Annual Report

06-07

Providing Healthy Living Space

沿海綠色家园 ®

沿海綠色家園有限公司

COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 1124

CONTENTS

Corporate Information

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1708, 17th Floor
One Exchange Square
8 Connaught Place
Central
Hong Kong
Tel: (852) 2877 9772
Fax: (852) 2524 0931

PRINCIPAL REGISTRARS

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

REGISTRARS IN HONG KONG

Tengis Limited
(To be known as Tricor Services Limited with effect from 1 August 2007)
26th Floor Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong

COMPANY WEBSITE

http://www.coastal.com.cn

INVESTOR RELATIONS WEBSITE

http://www.irasia.com/listco/hk/coastal

EXECUTIVE DIRECTORS

Mr. CHAN Boon Teong *(Chairman)*
Mr. JIANG Ming *(Vice Chairman)*
Mr. TAO Lin
Mr. CHENG Wing Bor
Mr. LIN Chen Hsin
Mr. WU Xin *(Managing Director)*
Mr. XIN Xiang Dong

NON-EXECUTIVE DIRECTORS

Mr. ZHENG Hong Qing
Mr. William F. HARLEY III (alias Mickey HARLEY)
Mr. Oliver P. WEISBERG
Mr. HU Aimin
Mr. ZHANG Yijun
Mr. ZHANG Huaqiao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TANG Lap Yan
Mr. LAW Kin Ho
Mr. WONG Kai Cheong

COMPANY SECRETARY

Mr. CHENG Wing Bor FCCA, CPA

QUALIFIED ACCOUNTANT

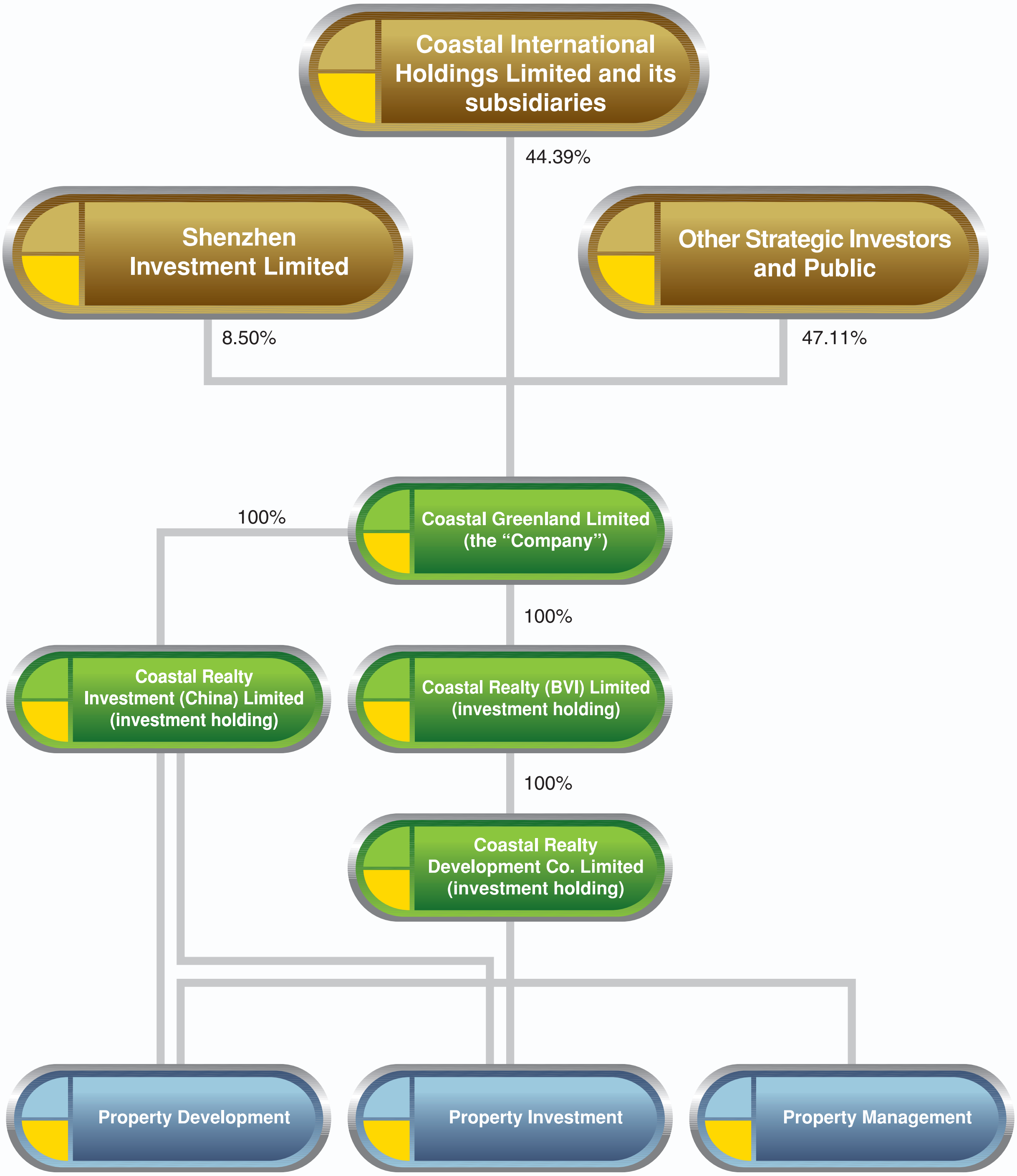
Mr. FUNG See Man FCCA, CPA

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

STOCK CODE

1124



Note: Subsequent to the year end date, on 23 July 2007, Shenzhen Investment Limited converted all its holding of the convertible bonds issued by the Company into ordinary shares of the Company. As a result, its shareholding in the Company has increased to 23.23% of the enlarged issued share capital of the Company.

Financial Highlight

The following is a summary of the published consolidated results and of the assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements and adjusted retrospectively for the effect of the impact of the new and revised Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants, as set out in note 2 to the financial statements for the year ended 31 March 2006.

RESULTS

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	(Restated)
Revenue	**2,012,246**	759,107	552,914	841,473	201,996
Profit before taxation	**354,490**	171,842	144,872	91,679	24,445
Profit for the year attributable to equity holders of the Company	**126,703**	105,035	102,403	52,234	4,061
Dividends	**50,749**	43,182	–	–	–

ASSETS AND LIABILITIES

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	(Restated)
Total assets	**10,221,521**	5,398,368	4,567,046	3,014,428	2,652,345
Total liabilities	**(7,809,505)**	(3,751,642)	(3,186,425)	(1,714,942)	(1,552,176)
Net assets	**2,412,016**	1,646,726	1,380,621	1,299,486	1,100,169
Minority interests	**(430,929)**	(40,628)	(59,315)	(45,011)	(8,682)
Equity attributable to equity holders of the Company	**1,981,087**	1,606,098	1,321,306	1,254,475	1,091,487

	Year ended 31 March	
	2007	2006
	HK$'000	HK$'000
Revenue by activity		
– Sale of properties	**2,002,712**	742,927
– Rental income	**6,101**	12,601
– Property management	**3,433**	3,579
Total	**2,012,246**	759,107

	Year ended 31 March	
	2007	2006
	HK$'000	HK$'000
Profit (loss) before taxation by activity		
– Sale of properties	**598,769**	175,433
– Rental income	**75,280**	45,056
– Property management	**(2,034)**	(1,050)
	672,015	219,439
Unallocated corporate expense *(Note)*	**(288,442)**	(32,335)
Interest income	**6,601**	312
Finance costs	**(34,778)**	(15,574)
Share of loss of an associate	**(906)**	–
Profit before taxation	**354,490**	171,842

Note: Including an amount of about HK$166.5 million (2006: HK$26.6 million) arising from fair value loss on derivative liability component of convertible bonds.

Chairman's Statement

On behalf of Coastal Greenland Limited (the "Company"), I have the pleasure to present to the shareholders my report on the operations of the Group for the year ended 31 March 2007 as follows:

Chan Boon Teong
Chairman

RESULTS

For the financial year ended 31 March 2007, the Group recorded a revenue of about HK$2,012.2 million and profit attributable to shareholders of approximately HK$126.7 million. Earnings per share for the year were HK5.69 cents.

DIVIDENDS

An interim dividend of HK1 cent per share was paid during the year and the Board of Directors has recommended payment of a final dividend of HK1 cent per share for the year. Total dividend for the year therefore amounted to HK2 cents per share.

BUSINESS OVERVIEW

Satisfactory operating results were reported for the financial year with both revenue and profit attributable to shareholders growing by 165.1% and 20.6% respectively from last financial year. The Group's overall results were affected by a non-operating charge of approximately HK$166.5 million arising from fair value adjustment for derivative liability in connection with the convertible bonds issued by the Company, a significant increase from last year's charge of about HK$26.6 million which is attributable to additional convertible bonds issued and the increase in the share price of the Company's shares during the year. Before such a charge, the profit attributable to shareholders of the Group is HK$293.2 million, an increase of 122.8% as compared to that of last year on a same basis.

In the past year, the economy in China continued to be on an up trend that the income level for the mainland Chinese in general had increased with living standard improved, leading to an increasing demand for quality residential property. To tap the booming demand and to meet the needs of contemporary home purchasers, in featuring the Group's developments the Group has emphasized a healthy residence concept, which encompasses building in energy saving, environmental friendly and healthy living environment and lifestyle considerations in the Group's property developments. The Group is committed to position itself as the front runner of healthy residence provider in China. The Group is the first developer in China who has introduced the U.S. LEED-ND (Leadership in Energy Environmental Design-Neighborhood Development) Green Building Rating System to its development projects. Several development projects of the Group have been designated as the pilot projects by standard of national healthy residence by the National Residence Centre. In 2006, "Coastal Greenland" was ranked for the third consecutive year among the top ten most valuable Chinese real estate corporate brands by the authoritative PRC real estate research team comprising experts from the Development Research Center of the State Council, the Tsinghua University Real Estate Research Center and the Chinese Index Research Center.

Furthermore the Group continued to benefit from the diversification in the geographic locations of its developments, a strategic set up that reduces the exposure of the Group's business to the risk of over reliance on any one single market. During the year, the sales performance of the Group's development projects in various locations was satisfactory with the exception of the project located in Shanghai where the property market was adversely affected by the government austerity measures.

The Group's accomplishments and promising prospects had captured the attention of Shenzhen Investment Limited that during the year it had made a significant equity investment in the Company and became the second largest shareholder of the Company. In addition, during the year, the Company had raised a total of US$100 million from the capital market by the issue of certain senior notes and convertible bonds, which has provided the Group with additional working capital for its operations.

In anticipation of a good prospect of the property market driven by a continuously strong economy in China, the Group is implementing a two-pronged business development strategy that it will continue its residential property development business while at the same time will also develop and retain quality commercial properties, including hotels, in the prime locations of major cities in the PRC. The Group plans to build up an investment property portfolio that will account for about 30% of the Group's total property portfolio in the next three to five years so as to enable the Group to generate more stable recurring income as well as position the Group to capture the potential of property value appreciation.

OUTLOOK

The economy in China has registered a growth of 10.7% in the GDP for 2006. It is expected that the economy in China will continue its positive development and the Group will benefit from the continuous booming economy. The austerity measures imposed on the real estate sector, which include on areas of property development orientation, taxation, financing and land supply etc, are expected to bring to the real estate industry a more stable and sustainable market in the long term. With more stringent requirements and financial demands imposed on property developers, it is expected that smaller developers will become less competitive in the marketplace and more opportunities will be available to larger developers with more resources. The Group believes that it is well positioned to take on the new challenges and capture the new opportunities as the Group has a well experienced and qualified management team, a well recognised corporate brand in the real estate industry, the resources of financing from both internal and external sources, including access to domestic and overseas financial markets, and a quality and geographically well diversified property development portfolio on hand.

APPRECIATION

On behalf of the board, I would like to express my gratitude to the management team and our staff for their devotion to the Group and diligence in the past year. My thanks also go to my fellow directors, business partners, customers, suppliers, bankers and shareholders of the Group for their continuous support and trust over the years.

