owned by Glory View Investments Limited of which the entire issued voting share capital is held by Coastal International Holdings Limited. The issued voting share capital of Coastal International Holdings Limited is held in the manner as stated in the foregoing note (1). These 46,080,000 shares represent an aggregate of approximately 1.99% of the issued share capital of the Company.

(3) 484,210,527 shares are beneficially owned by Coastal Enterprise Group Limited of which the entire issued voting share capital is held by Coastal International Holdings Limited. The issued voting share capital of Coastal International Holdings Limited is held in the manner as stated in the foregoing note (1). These 484,210,527 shares represent an aggregate of approximately 20.91% of the issued share capital of the Company.

As of March 31, 2007, our directors held the following shares of Coastal International Holdings Limited, our substantial shareholder:

Name	Number of Shares Held	Capacity and Nature of Interest	Percentage of Issued Share Capital
Chan Boon Teong	200	Directly beneficially owned	20%
Jiang Ming	350	Directly beneficially owned	35%
	250	Through controlled corporation	25%
Tao Lin	120	Directly beneficially owned	12%
Cheng Wing Bor	50	Directly beneficially owned	5%
Lin Chen Hsin	30	Directly beneficially owned	3%

Except as disclosed above, none of our directors or any of their affiliates had any interest in our securities or any of our affiliated companies as of March 31, 2007.

RELATED PARTY TRANSACTIONS

From time to time we enter into transactions with certain of our shareholders, affiliates and other related parties in the ordinary course of business. It is our policy to conduct these transactions on normal commercial terms and on an arm's-length basis.

With regard to future related party transactions, it is our policy to comply with Hong Kong securities laws, the rules and regulations of the Hong Kong Stock Exchange, as well as the accounting standards regarding disclosure of information concerning related persons and companies as determined by the Hong Kong Institute of Certified Public Accountants. Any of our future transactions with persons with possible conflicts of interest will be reviewed by our audit committee to consider the reasonableness of any such transactions.

In addition to transactions disclosed in other parts of this offering circular, we have entered into the following related party transactions:

Joint Venture Agreement with China Railway Erju Co. Ltd.

In October 2004, we acquired through Beijing Xing Gang Real Estate Limited, one of our wholly-owned subsidiaries ("Beijing Xing Gang"), a 50% equity interest in Beijing Gaosheng Real Estate Development Ltd. ("Beijing Gaosheng"), a project company that owns the Beijing Silo City project. China Railway Erju Co. Ltd., a construction company that we have used for our property development projects, acquired the remaining 50% interest in Beijing Gaosheng. On May 28, 2006, we entered into a joint venture agreement (the "Joint Venture Agreement") with China Railway Erju Co. Ltd. pursuant to which we were obligated to pay to China Railway Erju Co. Ltd. a total amount of RMB611.52 million as its share of the profit for the Beijing Silo City project and to purchase its ownership interest in Beijing Gaosheng, in each case through payment in installments and with the last payment for both due in September 2009. Under the agreement, China Railway Erju Co. Ltd. is not entitled to any additional profit that may be derived from Beijing Silo City and is released from any related operating risks in exchange for the fixed amount of profit payments. In addition, China Railway Erju Co. Ltd. will be entitled to a payment in the amount of RMB50 million as the construction company for Beijing Silo City. To secure its payment obligations under the Joint Venture Agreement, Beijing Xing Gang entered into a share pledge agreement with China Railway Erju Co. Ltd. on May 28, 2006, pursuant to which Beijing Xing Gang pledged its 50% equity interest in Beijing Gaosheng to China Railway Erju Co. Ltd. For accounting purposes, we consolidated 100% of Beijing Gaosheng in our consolidated financial statements for the year ended March 31, 2007 and recorded our obligations under the Joint Venture Agreement as liabilities on our balance sheet for the same period.

Share Transfer and Capital Increase Framework Agreement

We entered into a share transfer and capital increase framework agreement in May 2006 (which was later amended in the same month) with Yangpu Shouqi Investment Co. Ltd. and Yu Zuosheng in connection with their equity interest in Beijing Wendela Property Development Co., Ltd. ("Beijing Wendela"). Pursuant to the agreement, we acquired through Beijing Xing Gang Real Estate Limited, our wholly-owned subsidiary, a 70.8% equity interest in Beijing Wendela, with Yangpun Shouqi Investment Co. Ltd. holding the remaining 19% and Yu Zuosheng holding 10.2%. Under the agreement, we are obligated to purchase from the other shareholders their remaining equity interest in Beijing Wendela for a total amount of HK$29.5 million in installments upon performance of certain obligations by the other shareholders. For accounting purposes, we consolidated 70.8% of Beijing Wendela in our consolidated financial statements for the year ended March 31, 2007.

Shareholders' Loans

As of March 31, 2007, we had advances from our controlling shareholder, Coastal International Holdings Limited, in the amount of HK$12.1 million, which were unsecured, interest-free and repayable on demand, which were not documented.