Chan Boon Teong
Chairman

Hong Kong
25 July 2007

FINANCIAL REVIEW

For the financial year ended 31 March 2007, the Group recorded a revenue of approximately HK$2,012.2 million, an increase of about 165.1% as compared to HK$759.1 million last year. Profit before taxation rose by about 106.3% to HK$354.5 million. Profit attributable to shareholders increased by about 20.6% to approximately HK$126.7 million, after a non-operating charge of approximately HK$166.5 million arising from fair value adjustment for derivative liability in connection with the convertible bonds issued by the Company, a significant increase from last year's charge of about HK$26.6 million which is attributable to additional convertible bonds issued and the increase in the share price of the Company's shares during the year. Before such a charge, the profit attributable to shareholders is HK$293.2 million, an increase of 122.8% as compared to that of last year on a same basis. During the year under review, the Group's profit was mainly derived from the sale and completion of properties in Beijing Sunvilla Realhouse, Beijing Silo City, Anshan Greenland IT City, Wuhan Lakeside Apartment and Jiangxi Riviera Garden.

BUSINESS ANALYSIS

Revenue

The following table sets out the breakdown of the Group's revenue together with the contribution to operating results by activity:

	Year ended 31 March				
	2007		2006		
	Revenue HK$'000	**Contribution to operating results HK$'000**	Revenue HK$'000	Contribution to operating results HK$'000	
Sale of properties	**2,002,712**	**598,769**	742,927	175,433	
Rental income	**6,101**	**75,280**	12,601	45,056	(Note)
Property management	**3,433**	**(2,034)**	3,579	(1,050)	
Total	**2,012,246**	**672,015**	759,107	219,439	

Note: Including an amount of about HK$79.6 million (2006: HK$1.7 million) surplus arising from revaluation of properties completed during the year which are held as investment properties. For the year ended 31 March 2006, the amount included an amount of about HK$19.4 million gain on disposal of investment properties.

The Group's revenue for the year was mainly derived from operations in the mainland of the People's Republic of China.

BUSINESS ANALYSIS *(Continued)*

Property Sale

Riding on a thriving property market, the Group's property sale has hit its record high, registering a sale revenue of HK$2,002.7 million, a 169.6% increase from last year. The revenue mainly came from Phases I and II of Beijing Sunvilla Realhouse, Phases I and II of Beijing Silo City, Phases I and II of Jiangxi Riviera Garden, Anshan Greenland IT City and Wuhan Lakeside Apartment, which respectively accounted for about 18.5%, 62.6%, 9.7%, 6.3% and 2.0% of the revenue for property sale. The remaining 0.9% was derived from sales of remaining inventory of the Group's old development projects.

Property Rental

As for the leasing business, revenue from property rental decreased by 51.6% to approximately HK$6.1 million from about HK$12.6 million last year. The decrease was mainly due to the disposal of the remaining area of Wuhan Wah Zhong Trade Plaza in last year, which was the major rental income generator of the Group in the previous year. Rental income for the year was mainly derived from the properties held by the Group in Shanghai Golden Bridge Mansion and Shenyang Dongbei Furniture and Ornaments Plaza.

The plan for setting up an agricultural products market for Shenyang Dongbei Furniture and Ornaments Plaza has not proceeded as detailed terms of cooperation with the agricultural products chain store franchise owner cannot be reached. The Group is studying alternative business plans for this property.

During the year the Group has completed the commercial area in Phases I and II of Beijing Silo City and a majority part of the commercial area with a GFA of about 12,500 sq.m. is being held by the Group as investment property. Leasing of the commercial area to retail shop operators is underway and the Group plans to launch the grand opening of the shopping arcade in October 2007.

Property Management

The Group's property management operations had recorded a loss of about HK$2.0 million as compared to last year's loss of HK$1.1 million. The Group is committed to provide integrated and value added property management services to foster good relations with tenants and owners and strengthen its brand image.

Gross Profit Margin

As most of the properties completed during the year are projects in initial phases of development, their profit margins are in general lower than that of later phases of development. As a result, the overall gross profit margin of the Group decreased to about 24% from 29% in last year. However, the Group believes that the average selling price and hence the gross profit margin of subsequent phases of the development projects will improve in the coming years.

Increase in Fair Value of Investment Properties

This represented the surplus arose from revaluation of the 12,500 sq.m. of commercial areas in Phases I and II of Beijing Silo City which were completed during the year and are held by the Group as investment properties.

BUSINESS ANALYSIS *(Continued)*

Gain on Disposal of Property Based Subsidiaries

The gain for the current year mainly arose from the disposal of the remaining property interests in Anshan Greenland IT City and Shanghai Riviera Villa. The gain recorded in last year mainly came from the disposal of the remaining property interests in Wuhan Wah Zhong Trade Plaza. The disposals were made by means of disposal of the equity interests in the relevant project holding companies.

Gain on Partial Disposal of Property Based Subsidiaries

This mainly represented the gain on the disposal of 50% equity interest in Dalian Xinghai Bay Project.

Gain on Disposal of Investment Properties

The gain recorded last year came from the disposal of certain investment properties in Wuhan Wah Zhong Trade Plaza.

Marketing and Selling Costs

Marketing and selling costs increased to HK$31.8 million from HK$1.2 million last year as a result of the increase in revenue. Also, starting from current year, marketing and selling costs capitalized in properties under development were included in marketing and selling costs in the income statements upon project completion while in last year such costs were included in the cost of properties sold.

Administrative Expenses

To support business expansion, the Group continued to recruit high-calibre staff to join the management team both at its headquarters and project company level. The Group moved into its new headquarters in a new office building in Shenzhen in April 2006. As a result of increased operating activities, administrative expenses increased by about 33.1% to about HK$88.4 million as compared to last year.

Fair Value Loss on Derivative Liability Component of Convertible Bonds

Fair value loss on derivative liability component of convertible bonds increased by about 525.9% to HK$166.5 million from HK$26.6 million as a result of the significant increase in the share price of the Company and additional convertible bonds issued during the year. This is a non-operating loss and does not involve any cash outflow. All the outstanding convertible bonds have been converted into shares of the Company subsequent to the balance sheet date.

Finance Costs

During the year, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings, including senior notes and convertible bonds) of HK$327.2 million, an increase of about 166.7% as compared to HK$122.7 million last year. The increase was mainly due to an overall increase in the total amount of bank and other borrowings to fund business expansion including development of ongoing projects and acquisition of new development projects.

Share of Loss of an Associate

This represented the share of loss of an associate acquired during the year, as the development projects of the associate have not been completed during the year.

BUSINESS ANALYSIS *(Continued)*

Gross Floor Area Completion

For the financial year, the Group had completed development projects with gross floor area ("GFA") totaling about 489,041 sq.m. of which about 436,851 sq.m. is attributable to the Group, about 65% and 50% increases from the respective GFA of about 296,600 sq.m. and 291,374 sq.m. last year.

Acquisitions of New Projects

During the year under review, the Group acquired interests in the following projects:

Projects	Estimated gross floor area	Group's interests	Type of development
Dalian Xinghai Bay Project	343,900 sq.m.	100%	Residential/Commercial
Beijing Shunyi Project (Note)	203,000 sq.m.	70.8%	Residential with attached commercial
Chengdu Dujiangyan Project (Note)	505,357 sq.m.	100%	Residential with attached commercial
Shenyang Hunnan Project	533,600 sq.m.	100%	Residential/Commercial

Note: These projects are at land development stage which involves arrangement for resettlement of existing residents and designing and proposing property development plan for approval by relevant government authorities etc., and the Group has interests in the land development. The further acquisitions of the land use rights of these projects for property development will be subject to public tender or auction process.

See further discussion on land development in the "Review of Major Properties and Development Projects" section on page 16 of the Annual Report.

Other Acquisitions

During the year, the Group acquired 21.13% of the issued share capital of Shanghai Fenghwa Group Company Limited ("Shanghai Fenghwa"), a listed company on the Shanghai Stock Exchange, and became the largest shareholder in Shanghai Fenghwa. This is a strategic move of the Group to secure a substantial equity stake in a PRC listed company. The move has leveraged the Group the capability to capture opportunities in the PRC capital market. The investment is accounted for by the Group at cost. The Group's 21.13% shareholding or 39,719,503 shares in Shanghai Fenghwa have a maximum lock-up period of 3 years commencing 1 March 2007 pursuant to the share restructuring scheme adopted by Shanghai Fenghwa's shareholders on 29 December 2006. As at 31 March 2007, the closing share price of Shanghai Fenghwa as quoted on the Shanghai Stock Exchange is RMB9.87 per share, about 247% higher than the carrying cost per share as stated in the Group's financial statements.

During the year, the Group acquired all the other 50.25% equity interest in its Beijing Silo City development project from the joint venture parties. The acquisition increased the Group's equity stake in this substantial development project with a promising prospect to 100%.

BUSINESS ANALYSIS *(Continued)*

Senior Notes and Convertible Bonds

During the year, the Group issued certain senior notes and convertible bonds to certain independent third parties for a total amount of US$100 million (equivalent to approximately HK$780 million) which provide the Group with additional working capital for its operations. The details of the transactions are set out in the section headed "Financial Resources and Liquidity" on page 17 of the Annual Report.

Corporate Brand

In 2006, the corporate brand "Coastal Greenland" has again made it among the top ten most valuable Chinese real estate company brands for the third consecutive year. The list is published by the authoritative PRC real estate research team formed by the Development Research Center of the State Council, the Tsinghua University Real Estate Research Center and the Chinese Index Research Center. The Group has also made the list of one of the most influential brands in China published by the World Brand Lab in 2006.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS

The Group's business strategy is to develop quality residential estates for PRC middle class domestic market and quality commercial properties for investment. A summary of the status of the Group's major properties and development projects is set out below.

Anshan Greenland IT City

Anshan Greenland IT City is a large-scale development with a total site area of about 268,807 sq.m. which is being developed in phases into a low density residential estate with ancillary facilities and attached commercial area. The Group has developed and sold substantially all the first five phases and section A in Phase VI with a GFA of about 291,258 sq.m. and 48,500 sq.m. respectively. During the year, the Group disposed of the interests in this project which mainly represent section B in the Phase VI with a total GFA of about 96,500 sq.m. comprising 71,600 sq.m. residential area and 24,900 sq.m. commercial area to its associate in which the Group has a 21.13% equity interest.

The construction of section B in Phase VI with a total GFA of about 96,500 sq.m. was started in May 2006 and is expected to be completed in December 2007. Pre-sale of section B in Phase VI was started in January 2007.

Beijing Silo City

Beijing Silo City is a large-scale development with a total site area of about 216,025 sq.m. of which the development is being carried out in phases with a total GFA of about 850,280 sq.m. comprising residential and commercial developments. During the year, the Group has acquired all the other 50.25% equity interest in the development from the joint venture parties. As at the end of the year, the Group's equity interest in the development was 100%.

The construction of the first two phases with a total GFA of 227,939 sq.m. was completed in March 2007. As at the end of the year, about 83% of the GFA in these two phases was sold. The remaining GFA of about 39,429 sq.m., comprising the clubhouse with a GFA of 563 sq.m., certain commercial area with a GFA of 12,500 sq.m. and carpark area with a GFA of 26,366 sq.m. which are held by the Group as fixed assets, investment properties and for sale respectively.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS *(Continued)*

Beijing Silo City *(Continued)*

During the year, the development scale and time schedule for the remaining phases had been revised. The GFA in Phase III was reduced from 104,648 sq.m. to 80,000 sq.m. and the GFA in Phase IV was increased from 140,472 sq.m. to 169,200 sq.m. Phase V with a GFA of about 116,100 sq.m. was developed ahead of Phase IV.

Phase III has a GFA of about 80,000 sq.m. The construction of it was started in March 2006 and is expected to be completed in August 2007. Pre-sale of Phase III was commenced during the year and as at the end of the year, about 84% of the GFA had been pre-sold.

Phase V has a GFA of about 116,100 sq.m. The construction of it was started in December 2006 and is expected to be completed in early 2008. Pre-sale of Phase V was commenced during the year and as at the end of the year, about 56% of the GFA had been pre-sold.

Phase IV has a GFA of about 169,200 sq.m. The construction of it was started in March 2007 and is expected to be completed by the end of 2008.

Phase VI and Phase VII have a total GFA of about 257,041 sq.m. The construction of these two phases is planned to be started in late 2007 and is expected to be completed in early 2009.

Beijing Sunvilla Realhouse

The development comprises a villa estate with a total site area of about 484,421 sq.m. The development is being carried out in three phases.

Phase I has a GFA of about 69,156 sq.m. The construction of it was completed in September 2005. As at the end of the year, all residential GFA in Phase I had been sold. The clubhouse with a GFA of 4,189 sq.m. is held by the Group as fixed assets.