To secure its payment obligations under the Joint Venture Agreement, on May 28, 2006, Beijing Xing Gang entered into a share pledge agreement with China Railway Erju Co. Ltd., pursuant to which Beijing Xing Gang pledged its 50% equity interest in Beijing Gaosheng to China Railway Erju. Co. Ltd.

Share Option Grants

We have granted share options to purchase an aggregate of 87,360,000 of our ordinary shares under our Scheme 1997. Of the share options granted under Scheme 1997 to our directors and employees, 24,640,000 share options have been cancelled and 31,520,000 have been exercised. We have also granted share options to purchase an aggregate of 125,940,000 of our ordinary shares under our Scheme 2002. The following table summarizes the outstanding share option grants made under our share option scheme as of June 30, 2007.

	Number of share options			
	As of June 30, 2007	**Exercise price of share options**	**Date of grant of share options**	**Exercise period of share options**
		(HK$)		
SCHEME 1997				
Directors				
In aggregate..................	27,200,000	0.2	May 20, 2000	October 1, 2000 to September 19, 2007
Other employees				
In aggregate..................	4,000,000	0.2	May 20, 2000	October 1, 2000 to September 19, 2007
SCHEME 2002				
Directors				
In aggregate..................	77,000,000	0.2	May 11, 2007	May 15, 2009 to September 23, 2012
Other employees				
In aggregate..................	48,940,000	0.2	May 11, 2007	May 15, 2009 to September 23, 2012
Total.............................	157,140,000			

Refinancing Loan

In 2006, a number of our senior management personnel obtained loans in an aggregate amount of HK$35.9 million for the acquisition of certain completed properties developed by us and the purchase of office space to be used by us. These loans were lent by such personnel to us for the purpose of repaying certain of our outstanding indebtedness owed to third party lenders. Pursuant to agreements between us and such personnel, we agreed to fund or reimburse such personnel of any principal, interest and other payment due under the loans. Notwithstanding our sale of the properties to such personnel, we have, pursuant to certain trust deeds and other arrangements entered into with the personnel, retained the beneficial ownership of the properties. Accordingly, our Directors have determined that the significant risks and rewards associated with these properties and the loans should remain with us, and as a consequence, we continue to recognize the properties and we record the proceeds received from the senior management personnel as "other loans" in our consolidated financial statements. As of March 31, 2007, the aggregate carrying value of the properties and the balance of the loans carried in the consolidated balance sheet amounted to approximately HK$39.9 million and HK$20.8 million, respectively.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

Our indebtedness consists primarily of the 2008 Senior Notes, bank loans and other borrowings at the level of our operating subsidiaries, which are generally not secured. Prior to the conversion of the Convertible Bonds in July 2007, we also owed indebtedness under such bonds. As of March 31, 2007, we had HK$4,123.6 million (US$527.7 million) in outstanding indebtedness, of which HK$579.1 million (US$74.1 million) was attributable to the 2008 Senior Notes, HK$273.1 million (US$35.0 million) was attributable to the liability component of the Convertible Bonds, HK$2,179.8 million (US$279.0 million) was attributable to bank loans and HK$1,091.6 million (US$139.7 million) was attributable to other borrowings. As of March 31, 2007, we also had advances from our controlling shareholder, Coastal International Holdings Limited, in the amount of HK$12.1 million, which were unsecured, interest-free and repayable on demand. For the definitions of the "2008 Senior Notes" and " Convertible Bonds," see "Certain Definitions, Conventions and Currency Presentation" in this offering circular.

Set forth below is a summary of the material terms and conditions of the indentures for the 2008 Senior Notes and other debt instruments and credit facilities that we consider material. In connection with certain of these debt instruments and credit facilities, we have obtained waivers of certain provisions to allow us to issue the Notes and perform our obligations under the Indenture.

The 2008 Senior Notes

Pursuant to subscription agreements dated July 7, 2005 and June 30, 2006, we sold the 2008 Senior Notes with an aggregate principal amount of US$17.5 million (approximately HK$136.7 million) to a number of third party investors. The 2008 Senior Notes bear interest at 9% per annum and are wholly repayable on August 5, 2008. We intend to redeem all of the 2008 Senior Notes using proceeds from this offering of the Notes. See "Use of Proceeds."

Security

The 2008 Senior Notes are secured by a share charge over 100% of the entire share capital of Coastal Realty Development Co. Limited, one of our wholly-owned subsidiaries and a Subsidiary Guarantor, and by an account charge over a debt service reserve account.

Negative Pledge

We may not, and must procure that our subsidiaries do not, so long as any of the 2008 Senior Notes remains outstanding or any amount is due under or in respect of any 2008 Senior Note or otherwise under the deed poll relating to the 2008 Senior Notes, create or permit to subsist or arise any encumbrances upon the whole or any part of our or our subsidiaries present or future assets or revenues to secure any indebtedness of ours or our subsidiaries or associated companies.