Phase II has a GFA of about 47,318 sq.m. The construction of it was started in January 2005 and its section A with a GFA of about 35,002 sq.m. was completed in March 2007. Subsequent to the end of the year, section B with a GFA of about 12,316 sq.m. was completed in June 2007. As at the end of the year, 100% of the GFA of section A was sold and about 85% of the GFA of section B was pre-sold.

The construction of Phase III with a GFA of about 22,895 sq.m. is planned to be started in December 2007 and is expected to be completed in early 2009.

Chengdu Longquanyi Project

The development is panned to be developed into a low density residential estate with ancillary facilities and attached commercial area with a GFA of about 222,534 sq.m.

The Group is currently in discussion with the local government authorities on the development plan and expects to start the construction in mid 2008 with expected completion in early 2010.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS *(Continued)*

Dalian Xinghai Bay Project

Dalian Xinghai Bay Project is a newly acquired development with a total site area of about 34,001 sq.m. and is planned to be developed into a residential/commercial complex with a total GFA of about 343,900 sq.m. The development is being carried out in two phases. During the year, the Group disposed of 50% equity interest in the development to an independent third party.

The construction of Phase I with a total GFA of approximately 179,400 sq.m. is planned to be started in September 2007 and is expected to be completed in mid 2009.

The construction of Phase II with a total GFA of approximately 164,500 sq.m. is planned to be started in late 2008 and is expected to be completed in late 2010.

Dongguan Riviera Villa

Dongguan Riviera Villa with a site area of about 382,649 sq.m. is a low density residential estate development with ancillary facilities and attached commercial area. The development is being carried out in two phases.

Phase I has a total GFA of approximately 130,910 sq.m. which is further divided into section A and section B with GFA of about 64,330 sq.m. and 66,580 sq.m. respectively. The construction of Phase I was started in September 2004. Subsequent to the end of year, section A was completed in July 2007. As at the end of the year, about 54 % of the GFA in section A had been pre-sold. The construction of section B has started and is expected to be completed in March 2008. Pre-sale of section B is planned to be commenced in September 2007.

The construction of Phase II with a total GFA of approximately 189,090 sq.m. is planned to be started in September 2007 and is expected to be completed in early 2009.

Jiangxi Riviera Garden

Jiangxi Riviera Garden with a site area of about 186,394 sq.m. is a low density residential estate development with ancillary facilities and attached commercial area and is being carried out in two phases.

The construction of Phase I with a total GFA of approximately 129,100 sq.m. was started in February 2005 and section A with a GFA of 48,200 sq.m. was completed in September 2006 and section B with a GFA of 80,900 sq.m. was completed in December 2006. As at the end of the year, about 70% of the GFA in Phase I had been sold. The remaining GFA of about 39,216 sq.m. mainly comprising residential and commercial area was held for sale by the Group.

The construction of Phase II with a total GFA of approximately 155,500 sq.m. was started in September 2006 and is expected to be completed in early 2008. Pre-sale of Phase II is planned to be commenced in August 2007.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS *(Continued)*

Shanghai Riviera Garden

Shanghai Riviera Garden is a low density residential estate development with a site area of about 326,118 sq.m. of which the development is being carried out in two phases.

The construction of Phase I with a total GFA of approximately 135,400 sq.m. was started in June 2005 and is expected to be completed in September 2007. Pre-sale of Phase I was started in May 2006. As at the end of the year, about 9% of the GFA had been pre-sold.

The construction of Phase II with a total GFA of approximately 157,400 sq.m. is planned to be started in late 2007 and is expected to be completed in August 2009.

Shenyang Dongbei Furniture and Ornaments Plaza

Shenyang Dongbei Furniture and Ornaments Plaza is a property developed by an independent PRC developer and was acquired by the Group and held as an investment property. The property comprises two office buildings of 2 and 7 storeys respectively, a 5-storey exhibition centre, an 8-storey guest house, four single storey warehouses, a carport and various business shops. The total GFA of this property is 149,752 sq.m. As at the end of the year, the Group held a total GFA of about 80,752 sq.m. in this property as investment property.

The plan for setting up an agricultural products market for Shenyang Dongbei Furniture and Ornaments Plaza has not proceeded as detailed terms of cooperation with the agricultural products chain store franchise owner cannot be reached. The Group is studying alternative business plans for this property.

Shenyang Hunnan Project

Shenyang Hunnan Project is a newly acquired development with a total site area of about 89,400 sq.m. and is planned to be developed into a residential/commercial complex with a total GFA of about 533,600 sq.m. The development will be carried out in two phases. Subsequent to the end of the year, the Group disposed of 80% and 20% equity interests in Phase I and Phase II respectively in the development to the joint venture party in the Group's Dalian Xinghai Bay Project.

The construction of Phase I with a total GFA of approximately 325,600 sq.m. is planned to be started in September 2007 and is expected to be completed by the end of 2008.

The development schedule of Phase II is not yet determined.

Wuhan Lakeside Apartment

Wuhan Lakeside Apartment is a low density large-scale residential estate development with ancillary facilities and attached commercial area with a total GFA of approximately 344,000 sq.m. The development was carried out in phases.

The construction of Phases I to IV with a total GFA of about 282,242 sq.m. was completed. As at the end of the year, about 98% of the GFA had been sold and the remaining GFA of about 5,106 sq.m., excluding the clubhouse with a GFA of 1,670 sq.m. held by the Group as fixed assets, was held for sale by the Group.

The Group has entered into a joint development agreement with an independent third party developer (the "Third Party Developer") to develop the remaining phase of Wuhan Lakeside Apartment, with a site area of 79,831 sq.m. Under the agreement, the Third Party Developer is wholly responsible for the development of the remaining phase of Wuhan Lakeside Apartment and the Group will receive a guaranteed return from the Third Party Developer. As at the end of the year, the Group had fulfilled and completed all its obligations under the agreement and the whole amount of the guaranteed return had been paid by the Third Party Developer to the Group, which was deferred to be recognised as income and accounted for as a deposit received and deferred revenue.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS *(Continued)*

Wuhan Silo City

Wuhan Silo City is a large-scale development with a site area of about 883,843 sq.m. and is planned to have a total GFA of about 1,460,000 sq.m. comprises both residential and commercial area. The development is being carried out in phases.

Phase I has a total GFA of about 223,086 sq.m. which is further divided into section A and section B with GFA of about 132,715 sq.m. and 90,371 sq.m. respectively.

The construction of section A was started in December 2005 and is expected to be completed in early 2008. Pre-sale of section A was commenced in April 2007, subsequent to the end of the year.

The construction of section B is planned to be started in December 2007 and is expected to be completed in early 2009. Pre-sale of section B is planned to be commenced in early 2008.

The development plan for the remaining phases will be determined with respect to the sales progress of Phase I. Commencement of the construction of the next phase is expected to be in mid 2008.

LAND DEVELOPMENT

The cost for acquisition of land for property development in the PRC has been increasing over the last few years. The Group is persistently seeking for suitable landbank additions for its future development. A mean to acquire land at a lower cost is by participating in land development in co-operation with relevant government authorities or land owners. Land development involves arrangement for resettlement of existing residents and designing and proposing property development plan for approval by relevant government authorities etc. By participating in land development the Group is entitled to share the profit from the ultimate auction of the land developed and at the same time has the opportunity to participate in the planning of the land use which could enhance the Group's competitive position in the land auction process. During the year, the Group had participated in the land development detailed as follows:

Project	Site area of the development (sq.m.)	Estimated GFA of the development (sq.m.)	Type of development for which the land use is intended to be converted	Interest attributable to the Group
Beijing Shunyi Project	94,483	203,000	Residential with attached commercial	70.8%
Chengdu Dujiangyan Project (Note)	315,848	505,357	Residential with attached commercial	100%
Total	410,331	708,357		

Note: Subsequent to the end of the year, the Group's associate in which the Group has a 21.13% equity interest won the bid of a parcel of the land with a site area of 48,367 sq.m. in the project through a public auction. The rest of the land is still under development.

Please refer to the Schedule of Major Properties on pages 108 to 112 of the Annual Report for further information about the properties and development projects of the Group.

FINANCIAL RESOURCES AND LIQUIDITY

The principal source of fund for the Group came from the cashflow generated from property sales and leasings supplemented by bank and other borrowings.

At 31 March 2007, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to about HK$2,799.3 million. Net debt to equity ratio, which is expressed as a percentage of the net borrowings over the net assets of the Group, increased by about 40.2% to about 116.1% from about 75.9% last year. Net debt to total assets ratio is about 27.4% compared to 23.2% last year. The increase in the ratios is mainly due to the increase in borrowings of the Company from issue of senior notes and convertible bonds during the year as detailed below.

Note: Subsequent to the year end date on 23 July 2007, the holder of the US$40 million (approximately HK$312 million) convertible bonds converted all the US$40 million convertible bonds into 443,862,857 ordinary shares of the Company. The conversion has significantly improved the debt to equity ratio of the Group.

Pursuant to a subscription agreement dated 30 March 2006, the Company issued senior notes of an amount of US$40 million (equivalent to approximately HK$312 million) on 4 April 2006 to certain independent third parties. The senior notes bear interest at 9% per annum and is wholly repayable on 4 August 2008. The senior notes are secured by a share charge over the 100% of the entire issued share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.

Pursuant to a subscription agreement dated 30 June 2006, the Company issued senior notes of an amount of US$20 million (equivalent to approximately HK$156 million) on 6 July 2006 to an independent third party. The senior notes bear interest at 9% per annum and is wholly repayable on 4 August 2008. The senior notes are secured by a share charge over the 100% of the entire issued share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.

Pursuant to a subscription agreement dated 30 June 2006 and the approval of the shareholders of the Company at a special general meeting held on 21 July 2006, the Company issued US$40 million (approximately HK$312 million) convertible bonds to an independent third party. The convertible bonds bear coupon interest rate at 4.75% per annum, are secured by a second priority charge over the entire issued share capital of the Company's wholly owned subsidiary, Coastal Realty Development Co. Limited, and will mature on 30 December 2009 with a put option for the subscriber who has the right to demand for an early redemption of the convertible bonds during the period from 30 June 2009 to maturity date. If the convertible bonds are not converted into ordinary shares of the Company, they will be redeemed at 145% of the issued value of US$40 million on maturity. The convertible bonds are convertible at HK$0.7 per ordinary share into the share capital of the Company at any time during the tenure of the convertible bonds.

The proceeds from the issue of the senior notes and the convertible bonds were used in the development of the Group's development projects and as working capital. The issue of the senior notes and convertible bonds has provided additional working capital for the Group's operations.

On 18 December 2006, the holder of the tranches 3 and 4 of the convertible bonds issued on 5 August, 2005 exercised the conversion right in respect of the tranches 3 and 4 convertible bonds whereby 97,500,000 shares of HK$0.1 each were allotted and issued upon conversion at a conversion price of HK$0.5 per share. The 97,500,000 shares represent approximately 4.2% of the enlarged issued share capital of the Company and rank pari passu in all respects with the existing issued shares of the Company.

FINANCIAL RESOURCES AND LIQUIDITY *(Continued)*

On 4 December 2006, the holders of 5,120,000 share options granted under the share option scheme adopted on 20 September 1997 had exercised the rights attached to the share options whereby 5,120,000 shares of HK$0.1 each were allotted and issued at an exercise price of HK$0.2 per share. The 5,120,000 shares represent approximately 0.2% of the enlarged issued share capital of the Company and rank pari passu in all respects with the existing issued shares of the Company.

BORROWINGS AND CHARGES

At 31 March 2007, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	2007 HK$'000	2006 HK$'000
Bank loans repayable:		
Within one year or on demand	**559,443**	451,668
In the second year	**983,706**	378,604
In the third to fifth years, inclusive	**636,630**	63,624
	2,179,779	893,896
Other borrowings (including senior notes and convertible bonds) repayable:		
Within one year or on demand	**204,893**	250,182
In the second year	**1,451,003**	197,064
In the third to fifth years, inclusive	**281,520**	262,754
Beyond five years	**6,391**	11,152
	1,943,807	721,152
	4,123,586	1,615,048

An analysis by currency denomination of the above borrowings is as follows:

	2007 HK$'000	2006 HK$'000
Renminbi	**3,271,333**	1,401,468
Hong Kong dollars	**–**	5,550
United States dollars	**852,253**	208,030
	4,123,586	1,615,048

BORROWINGS AND CHARGES *(Continued)*

The borrowings bear interest rates based on normal commercial terms.

(a) Certain of the Group's borrowings are secured by:

(i) Certain investment properties of the Group with an aggregate carrying value at 31 March 2007 of approximately HK$506 million (2006: HK$283 million);

(ii) Certain properties under development of the Group with an aggregate carrying value at 31 March 2007 of approximately HK$4,161 million (2006: HK$2,845 million);

(iii) Certain completed properties for sale of the Group with an aggregate carrying value at 31 March 2007 of approximately HK$211 million (2006: HK$166 million);

(iv) Certain bank deposits of the Group amounting to approximately HK$325 million at 31 March 2007 (2006: HK$68 million); and

(v) Corporate guarantees from the Company and certain of its subsidiary companies.

(b) Certain other loans are secured by the 85% equity interest in Shanghai Xinhongda Real Estate Ltd., a wholly owned subsidiary of the Company, the Group's equity interest in a jointly-controlled entity, Beijing Gaosheng Real Estate Company Limited and the Group's properties under development with a carrying value of approximately HK$123 million (2006: HK$113 million).

(c) The convertible bonds and the senior notes (included in other borrowings) are secured by a share charge over the 100% of the entire share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's operations are principally in the People's Republic of China ("PRC"). Majority part of the Group's income and expenditure is in Renminbi. The exchange rate of Renminbi against other currencies has been on a rising trend over the past period, which is in favour of the Group's operations as all the major assets, mainly property development projects, of the Group are located in the PRC and will generate Renminbi revenue to the Group. Therefore, the directors do not foresee that movement in the exchange rate for Renminbi in the foreseeable future will cause a material adverse impact on the Group's operations.

On 4 April 2006, the Company enter into a currency swap contract with an independent third party financial institution whereby, on 5 August 2008, the Company will pay Renminbi 461,207,500 notional amount (with fixed rate interest of 6.33% per annum payable semi-annually) and will receive United States dollars 57,500,000 notional amount (with fixed rate interest of 9% per annum receivable semi-annually). The purpose of the currency swap contract is to hedge the Company's borrowings denominated in United States dollars.

CONTINGENT LIABILITIES

At 31 March 2007, the Group had given guarantees to the extent of approximately HK$890.2 million (2006: HK$392.9 million) to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group and a property of which the sales were underwritten by the Group. The Group had also given guarantees amounting to approximately HK$23.5 million (2006: HK$ Nil) to banks in connection with facilities granted to an associate.

LAND APPRECIATION TAX

The State Administration of Taxation ("SAT") of the PRC issued a circular as Guoshuihan 2004 No. 938 on 2 August 2004 to strengthen the levy of land appreciation tax ("LAT") on property developers. Subsequently, SAT issued Guoshuifa 2006 No. 187 dated 28 December 2006, which became effective from 1 February 2007, announcing its intention to strengthen the mechanism for collection of LAT on property developers, and authorizing the local tax bureau to issue detailed implementation rules and procedures appropriate to local environments. In the past, the Group has both paid and recognized provisional LAT calculated according to certain rates (varying from 0.5% to 3%) over sales amounts assessed by local tax bureau. After consultation with tax consultants and the tax bureau of certain relevant cities where the Group has property development, it is understood that the details of implementation in respect of the 28 December 2006 announcement have not yet been announced. Therefore whether the Group will be liable for any LAT in addition to the provisional LAT already paid and recognized cannot be determined with any degree of certainty in the absence of detailed implementation rules and procedures announced at the moment. However, the Group has decided to take a prudent and conservative approach and to fully provide for the possible LAT liability in the current year. In the financial statements for the year ended 31 March 2007, a total provision for LAT in the amount of HK$46.6 million has been made. When the impact of the LAT on past years' operations becomes clear and definite, it is possible that a write back of part of this provision may be required.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 1,845 employees in the mainland China and Hong Kong. Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage and share options.

PROPOSED FINAL DIVIDEND

The Directors recommend a final dividend of HK1 cent per share payable to shareholders on the register of members on 7 September 2007.

The dividend is subject to approval by the shareholders of the Company in the coming annual general meeting.

EXECUTIVE DIRECTORS

Mr. Chan Boon Teong, aged 65, is the chairman of the Group and one of the founders of the Group. He is responsible for corporate direction and development of the Group's business. 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 public 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 the Group and one of the founders of the Group. He is responsible for strategy planning of the Group. 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 the establishment of the Group, he was a general manager of a joint venture enterprise in the PRC for over 7 years. He is a vice-chairman of the Fujian Province Foreign Enterprises Association and an honorary professor at the Wuhan University.

Mr. Tao Lin, aged 49, is the investment director of the Group. He is responsible for investment planning and investment management of the Group. 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 the Group in 1991, he had served as an operations officer in a software development company in the PRC.

Mr. Cheng Wing Bor, aged 47, is the chief financial officer of the Group. He is responsible for the financial management of the Group. He has over 21 years' experience in financial management, accounting and auditing. He holds a professional diploma in accountancy from the Hong Kong Polytechnic 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 the Group in 1994, he worked in an international accounting firm in Hong Kong for 8 years.

Mr. Lin Chen Hsin, aged 63, is responsible for administration of the Group's Hong Kong office and the public relations of the Group. 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 the Group in 1990.

EXECUTIVE DIRECTORS *(Continued)*

Mr. Wu Xin, aged 40, is the managing director of the Group. Mr. Wu joined the Group in 2006 and is responsible for the execution of business strategy and management of the business of the Group. Before joining the Group, Mr. Wu was a director and general manager of Shanghai Fenghwa Group Company Limited, a company listed on the Shanghai Stock Exchange. He was also a director and general manager of two property developers in Xiamen and had over 13 years' experience in the management of real estate business. He was also a member of the preparation team for setting up a joint-venture bank for Agricultural Bank of China. Mr. Wu graduated from the Tsinghua University in 1988 and the National University of Singapore in 2003 with a bachelor degree in computer science and a master degree in business administration respectively.

Mr. Xin Xiang Dong, aged 38, is the vice president of the commercial property division of the Group. Mr. Xin joined the Group in 1999 and is now responsible for overall business development of the commercial property division of the Group. Before joining the Group, Mr. Xin had over 8 years' experience in property business sector that he was employed by a construction company in Singapore and responsible for project management and prior to that he held architect position in the Tianjin Architecture Design Institute. Mr. Xin graduated from the Tianjin Institute of Urban Construction in 1992, the National University of Singapore in 1999 and the University of Reading in 2005 with a bachelor degree in engineering, a master degree in business administration and a master degree in real estate respectively. Mr. Xin is also qualified as a chartered surveyor in the United Kindgom.

NON-EXECUTIVE DIRECTORS

Mr. Zheng Hong Qing, aged 59, joined the Group as a non-executive director 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 public company in Hong Kong.

Mr. William F. Harley III (alias Mickey Harley), aged 42, joined the Group as a non-executive director in 2006. Mr. Harley is the chief investment officer for HBV Capital Management LLC and senior portfolio manager for the HBV Rediscovery Funds. Mr. Harley graduated with a master degree in public and private management from Yale University's ("Yale") School of Management in 1990 and with a Bachelor of Science degree in chemical engineering and a Bachelor of Arts degree in economics from Yale in 1986.

Mr. Oliver P.Weisberg, aged 33, joined the Group as a non-executive director in 2006. Mr. Weisberg is currently a managing director and head of the Special Situations - Citadel Investment Group (Hong Kong) Limited. Mr. Weisberg graduated with a Bachelor of Arts from Harvard College. He also spent one year doing advanced Chinese language work at the Stanford Center at Taiwan National University.

Mr. Hu Aimin, aged 57, joined the Group as a non-executive director in 2007. Mr. Hu is also the Chairman of Shum Yip Holdings Company Limited and Shenzhen Investment Limited, both of which are listed public companies in Hong Kong. He graduated from the Hunan University of China and obtained a master degree in Business Administration. He has over thirty years experience in administrative management. He is also a non-executive director of Ping An Insurance (Group) Company of China, Ltd., and Road King Infrastructure Limited, both of which are listed public companies in Hong Kong.

NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Zhang Yijun, aged 51, joined the Group as a non-executive director in 2007. Mr. Zhang is also the president of Shenzhen Investment Limited and Shum Yip Holdings Company Limited, both of which are listed public companies in Hong Kong. He graduated from South China Normal University in China in 1983 with Bachelor of Philosophy. He is now a senior economist. He holds an EMBA from Shanghai Jiao Tong University. Mr. Zhang possesses vast working experience in government and has over 10 years experience in investment and corporate management. He is also a non-executive director of Road King Infrastructure Limited, a listed pubic company in Hong Kong.

Mr. Zhang Huaqiao, 43, joined the Group as a non-executive director in 2007. Mr. Zhang is also an executive director and chief operating officer of Shenzhen Investment Limited, a listed public company in Hong Kong. He holds a Master of Economics from the Australian National University and a Master of Economics from the Graduate School of the People's Bank of China. He is also a non-executive director of Shenzhen International Holdings Limited, Hong Long Holdings Limited and Tak Sing Alliance Holdings Limited, and an independent non-executive director of Kasen International Holdings Limited, all of which are listed public companies in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tang Lap Yan, aged 61, is an independent non-executive director of the Company 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 the Company appointed in 2002. Mr. Law graduated from Hong Kong Baptist University with a Bachelor's degree majoring 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 practising as a certified public accountant in Hong Kong.

Mr. Wong Kai Cheong, aged 45, an independent non-executive director of the Company 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 practising 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 public companies in Hong Kong.

This corporate governance report (the "CG Report") presents the corporate governance matters during the period covering the financial year ended 31 March 2007 and up to the date of the annual report (the "Annual Report") in which this CG Report is included (the "CG Period") required to be disclosed under the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules during the CG Period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, the directors confirmed that they had complied with the requirements as set out in the Model Code throughout the CG Period.

BOARD OF DIRECTORS

The board comprises seven executive directors, six non-executive directors and three independent non-executive directors (the "Board"). The directors of the Company during the CG Period were:

Executive directors

Mr. Chan Boon Teong *(Chairman)*	
Mr. Jiang Ming *(Vice Chairman)*	
Mr. Tao Lin	
Mr. Cheng Wing Bor	
Mr. Lin Chen Hsin	
Mr. Wu Xin *(Managing Director)*	(Appointed on 29 January 2007)
Mr. Xin Xiang Dong	(Appointed on 29 January 2007)

Non-executive directors

Mr. Zheng Hong Qing	
Mr. William F. Harley III (alias Mickey Harley)	(Appointed on 11 September 2006)
Mr. Oliver P. Weisberg	(Appointed on 11 September 2006)
Mr. Hu Aimin	(Appointed on 29 January 2007)
Mr. Zhang Yijun	(Appointed on 29 January 2007)
Mr. Zhang Huaqiao	(Appointed on 29 January 2007)
Mr. Christopher Chung-Yi Hsu	(Appointed on 11 September 2006 and resigned on 18 December 2006)

Independent non-executive directors

Mr. Tang Lap Yan
Mr. Law Kin Ho
Mr. Wong Kai Cheong

BOARD OF DIRECTORS *(Continued)*

The biographical details of the directors are set out on pages 21 to 23 of the Annual Report. The Board possesses a balance of skill and experience which are appropriate for the business needs of the Group. The independent non-executive directors of the Company have the appropriate professional qualification and accounting and related financial management expertise as required under the Listing Rules. They provide a strong support towards the effective discharge of the duties and responsibilities of the Board. The Company will review the composition of the Board regularly to ensure that the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers the three independent non-executive directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group's operations and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves major investments and corporate transactions such as issue of debt securities and shares of the Company etc., reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or indirectly through committees established by the Board.

Board meetings are held from time to time as and when necessary to review and approve annual and interim results, to review the quarterly management accounts and to approve major investments and corporate transactions, which may take the form of physical presence of directors in a meeting, or conference by electronic means. The schedule for regular Board meetings which is four times a year at approximately quarterly intervals to review and approve annual and interim results and to review quarterly management accounts is tentatively set in advance annually. For regular Board meetings at least 14 days' notice of each regular meeting is given to all directors and agendas and accompanying board papers are sent not less than 3 days where possible before the date of Board meetings. All the minutes of Board meetings are kept by the company secretary of the Company and are freely accessible to by any director.