Covenants

The 2008 Senior Notes contain customary covenants and undertakings, including covenants and undertakings that we will ensure or procure that:

- our Consolidated Tangible Net Worth (as defined in the terms and conditions of the 2008 Senior Notes) will not be less than HK$1.3 billion;
- our ratio of Consolidated Total Borrowings (as defined in the terms and conditions of the 2008 Senior Notes) to Total Assets (as defined in the terms and conditions of the 2008 Senior Notes) will not exceed 11:20;
- our Unconsolidated Total Borrowings (as defined in the terms and conditions of the 2008 Senior Notes) will not be more than US$130 million at all times;

- we will at all times maintain a minimum consolidated cash balance of RMB200 million in one or more bank accounts until March 31, 2008;

- subject to the terms of the security documents relating to the 2008 Senior Notes, we will not, and will not permit any of our subsidiaries to, create any restrictions on the ability of any of our subsidiaries to (i) make distributions, including dividends, (ii) pay any debt owed to us, (iii) make loans to us or any other of our subsidiaries, (iv) guarantee the obligations of us or any of our subsidiaries or (v) transfer assets to us or any of our subsidiaries;

- subject to certain exceptions, we will not, and will ensure than none of our subsidiaries will, sell, transfer, lease out, lend or otherwise dispose of all or substantially all of our assets nor any part or our assets which is material in relation to our assets, or those of us and our subsidiaries, taken as a whole and the disposal of which would have a material adverse effect on us or us and our subsidiaries taken as a whole;

- subject to certain exceptions, Coastal Realty Development Co. Limited will not dispose of, or transfer, any of its assets in a way which would result in its net assets accounting for less than 85% of our and our subsidiaries' total net assets; and

- we will not, without the consent of the holders of the 2008 Senior Notes, (i) declare or make any dividends or (ii) reduce our capital, for purposes of returning capital to our shareholders or making any other distributions to our shareholders to the extent that such dividends, distributions, reductions of capital or share-buybacks, as the case may be, will amount to 50% or more of our Consolidated Net Profit (as defined in the terms and conditions of the 2008 Senior Notes).

Issuer Redemptions

We may redeem the 2008 Senior Notes, in whole but not in part, on or at any time after August 5, 2007, at their principal amount plus accrued interest upon notice of not less than 30 nor more than 60 days.

Refinancing Arrangement

In March 2006, we entered into a refinancing arrangement for our development project held by Shanghai Xinghongda Real Estate Ltd. ("XHD"), one of our consolidated subsidiaries. Pursuant to the refinancing arrangement, we entered into various agreements (the "XHD Trust Agreements") with Shanghai International Trust & Investment Co., Ltd., a PRC trust company (the "XHD Trustee"), in connection with a loan of approximately HK$194 million (RMB200 million) (the "XHD Trust Transaction").

Under the XHD Trust Transaction, the XHD Trustee and we repurchased 85% and 15% equity interests in XHD, respectively, from two PRC companies which had provided a bridging loan to XHD (the "XHD Lenders"), and repaid such loan and interest to the XHD Lenders for an aggregate consideration of approximately HK$595 million (RMB615 million), which is shared by the XHD Trustee and us in the amount of approximately HK$506 million (RMB523 million) (the "Trust Consideration") and approximately HK$89 million (RMB92 million), respectively. Under the XHD Trust Agreements, the XHD Trustee held the 85% equity interest in XHD (the "XHD Trust") in trust for the beneficiaries (the "Beneficiaries"). Coastal Realty Investment (China) Limited ("CRI (China)"), one of our wholly-owned subsidiaries, is one of the Beneficiaries and had contributed approximately HK$313 million (RMB323 million) to the XHD Trust and thus had a beneficial interest of approximately 62% in the XHD Trust. The balance of the beneficial interest of approximately 38% in the XHD Trust is beneficially owned by independent third parties, who had contributed approximately HK$193 million (RMB200 million) to the XHD Trust.

Under the XHD Trust Agreements, the XHD Trust is only entitled to a fixed guaranteed return from XHD at 5.6% per annum on the Trust Consideration commencing March 2006 for a period of 24 months. The XHD Trustee will receive from CRI (China) a trust management fee at 3% per annum on the Trust Consideration and a fixed consultancy fee of approximately HK$17 million (RMB18 million) commencing March 2006 for a period of 24 months. Apart from the foregoing, the XHD Trust and the XHD Trustee are not entitled to any dividend or other distribution from XHD during the tenure of the XHD Trust which will end on the date when the Group repurchases the 85% equity interest in XHD as stated below.

Under the XHD Trust Agreements, we have both the right and obligation to repurchase the 85% equity interest in XHD from the XHD Trustee at the original consideration of approximately HK$506 million (RMB523 million), of which approximately HK$313 million (RMB309 million) will be repaid to us by the XHD Trustee, in June 2008. The repurchase consideration is fixed irrespective of any change in the underlying net asset value of XHD.