BOARD OF DIRECTORS *(Continued)*

The four regular Board meetings were held and the attendance of directors are set out below:

Directors	No. of regular meetings held (note)/ No. of attendance
Mr. Chan Boon Teong *(Chairman of the Board)*	4/4
Mr. Jiang Ming	4/3
Mr. Tao Lin	4/3
Mr. Cheng Wing Bor	4/4
Mr. Lin Chen Hsin	4/4
Mr. Wu Xin	2/1
Mr. Xin Xiang Dong	2/2
Mr. Zheng Hong Qing	4/1
Mr. William F. Harley III (alias Mickey Harley)	4/3
Mr. Oliver P. Weisberg	4/2
Mr. Hu Aimin	2/2
Mr. Zhang Yijun	2/2
Mr. Zhang Huaqiao	2/2
Mr. Tang Lap Yan	4/4
Mr. Law Kin Ho	4/4
Mr. Wong Kai Cheong	4/4

Note: Mr. Wu Xin, Mr. Xin Xiang Dong, Mr. Hu Aimin, Mr. Zhang Yijun, Mr. Zhang Huaqiao were appointed as directors on 29 January 2007 and since then 2 regular Board meetings were held up to the CG period end date.

CHAIRMAN AND MANAGING DIRECTOR

The chairman is Mr. Chan Boon Teong and the managing director is Mr. Wu Xin who has replaced Mr. Jiang Ming as the managing director on 12 April 2007. There is a clear division of responsibilities between the chairman and the managing director in that the chairman bears primary responsibility for the effective functioning of the Board, which include formulating and monitoring the implementation of business strategies, while the managing director bears executive responsibility for the Group's day-to-day business operations and management.

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee.

The Board is empowered under the Company's bye-laws to appoint any person as a director either to fill a casual vacancy or as an additional member of the Board. The selection criteria are mainly based on the professional qualification and experience of the candidate.

REMUNERATION COMMITTEE

The Remuneration Committee was established with specific written terms of reference.

The Remuneration Committee's principal roles are to make recommendations to the Board on the remuneration policy and structure for directors and senior management and to review and determine the specific remuneration packages of all executive directors and senior management.

The members of the Remuneration Committee and their respective attendance of the Remuneration Committee meetings held during the CG period are as follows:

	No. of meetings held/ No. of attendance
Independent non-executive directors	
Mr. Tang Lap Yan *(Chairman of the Remuneration Committee)*	2/2
Mr. Law Kin Ho	2/2
Mr. Wong Kai Cheong	2/0
Executive directors	
Mr. Chan Boon Teong	2/2
Mr. Cheng Wing Bor	2/2

The meetings of the Remuneration Committee held during the CG Period is mainly to review the remuneration policy and structure for directors and senior management, a proposed increase in the salary of certain executive directors, and a proposed grant of share options to directors and senior management which were then approved by the Board.

The remuneration of directors and senior management will be reviewed and determined with reference to their duties and responsibilities with the Company and the Group, their skills and experience, their work performance, the Group's performance and the prevailing industry practice and market situation.

A remuneration package for executive directors and senior management will normally comprise basic salary and allowances, mandatory provident fund and medical insurance coverage benefits, performance related discretionary bonus and share options.

AUDIT COMMITTEE

The Audit Committee was established with specific written terms of reference which were revised in December 2005 to align with the CG Code requirements.

The Audit Committee's primary roles are to review the Group's financial reporting process, internal control system and corporate governance issues and to make relevant recommendations to the Board.

AUDIT COMMITTEE *(Continued)*

All the Audit Committee members are independent non-executive directors. The Audit Committee meetings held during the CG period, and the attendance of the members are as follows:

Independent non-executive directors	**No. of meetings held/ No. of attendance**
Mr. Tang Lap Yan *(Chairman of the Audit Committee)*	2/2
Mr. Law Kin Ho	2/2
Mr. Wong Kai Cheong	2/2

During the CG period, major tasks performed by the Audit Committee include:

(i) reviewed the draft interim and annual financial statements for the six months ended 30 September 2006 and for the year ended 31 March 2007 and the related draft results announcements;

(ii) reviewed the application of the new accounting standards promulgated by the Hong Kong Institute of Certified Accountants in the Group's financial statements;

(iii) reviewed the Group's internal control system with management including review of the work done by the Group's internal audit function;

(iv) reviewed the compliance matters with respect to corporate governance issues;

(v) discussed and reviewed with the external auditors the statutory audit plan and matters relating to significant accounting and auditing issues; and

(vi) reviewed and considered the audit fee of external auditors.

STRATEGIC PLANNING COMMITTEE

The Board established a Strategic Planning Committee with specific written terms of reference on 12 April 2007. The Strategic Planning Committee's principal roles are to review and evaluate the Company's strategy with respect to the operating environment and the Company's financial and other operating resources and make recommendations to the Board when necessary and appropriate. The members of the Strategic Planning Committee and their respective attendance of the Strategic Planning Committee meeting held during the CG period are as follows:

	No. of meetings held/ No. of attendance
Executive directors	
Mr. Chan Boon Teong *(Chairman of the Strategic Planning Committee)*	1/1
Mr. Jiang Ming	1/1
Mr. Tao Lin	1/1
Mr. Cheng Wing Bor	1/1
Mr. Wu Xin	1/1
Non-executive directors	
Mr. Hu Aimin	1/1
Mr. Zhang Yujin	1/1
Mr. Zhang Huaqiao	1/1

STRATEGIC PLANNING COMMITTEE *(Continued)*

The meeting of the Strategic Planning Committee held during the CG period is mainly to review the business strategy of the Group in the coming three years.

INVESTMENT COMMITTEE

The Board established an Investment Committee with specific written terms of reference on 12 April 2007. The Investment Committee's 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 authorised by the Board from time to time. The members of the Investment Committee are as follows:

Executive directors
Mr. Tao Lin *(Chairman of Investment Committee)*
Mr. Cheng Wing Bor
Mr. Wu Xin
Mr. Xin Xiang Dong

Non-executive director
Mr. Zhang Huaqiao

No Investment Committee meeting was held since its establishment on 12 April 2007.

AUDITORS' REMUNERATION

For the financial year ended 31 March 2007, Deloitte Touche Tohmatsu, the external auditors of the Company, provided the following services to the Group and their respective fees charged are set out below:

Type of services	HK$
Audit fee for the Group	2,400,000
Consultancy services for financial management software system upgrade and implementation	1,650,000
Total	4,050,000

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The directors of the Company acknowledge their responsibility for preparing the financial statements. In preparing the financial statements for the year ended 31 March 2007, the directors have adopted suitable accounting polices which are pertinent to the Group's operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. A statement by the auditors about their reporting responsibilities is set out on pages 37 to 38 of the Annual Report.

INTERNAL CONTROL

The Board recognises the importance of a sound and effective internal control system to the Group's business operations. As a routine procedure and part of the internal control system, during the CG period, the internal audit team of the Group had regularly conducted internal audits on the operating units and functions of the Group on a rotational basis. The internal audit procedures include a review and/or testing on the Group's significant internal control procedures over financial, operation, compliance and risk management functions. Findings and recommendations were reported to the Audit Committee. Improvement and reinforcement to the Group's internal control system were thus made as a continuing process.

SHAREHOLDER AND INVESTOR COMMUNICATION

The Company uses a range of communication tools to ensure its shareholders and investors are kept well informed of key business imperatives. These include annual general meetings, general meetings for specific businesses, annual reports, interim reports, notices, announcements and circulars. Annual reports, interim reports, notices, announcements and circulars are archived in the Company's investor relations website: http://www.irasia.com/listco/hk/coastal that can be freely accessed to. Furthermore, the access to the Company's investor relations website can also be made through the "investor relations" hyperlink in the Company's website: http://www.coastal.com.cn. The Company also actively participated in investment conferences and roadshows organized by investment banks as well as one-on-one meetings and analysts/investors luncheon meetings to meet with investors and securities analysts.

The directors herein present their report and the audited financial statements of the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries comprise property development, property investment and the provision of property management services. There were no changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2007 and the state of affairs of the Group at that date are set out in the financial statements on pages 39 to 107.

An interim dividend of HK1 cent per ordinary share was paid on 7 February 2007. The directors recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the year to shareholders on the register of members on 7 September 2007. This recommendation has been incorporated in the financial statements as an allocation of contributed surplus within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified and restated as appropriate, is set out on page 4 of the Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 16 to the consolidated financial statements, respectively.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 31, 32 and 28 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2007.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 March 2007, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$1,031,846,000. In addition, the Company's share premium account, in the amount of HK$502,442,000 as at 31 March 2007, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 1.1% of the total sales for the year and purchases from the Group's five largest suppliers accounted for less than 16.9% of the total purchases for the year.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Chan Boon Teong *(Chairman)*	
Mr. Jiang Ming *(Vice Chairman)*	
Mr. Tao Lin	
Mr. Cheng Wing Bor	
Mr. Lin Chen Hsin	
Mr. Wu Xin *(Managing Director)*	(Appointed on 29 January 2007)
Mr. Xin Xiang Dong	(Appointed on 29 January 2007)

Non-executive directors:

Mr. Zheng Hong Qing	
Mr. William F. Harley III (alias Mickey Harley)	(Appointed on 11 September 2006)
Mr. Oliver P. Weisberg	(Appointed on 11 September 2006)
Mr. Hu Aimin	(Appointed on 29 January 2007)
Mr. Zhang Yijun	(Appointed on 29 January 2007)
Mr. Zhang Huaqiao	(Appointed on 29 January 2007)
Mr. Christopher Chung-Yi Hsu	(Appointed on 11 September 2006 and resigned on 18 December 2006)

Independent non-executive directors:

Mr. Tang Lap Yan
Mr. Law Kin Ho
Mr. Wong Kai Cheong

DIRECTORS *(Continued)*

In accordance with article 87(1) of the Company's bye-laws, Messrs. Chan Boon Teong, Jiang Ming, Lin Chen Hsin, William F. Harley III (alias Mickey Harley), Law Kin Ho and Wong Kai Cheong will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting except that Mr. William F. Harley III has informed the Company that he will not offer himself for re-election as he needs to devote more of his time to his other businesses. Mr. William F. Harley III has also confirmed to the Company that there is no matters that need to be brought to the attention of the Company or its shareholders in connection with his retirement from the office of director of the Company.

In accordance with article 86(2) of the Company's bye-laws, the term of the newly appointed additional directors Messrs. Wu Xin, Xin Xiang Dong, Hu Aimin, Zhang Yijun and Zhang Huaqio shall terminate at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-election thereat.

The Company has received annual confirmations of independence from Messrs. Tang Lap Yan, Law Kin Ho and Wong Kai Cheong and as at the date of this report still considers them to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 21 to 23 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

Mr. Chan Boon Teong, Mr. Jiang Ming, Mr. Tao Lin, Mr. Cheng Wing Bor and Mr. Lin Chen Hsin have entered into service contracts with the Company for a term of three years expiring on 29 September 2009. Mr. Wu Xin has entered into a service contract with the Group for a term of five years expiring on 31 March 2011. Mr. Xin Xiang Dong has entered into a service contract with the Group for a term of three years expiring on 30 October 2009. All of the non-executive directors have service contracts with the Company for a term of one year which shall be automatically extended for another one year upon expiration of the term of the service contracts unless terminated by either party to the service contracts which requires not less than one month's length of notice and are subject to retirement by rotation and re-election at the annual general meeting, in accordance with the bye-laws of the Company.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 40 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2007, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(A) Interests in shares and underlying shares of the Company

(i) Long positions in the ordinary shares of the Company

Name of director	Notes	Number of shares held, capacity and nature of interest: Directly beneficially owned	Number of shares held, capacity and nature of interest: Through controlled corporation	Percentage of the Company's issued share capital
Mr. Chan Boon Teong	(a), (b) and (c)	–	1,027,890,527	44.39
Mr. Jiang Ming	(a), (b) and (c)	–	1,027,890,527	44.39
Mr. Tao Lin	(a), (b) and (c)	–	1,027,890,527	44.39
Mr. Cheng Wing Bor	(a), (b) and (c)	–	1,027,890,527	44.39
Mr. Lin Chen Hsin	(a), (b) and (c)	480,000	1,027,890,527	44.41

(ii) The interests of the directors in the share options of the Company are separately disclosed in note 32 to the consolidated financial statements.

(B) Interests in shares of the associated corporation of the Company

Long positions in shares of Coastal International Holdings Limited ("CIH") (a substantial shareholder of the Company)

Name of director	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mr. Chan Boon Teong	200	Directly beneficially owned	20%
Mr. Jiang Ming	350	Directly beneficially owned	35%
	250	Through controlled corporation	25%
Mr. Tao Lin	120	Directly beneficially owned	12%
Mr. Cheng Wing Bor	50	Directly beneficially owned	5%
Mr. Lin Chen Hsin	30	Directly beneficially owned	3%

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

(B) Interests in shares of the associated corporation of the Company *(Continued)*

Notes:

(a) 497,600,000 shares are beneficially owned by CIH, of which the entire issued voting share capital is held as to 20% by Mr. Chan Boon Teong, 35% by Mr. Jiang Ming, 12% by Mr. Tao Lin, 5% by Mr. Cheng Wing Bor, 3% by Mr. Lin Chen Hsin and 25% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Mr. Jiang Ming). These 497,600,000 shares represent an aggregate of 22.49% of the issued share capital of the Company.

(b) 46,080,000 shares are beneficially owned by Glory View Investments Limited, of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 46,080,000 shares represent an aggregate of 2.08% of the issued share capital of the Company.

(c) 484,210,527 shares are beneficially owned by Coastal Enterprise Group Limited, of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 484,210,527 shares represent an aggregate of 21.88% of the issued share capital of the Company.

Save as disclosed above, as at 31 March 2007, none of the directors had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporation that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 32 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Apart from the interests of CIH as disclosed under the heading "Directors' interests in shares and underlying shares" above, the register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 March 2007, the Company had been notified of the following interests of 5% or more in the issued share capital of the Company:

Long positions:

Name	Nature of interest	Number of ordinary shares	Number of underlying shares in respect of share options	Number of underlying shares in respect of convertible bonds	Percentage of the Company's issued share capital
Ms. Yang Sun Xin	Family (Note)	1,027,890,527	6,400,000	–	44.67
Shenzhen Investment Limited	Corporate	196,890,000	–	443,862,857	27.67

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Note: Ms. Yang Sun Xin is the spouse of Mr. Jiang Ming (a director of the Company) and is deemed to be interested in the 1,027,890,527 shares of the Company, which is the aggregate number of shares that CIH and its wholly owned subsidiaries, Glory View Investments Limited and Coastal Enterprise Group Limited, are interested in the issued share capital of the Company as disclosed under the heading "Directors' interests in shares and underlying shares" above, and in the 6,400,000 outstanding share options held by Jiang Ming as disclosed in note 32 to the consolidated financial statements.

Save as disclosed above, as at 31 March 2007, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 41 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public at the date of this report.

CORPORATE GOVERNANCE PRACTICES

Details of the corporate governance practices of the Company are set out in the Corporate Governance Report on pages 24 to 30 of the Annual Report.

AUDITOR

Deloitte Touche Tohmatsu retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chan Boon Teong
Chairman

Hong Kong
25 July 2007

Deloitte.
德勤

TO THE SHAREHOLDERS OF COASTAL GREENLAND LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Coastal Greenland Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 107, which comprise the consolidated balance sheet as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 July 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	7	**2,012,246**	759,107
Cost of sales		**(1,528,766)**	(538,574)
Gross profit		**483,480**	220,533
Increase in fair value of investment properties		**79,575**	1,681
Gain on disposal of property based subsidiaries	35	**39,420**	25,801
Gain on partial disposal of property based subsidiaries		**29,053**	–
Gain on disposal of investment properties		**–**	19,436
Other income		**51,482**	27,347
Marketing and selling costs		**(31,779)**	(1,185)
Administrative expenses		**(88,381)**	(66,402)
Fair value loss on derivative liability component of convertible bonds	28	**(166,484)**	(26,643)
Other expenses		**(6,192)**	(13,152)
Finance costs	8	**(34,778)**	(15,574)
Share of loss of an associate		**(906)**	–
Profit before taxation		**354,490**	171,842
Income tax expense	9	**(228,905)**	(65,781)
Profit for the year	10	**125,585**	106,061
Attributable to:			
Equity holders of the Company		**126,703**	105,035
Minority interests		**(1,118)**	1,026
		125,585	106,061
Dividends	13		
Interim		**23,155**	21,053
Proposed final		**27,594**	22,129
		50,749	43,182
Earnings per share	14		
– Basic		**HK5.69 cents**	HK5.13 cents
– Diluted		**HK5.62 cents**	HK5.07 cents

Consolidated Balance Sheet

At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**88,327**	18,503
Investment properties	16	**507,321**	302,765
Prepaid land lease payments	17	**91,520**	4,819
Goodwill	19	**67,643**	66,247
Interest in an associate	21	**114,027**	–
Available-for-sale investments	22	**3,047**	560
Pledged bank deposits	23	**152,166**	60,209
Total non-current assets		**1,024,051**	453,103
CURRENT ASSETS			
Properties under development	18	**6,726,632**	3,785,205
Completed properties for sale	24	**427,547**	224,809
Trade receivables	25	**148,249**	66,027
Prepayments, deposits and other receivables		**707,905**	546,550
Amounts due from jointly-controlled entities	40(b)(ii)	**10,425**	–
Tax recoverable		**4,624**	18,205
Pledged bank deposits	23	**219,339**	38,715
Cash and bank balances	23	**952,749**	265,754
Total current assets		**9,197,470**	4,945,265
CURRENT LIABILITIES			
Trade payables	26	**74,122**	171,276
Deposits received and deferred revenue	26	**1,085,906**	576,479
Other payables and accruals		**1,211,807**	433,834
Amount due to a substantial shareholder of the Company	40(b)(i)	**12,070**	44,503
Amounts due to jointly-controlled entities	40(b)(ii)	**–**	78,911
Tax payable		**206,878**	66,604
Interest-bearing bank and other borrowings	27	**764,336**	701,850
Derivative liability component of convertible bonds	28	**154,839**	27,745
Total current liabilities		**3,509,958**	2,101,202
NET CURRENT ASSETS		**5,687,512**	2,844,063
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,711,563**	3,297,166

At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
CAPITAL AND RESERVES			
Share capital	31	**231,552**	210,525
Reserves		**1,721,941**	1,373,444
Proposed final dividend	13	**27,594**	22,129
Equity attributable to equity holders of the Company		**1,981,087**	1,606,098
Minority interests		**430,929**	40,628
Total equity		**2,412,016**	1,646,726
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**3,359,250**	913,198
Long term payables	29	**230,278**	7,058
Deferred tax liabilities	30	**710,019**	730,184
Total non-current liabilities		**4,299,547**	1,650,440
		6,711,563	3,297,166

The consolidated financial statements on pages 39 to 107 were approved and authorised for issue by the Board of Directors on 25 July 2007 and are signed on its behalf by:

Chan Boon Teong
Director

Jiang Ming
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

		Attributable to equity holders of the Company											
	Notes	Issued share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Leasehold property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2005		202,400	330,080	131,803	929	4,339	(472)	9,697	762,236	–	1,441,012	59,315	1,500,327
Exchange realignment on translation of foreign operations		–	–	–	–	–	55,653	–	–	–	55,653	397	56,050
Deficit on revaluation	15	–	–	–	–	(365)	–	–	–	–	(365)	–	(365)
Net income (expense) recognised directly in equity		–	–	–	–	(365)	55,653	–	–	–	55,288	397	55,685
Net profit for the year		–	–	–	–	–	–	–	105,035	–	105,035	1,026	106,061
Total recognised income and expense for the year		–	–	–	–	(365)	55,653	–	105,035	–	160,323	1,423	161,746
Decrease in minority interests as a result of acquisition of additional interests in subsidiaries		–	–	–	–	–	–	–	–	–	–	(20,110)	(20,110)
Issue of shares upon conversion of convertible bonds	31	8,125	17,691	–	–	–	–	–	–	–	25,816	–	25,816
Interim 2006 dividend	13	–	–	(21,053)	–	–	–	–	–	–	(21,053)	–	(21,053)
Proposed final 2006 dividend	13	–	–	(22,129)	–	–	–	–	–	22,129	–	–	–
At 31 March 2006 and 1 April 2006		210,525	347,771	88,621	929	3,974	55,181	9,697	867,271	22,129	1,606,098	40,628	1,646,726
Exchange realignment on translation of foreign operations		–	–	–	–	–	119,546	–	–	–	119,546	2,005	121,551
Surplus on revaluation	15	–	–	–	–	6,810	–	–	–	–	6,810	–	6,810
Net income recognised directly in equity		–	–	–	–	6,810	119,546	–	–	–	126,356	2,005	128,361
Eliminated on disposal of subsidiaries		–	–	–	–	–	(8,484)	–	–	–	(8,484)	–	(8,484)
Net profit for the year		–	–	–	–	–	–	–	126,703	–	126,703	(1,118)	125,585
Total recognised income for the year		–	–	–	–	6,810	111,062	–	126,703	–	244,575	887	245,462
Issue of shares upon conversion of convertible bonds		17,875	151,519	–	–	–	–	–	–	–	169,394	–	169,394
Issue of shares upon exercise of share options		3,152	3,152	–	–	–	–	–	–	–	6,304	–	6,304
Decrease in minority interests as a result of acquisition of additional interests in subsidiaries		–	–	–	–	–	–	–	–	–	–	(10,703)	(10,703)
Partial disposal of equity interests in subsidiaries		–	–	–	–	–	–	–	–	–	–	400,117	400,117
Interim 2007 dividend	13	–	–	(23,155)	–	–	–	–	–	–	(23,155)	–	(23,155)
Proposed final 2007 dividend	13	–	–	(27,594)	–	–	–	–	–	27,594	–	–	–
2006 final dividend paid		–	–	–	–	–	–	–	–	(22,129)	(22,129)	–	(22,129)
At 31 March 2007		**231,552**	**502,442**	**37,872**	**929**	**10,784**	**166,243**	**9,697**	**993,974**	**27,594**	**1,981,087**	**430,929**	**2,412,016**

The contributed surplus of the Group represents the surpluses arising from the issue of shares by Coastal Realty (BVI) Limited, the intermediate holding company of the Group, (i) in the acquisition of Coastal Realty Development Co. Limited, the former holding company of the Group in 1995; and (ii) at a premium to third parties in 1997.

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**354,490**	171,842
Adjustments for:		
Finance costs	**34,778**	15,574
Share of loss of an associate	**906**	–
Bank interest income	**(6,601)**	(312)
Depreciation	**2,875**	5,243
Release of prepaid land lease payments	**1,256**	114
Loss (gain) on disposal of property, plant and equipment	**284**	(35)
Gain on disposal of investment properties	**–**	(19,436)
Reversal of business tax provision	**(1,051)**	(7,901)
Waiver of other payables	**(3,250)**	–
Gain on disposal of property based subsidiaries	**(39,420)**	(25,801)
Gain on partial disposal of property based subsidiaries	**(29,053)**	–
Increase in fair value of investment properties	**(79,575)**	(1,681)
Fair value loss on derivative liability component of convertible bonds	**166,484**	26,643
Discount on acquisition of additional interest in a subsidiary	**–**	(17,323)
Provision (write-back of provision) for prepayments and other receivables	**1,477**	(4,355)
Operating profit before working capital changes	**403,600**	142,572
Increase in properties under development	**(622,551)**	(976,100)
(Increase) decrease in completed properties for sale	**(124,247)**	615,565
Increase in trade receivables	**(86,223)**	(35,437)
Increase in prepayments, deposits and other receivables	**(284,545)**	(344,054)
(Decrease) increase in trade payables	**(94,450)**	42,788
Increase in other payables and accruals	**139,503**	46,180
Increase in deposits received and deferred revenue	**105,259**	293,523
Cash used in operations	**(563,654)**	(214,963)
Interest received	**6,601**	312
Interest paid	**(275,856)**	(120,688)
PRC taxes paid	**(89,351)**	(65,529)
Net cash used in operating activities	**(922,260)**	(400,868)

Consolidated Cash Flow Statement (Continued)

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of available-for-sale investment		**(70,036)**	–
Purchases of property, plant and equipment		**(27,373)**	(3,100)
Proceeds from disposal of property, plant and equipment		**–**	722
Proceeds from disposal of investment properties		**–**	131,758
Prepaid land lease payments		**(52,535)**	–
Disposal of an available-for-sale investment		**–**	18,680
Increase in pledged bank deposits		**(272,581)**	(10,754)
Acquisition of property based subsidiaries	33	**(653,549)**	–
Acquisition of additional interest in subsidiaries from minority shareholders		**(10,703)**	(2,787)
Acquisition of property based jointly-controlled entities	34	**(313,948)**	–
Disposal of property based subsidiaries	35	**116,373**	29,552
Net proceeds on partial disposal of subsidiaries		**429,170**	–
Advance to a jointly-controlled entity		**(13,251)**	–
Net cash (used in) from investing activities		**(868,433)**	164,071
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(45,284)**	(21,053)
New bank and other borrowings		**3,621,581**	1,313,435
Repayment of bank and other borrowings		**(1,124,524)**	(1,011,154)
Issue of shares upon the exercise of share options		**6,304**	–
Decrease in bank overdraft		**–**	(8,756)
(Decrease) increase in amount due to a substantial shareholder of the Company		**(32,433)**	17,238
Repayment to a jointly-controlled entity		**(2,496)**	(645)
Net cash from financing activities		**2,423,148**	289,065
NET INCREASE IN CASH AND CASH EQUIVALENTS		**632,455**	52,268
Cash and cash equivalents at the beginning of year		**265,754**	260,283
Effect of foreign exchange rate changes		**54,540**	(46,797)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**952,749**	265,754
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**952,749**	265,754

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section on page 2 of the Annual Report.

The consolidated financial statements are presented in Hong Kong dollars, which is different from the functional currency of the Company, Renminbi ("RMB"). As the Company is a public company incorporated in Hong Kong with the shares listed on the Stock Exchange, and a majority of its investors are based in Hong Kong and therefore, the directors consider that Hong Kong dollar is a preferred currency to be used in presenting the operating results and financial position of the Group. The majority of the Company's subsidiaries are operating in the People's Republic of China (the "PRC") with RMB as their functional currency.

The Group is engaged in the following principal activities:

- property development
- property investment
- provision of property management services

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendment and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results and financial positions for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Potential impact arising on the new accounting standards not yet effective

The Group has not early adopted the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the result and financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[6]
HK(IFRIC)-Int 12	Service Concession Arrangements[7]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Potential impact arising on the new accounting standards not yet effective *(Continued)*

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 May 2006
[4] Effective for annual periods beginning on or after 1 June 2006
[5] Effective for annual periods beginning on or after 1 November 2006
[6] Effective for annual periods beginning on or after 1 March 2007
[7] Effective for annual periods beginning on or after 1 January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity (which is accounted for using proportionate consolidation) for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary and jointly controlled entity at the date of acquisition.

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity (which is accounted for using proportionate consolidation) for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or jointly controlled entity at the date of acquisition.

Capitalised goodwill arising on an acquisition of a subsidiary or a jointly controlled entity is presented separately in the consolidated balance sheet and carried at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

On subsequent disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Acquisition of additional interests in subsidiaries is recorded at the book value of the net assets attributable to the acquisition. The excess of the cost of acquisition over the carrying amounts of net assets attributable to the acquisition is recognised as goodwill on acquisition.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investments in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill and is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see above).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in jointly controlled entities *(Continued)*

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

(a) the significant risks and rewards of ownership of the properties are transferred to buyers;

(b) neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from the sale of completed properties, when the legally binding unconditional and irrevocable sale contracts are signed and exchanged.

When a development property is sold in advance of completion, profit is only recognised upon completion of the development. Deposits and instalments received from purchasers prior to this stage are included in current liabilities.

Rental income is recognised in the period in which the properties are let out on the straight-line basis over the lease terms.

Property management income is recognised when the related management services are provided.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

For a transfer from properties under development or completed properties for sales to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. When the Group completes 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 recognised in the income statement.

For a transfer from investment property to property, plant and equipment, the difference between the carrying amount and its fair value at the date of transfer is recognised in the income statement.

Prepaid land lease payments

Leasehold land in respect of properties held for use in the production or supply of goods or services, or for administrative purposes, is presented as a prepaid land lease payment under an operating lease. It is stated at cost and amortised over the lease term on a straight-line basis.

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost includes the cost of land, construction cost and other development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Impairment loss

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of contributed surplus or retained profits, if any, within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement for the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange fluctuation reserve). Such exchange differences are recognised in the income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from jointly controlled entities, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including amount due to a substantial shareholder of the Company, amounts due to jointly-controlled entities, trade and other payables, interest-bearing bank and other borrowings (other than convertible bonds which are discussed below) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Convertible bonds

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue of the convertible bonds, the conversion option component is recognised at its fair value.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in the income statement.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and conversion option components in proportion to the allocation of the proceeds. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement immediately.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the income statement.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Embedded derivatives *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Share-based payment transactions

The financial impact of share options granted prior to 7 November 2002 is not recorded in the Group's consolidated balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares and the excess of the exercise price per share over the nominal value of the share is recorded by the Company as share premium.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgement in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Land appreciation tax ("LAT")

PRC LAT is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including the amortisation of land use rights, borrowing costs and all property development expenditure.

The subsidiaries of the Group engaging in property development business in the PRC are subject to LAT, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax expense and provisions for LAT in the period in which such determination is made.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment testing of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the fair value less costs to sell of the cash-generating units to which the goodwill is allocated. Estimating the fair value less costs to sell requires the Group to make an estimate of the fair value of the assets of the cash-generating unit. The carrying amount of goodwill at 31 March 2007 was HK$67,643,000 (2006: HK$66,247,000). Further details are given in note 19.

Estimated write-downs of properties under development for sale and completed properties for sale

The Group writes down properties under development for sale and completed properties for sale to net realisable value based on assessment of the realisability of properties under development for sale and completed properties for sale, taking into account costs to completion based on past experience and net sales value based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease and this might result in write-downs of properties under development for sale and completed properties of sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgements and estimates. If the expectation is different, it will impact on the carrying value and write-downs of properties under development for sale and completed properties for sale in the periods in which such estimate is changed.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Measurement of convertible bonds and estimation of fair value of derivative financial liability

On issuance of foreign currency denominated convertible bonds, the fair value of the embedded conversion option derivatives is determined and the embedded derivatives are accounted for as a derivative financial liability. The fair value of the derivative financial liability is reassessed at each balance sheet date with movement to the income statement. In estimating the fair value of the derivative financial liability, the Group uses independent valuation which is based on various assumptions and estimates.

5. FINANCIAL INSTRUMENTS

Financial risk management objectives and polices

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency exchange rate risk. The Group's overall risk management programme focuses on efforts to minimise potential adverse effects of such risks on the Group's financial performance.

(a) Credit risk

The Group's exposure to credit risk is represented by the carrying amount of each financial asset, including receivables and the guarantees provided for customer for purchase of property prior to the submission of property title to the lender banks, and the guarantee provided for associate. The Group's credit risk is primarily attributable to its accounts receivable and loan receivable. The amounts presented in the balance sheets are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics.

(b) Liquidity risk

The Group's maintain sufficient cash and internally generated cash flows to finance their activities. The Group finances its liquidity needs through internally generated cash flows and bank and other borrowings and minimises liquidity risk by keeping committed credit lines available.

(c) Fair value and cash flow interest rate risk

The Group has significant bank borrowings, convertible bonds and senior notes which bear interest-rate risk. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risk.

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and polices *(Continued)*

(d) Foreign exchange risk

A majority of the subsidiaries of the Group operates in the PRC with most of the transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against the Hong Kong dollars. During the year, the Group has not hedged its foreign exchange rate risk.

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

(e) Fair values

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidate financial statements approximate their fair values.

6. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the property development segment engages in the development of properties in the PRC;

(b) the property investment segment invests in commercial and residential properties located in the PRC for their rental income potential and/or for capital appreciation; and

(c) the property management segment engages in the management of properties in the PRC.

6. SEGMENT INFORMATION *(Continued)*

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

There were no intersegment sales and transfers during the year (2006: nil).

(a) Business segments

The following table presents revenue and profit for the Group's business segments.

	Property development		Property investment		Property management		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**2,002,712**	742,927	**6,101**	12,601	**3,433**	3,579	**2,012,246**	759,107
Segment results	**598,769**	175,433	**75,280**	45,056	**(2,034)**	(1,050)	**672,015**	219,439
Unallocated corporate expenses							**(288,442)**	(32,335)
Interest income							**6,601**	312
Finance costs							**(34,778)**	(15,574)
Share of loss of an associate							**(906)**	–
Profit before taxation							**354,490**	171,842
Income tax expense							**(228,905)**	(65,781)
Profit for the year							**125,585**	106,061

6. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

The following table presents certain asset, liability and expenditure information for the Group's business segments.

	Property development		Property investment		Property management		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**8,158,345**	4,743,295	**518,510**	320,849	**13,112**	8,030	**8,689,967**	5,072,174
Interest in an associate							**114,027**	–
Unallocated assets							**1,417,527**	326,194
Total assets							**10,221,521**	5,398,368
Segment liabilities	**2,481,874**	1,218,621	**26,536**	27,707	**13,033**	12,039	**2,521,443**	1,258,367
Unallocated liabilities							**5,288,062**	2,493,275
Total liabilities							**7,809,505**	3,751,642

	Property development		Property investment		Property management		Unallocated		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:										
Depreciation	**961**	4,318	**46**	115	**200**	209	**1,668**	601	**2,875**	5,243
Amortisation of prepaid land lease payments	**–**	–	**–**	114	**–**	–	**1,256**	–	**1,256**	114
Provision (write-back) for prepayment and other receivables	**1,477**	(4,355)	**–**	–	**–**	–	**–**	–	**1,477**	(4,355)
Loss (gain) on disposal of property, plant and equipment	**–**	(98)	**–**	4	**–**	21	**284**	38	**284**	(35)
Fair value loss on derivative liability component of convertible bonds	**–**	–	**–**	–	**–**	–	**166,484**	26,643	**166,484**	26,643
Capital expenditure	**6,768**	2,074	**5**	15	**2,415**	100	**18,185**	911	**27,373**	3,100
Acquisition of subsidiaries	**47**	–	**–**	–	**–**	–	**16,600**	–	**16,647**	–
Acquisition of line by line jointly-controlled entity	**917**	–	**–**	–	**–**	–	**–**	–	**917**	–

6. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		PRC		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue based on location of customer:						
Sales to external customers	**–**	–	**2,012,246**	759,107	**2,012,246**	759,107
Other segment information in which the assets are located:						
Segment assets	**109,738**	23	**10,111,783**	5,398,345	**10,221,521**	5,398,368
Capital expenditure	**–**	–	**27,373**	3,100	**27,373**	3,100
Acquisition of subsidaries	**–**	–	**16,647**	–	**16,647**	–
Acquisition of line by line jointly-controlled entity	**–**	–	**917**	–	**917**	–

7. REVENUE

Revenue, which is also the Group's turnover, represents gross proceeds, net of discounts and sales related taxes, from the sale of properties, together with rental income and property management income.

Included in the Group's turnover is revenue arising from the following activities:

	2007	2006
	HK$'000	HK$'000
Sale of properties	**2,002,712**	742,927
Rental income	**6,101**	12,601
Property management income	**3,433**	3,579
	2,012,246	759,107

8. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**233,484**	108,012
Interest on convertible bonds	**46,675**	5,085
Interest on other borrowings wholly repayable within five years	**46,380**	9,239
Interest on other borrowings not wholly repayable within five years	**620**	378
	327,159	122,714
Less: Amounts capitalised in properties under development	**(292,381)**	(107,140)
	34,778	15,574

Borrowing costs capitalised during the year arose on the funds borrowed specifically for the purpose of obtaining qualifying assets.

9. INCOME TAX EXPENSE

	2007 HK$'000	2006 HK$'000
PRC Enterprise Income Tax		
Provision for the year	**208,434**	81,162
Overprovision in prior year	**–**	(3,396)
LAT	**46,617**	–
Deferred tax (note 30)	**(26,146)**	(11,985)
Total tax charge for the year	**228,905**	65,781

No Hong Kong Profits Tax has been provided because the Group did not generate any assessable profits during the year (2006: nil).

The Group's income tax expense represents tax charges on the assessable profits of subsidiaries and jointly – controlled entities operating in the PRC calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's subsidiaries enjoy reductions and preferential tax rates.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax by Order No. 63 of the President of the People's Republic of China, which will normally change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. The management of the Group is assessing the potential impact of the implementation of the new tax rules on the Group.

9. INCOME TAX EXPENSE *(Continued)*

The State Administration of Taxation ("SAT") of the PRC issued Guoshuifa (2006) No.187 dated 28 December 2006, which has become effective from 1 February 2007, announcing its intention to strengthen the mechanism for collection of LAT on property developers, and authorising the local tax bureaux to issue detailed implementation rules and procedures appropriate to local environment. The Group has previously accounted for provisional LAT in cost of sales and calculated according to certain rates (varying from 0.5% to 3%) of sales amount assessed by local tax bureaux. The Group recognised its exposure to possible additional LAT liabilities, and has provided for LAT in the current year fully according to the requirements of SAT even though detailed implementation rules and procedures have not been announced by the relevant local tax bureaux.

A reconciliation of the tax expense applicable to profit before taxation using the statutory rates for the countries in which the Company and its subsidiaries and jointly-controlled entities, are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2007		2006	
	HK$'000	**%**	HK$'000	%
Profit before taxation	**354,490**		171,842	
Tax at the statutory tax rate	**116,982**	**33.0**	56,708	33.0
Tax effect of income not taxable	**(19,207)**	**(5.4)**	(20,685)	(12.0)
Tax effect of expenses not deductible	**112,193**	**31.6**	22,447	13.1
Tax effect of tax losses not recognised	**13,112**	**3.7**	17,729	10.3
Tax effect of utilization of tax losses previously not recognised	**(27,931)**	**(7.9)**	–	–
Lower tax rate for specific provinces or local authority	**(13,159)**	**(3.7)**	(7,022)	(4.1)
Tax effect of share of loss of an associate	**298**	**0.1**	–	–
	182,288	**51.4**	69,177	40.3
LAT	**46,617**	**13.2**	–	–
Overprovision in prior year	**–**	**–**	(3,396)	(2.0)
Tax charge at the Group's effective rate	**228,905**	**64.6**	65,781	38.3

10. PROFIT FOR THE YEAR

The Group's profit for the year is arrived at after charging (crediting):

	2007 HK$'000	2006 HK$'000
Cost of properties for sale sold	**1,422,935**	499,671
Depreciation of property, plant and equipment (note 15)	**5,500**	6,533
Less: Amounts capitalised in properties under development	**(2,625)**	(1,290)
	2,875	5,243
Minimum lease payments under operating leases for land and buildings	**6,075**	3,286
Less: Amounts capitalised in properties under development	**(2,933)**	(1,462)
	3,142	1,824
Auditor's remuneration	**2,400**	1,600
Staff costs (including directors' remuneration – note 11)	**63,986**	33,821
Pension scheme contributions	**6,653**	3,012
Less: Amounts capitalised in properties under development	**(31,214)**	(12,041)
	39,425	24,792
Share of tax of jointly controlled entities@	**137,372**	–
Provision for long service payments	**271**	190
Provision (write-back of provision) for other receivables and prepayment*	**1,477**	(4,355)
Loss (gain) on disposal of items of property, plant and equipment	**284**	(35)
Release of prepaid land lease payments** (note 17)	**1,256**	114
Bank interest income#	**(6,601)**	(312)
Foreign exchange differences, net	**1,419**	3,366
Gross rental income	**(6,101)**	(12,601)
Less: Outgoings	**1,268**	5,415
Net rental income	**(4,833)**	(7,186)
Reversal of business tax provision#	**(1,051)**	(7,901)
Waiver of other payable	**(3,250)**	–
Discount on acquisition of additional interest in a subsidiary	**–**	(17,323)

10. PROFIT FOR THE YEAR *(Continued)*

@ Included in "Income tax expense" of the consolidated income statement.

* Included in "Other expenses" of the consolidated income statement.

** Included in "Administrative expenses" of the consolidated income statement.

Included in "Other income" of the consolidated income statement.

11. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2007 HK$'000	2006 HK$'000
Fees:		
Executive directors	**–**	–
Non-executive director	**10**	10
Independent non-executive directors	**260**	260
	270	270
Executive directors' other emoluments:		
Salaries, allowances and benefits in kind	**6,005**	5,576
Pension scheme contributions	**67**	60
	6,072	5,636
	6,342	5,906

11. DIRECTORS' REMUNERATION *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind contributions HK$'000	Pension scheme remuneration HK$'000	Total HK$'000
2007				
Executive directors:				
Mr. Chan Boon Teong	–	1,403	12	1,415
Mr. Jiang Ming	–	1,794	12	1,806
Mr. Tao Lin	–	780	12	792
Mr. Cheng Wing Bor	–	1,300	12	1,312
Mr. Lin Chen Hsin	–	299	12	311
Mr. Wu Xin	–	317	1	318
Mr. Xin Xiang Dong	–	112	6	118
	–	6,005	67	6,072
Non-executive directors:				
Mr. Zheng Hong Qing	10	–	–	10
Mr. William F. Harley III (alias Mickey Harley)	–	–	–	–
Mr. Oliver P. Weisberg	–	–	–	–
Mr. Hu Aimin	–	–	–	–
Mr. Zhang Yijun	–	–	–	–
Mr. Zhang Huaqiao	–	–	–	–
	10	–	–	10
Independent non-executive directors:				
Mr. Tang Lap Yan	100	–	–	100
Mr. Law Kin Ho	80	–	–	80
Mr. Wong Kai Cheong	80	–	–	80
	260	–	–	260
	270	6,005	67	6,342

11. DIRECTORS' REMUNERATION *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind contributions HK$'000	Pension scheme remuneration HK$'000	Total HK$'000
2006				
Executive directors:				
Mr. Chan Boon Teong	–	1,403	12	1,415
Mr. Jiang Ming	–	1,794	12	1,806
Mr. Tao Lin	–	780	12	792
Mr. Cheng Wing Bor	–	1,300	12	1,312
Mr. Lin Chen Hsin	–	299	12	311
	–	5,576	60	5,636
Non-executive director:				
Mr. Zheng Hong Qing	10	–	–	10
Independent non-executive directors:				
Mr. Tang Lap Yan	100	–	–	100
Mr. Law Kin Ho	80	–	–	80
Mr. Wong Kai Cheong	80	–	–	80
	260	–	–	260
	270	5,576	60	5,906

All of the executive directors agreed to waive their entitlements to directors' fees totalling HK$70,000 (2006: HK$50,000) for the year. Other than this, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included four (2006: four) directors, details of whose remuneration are set out in note 11 above. The remuneration of the remaining one (2006: one) non-director highest paid individual for the year fell within the band of HK$1,000,000 – HK$1,500,000 (2006: nil – HK$1,000,000), details of which are as follows:

	2007 HK$'000	2006 HK$'000
Basic salaries	**1,341**	615
Pension scheme contributions	**12**	12
	1,353	627

13. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Interim – HK1 cent (2006: HK1 cent) per ordinary share	**23,155**	21,053
Proposed final – HK1 cent (2006: HK1 cent) per ordinary share	**27,594**	22,129
	50,749	43,182

The amount of the proposed final dividend is calculated based on 2,759,382,857 (2006: 2,212,900,000) shares. The proposed final dividend for the year is subject to the approval of the Company's shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

	2007 HK$'000	2006 HK$'000
Earnings		
Profit for the year attributable to equity holders of the Company and earnings for the purpose of basic and diluted earnings per share	**126,703**	105,035

	2007	2006
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,224,893,397**	2,047,595,890
Effect of dilutive potential ordinary shares – share option	**28,322,978**	22,789,268
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,253,216,375**	2,070,385,158

The calculation of diluted earnings per share have not taken into account the conversion of the Company's convertible bonds as it would result in an increase in the earnings per share for the year and prior year.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION					
At 1 April 2005	7,968	26,804	13,751	10,173	58,696
Exchange realignment	359	1,046	426	398	2,229
Additions	–	–	2,512	588	3,100
Disposal of subsidiaries (note 35)	–	(26,263)	(458)	(143)	(26,864)
Disposals	(280)	(6)	(1,361)	(443)	(2,090)
Adjustment on valuation	(977)	–	–	–	(977)
At 31 March 2006	7,070	1,581	14,870	10,573	34,094
Exchange realignment	716	–	510	435	1,661
Additions	13,132	219	12,143	1,879	27,373
Acquired on acquisition of property based subsidiaries (note 33)	16,550	–	97	–	16,647
Acquired on acquisition of property based jointly-controlled entities (note 34)	–	–	517	400	917
Adjustment on valuation	5,766	–	–	–	5,766
Transfer from investment properties (note 16)	23,545	–	–	–	23,545
Disposal of property based subsidiaries (note 35)	–	–	(1,267)	(2,255)	(3,522)
Disposals	–	(595)	(2,168)	(1,256)	(4,019)
At 31 March 2007	**66,779**	**1,205**	**24,702**	**9,776**	**102,462**
Comprising					
At cost	–	1,205	24,702	9,776	35,683
At valuation 2007	66,779	–	–	–	66,779
	66,779	1,205	24,702	9,776	102,462
DEPRECIATION					
At 1 April 2005	–	16,574	7,979	4,539	29,092
Exchange realignment	–	657	219	174	1,050
Provided for the year	612	2,386	2,070	1,465	6,533
Eliminated on disposal of property based subsidiaries (note 35)	–	(18,681)	(302)	(86)	(19,069)
Eliminated on disposals	–	(6)	(1,033)	(364)	(1,403)
Adjustment on revaluation	(612)	–	–	–	(612)
At 31 March 2006	–	930	8,933	5,728	15,591
Exchange realignment	–	–	274	56	330
Provided for the year	1,045	205	2,585	1,665	5,500
Eliminated on disposal of property based subsidiaries (note 35)	–	–	(847)	(1,486)	(2,333)
Eliminated on disposals	–	(595)	(2,057)	(1,256)	(3,908)
Adjustment on revaluation	(1,045)	–	–	–	(1,045)
At 31 March 2007	**–**	**540**	**8,888**	**4,707**	**14,135**
CARRYING VALUES					
At 31 March 2007	66,779	665	15,814	5,069	88,327
At 31 March 2006	7,070	651	5,937	4,845	18,503

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated using the straight-line after taking into account of their estimated residual values at the following rates per annum:

Buildings	shorter of land lease or 2% to 5%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

	2007 HK$'000	2006 HK$'000
Building in Hong Kong		
Medium-term leases	**410**	420
Building in the PRC		
Long leases	**6,253**	6,650
Medium-term leases	**60,116**	–
	66,369	6,650
	66,779	7,070

The Group's buildings were revalued individually at 31 March 2007 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK$66,779,000 (2006: HK$7,070,000) on an open market, existing use basis.

Had the Group's buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$61,565,000 (2006: HK$5,788,000).

16. INVESTMENT PROPERTIES

	2007 HK$'000	2006 HK$'000
FAIR VALUE		
At beginning of year	**302,765**	522,507
Exchange realignment	**5,717**	5,494
Increase in fair value recognised in the income statement	**79,575**	1,681
Transfer from properties under development (note 18)	**172,549**	5,231
Transfer to property, plant and equipment (note 15)	**(23,545)**	–
Disposals	**–**	(112,322)
Disposal of property based subsidiaries (note 35)	**(29,740)**	(119,826)
At end of year	**507,321**	302,765

The Group's investment properties are situated in the PRC and are held under the following lease terms:

	2007 HK$'000	2006 HK$'000
Long term leases	**507,321**	297,872
Medium term leases	**–**	4,893
	507,321	302,765

The Group's investment properties were revalued at 31 March 2007 and 31 March 2006 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation report on these properties was signed by a director of DTZ Debenham Tie Leung Limited who is a member of The Hong Kong Institute of Surveyors ("HKIS"). The valuation, which conforms to the Valuation Standards on Valuation of Properties published by the HKIS, was arrived at by considering the capitalised net rental income to be derived from the existing tenancies of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in similar location and condition.

At 31 March 2007, certain investment properties with an aggregate carrying value of approximately HK$506 million (2006: HK$283 million) have been pledged to banks to secure banking facilities granted to the Group (note 27(a)(i)).

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 38(a) to the financial statements.

17. PREPAID LAND LEASE PAYMENTS

	2007 HK$'000	2006 HK$'000
At beginning of year	**4,819**	4,933
Exchange realignment	**1,604**	–
Additions	**52,535**	–
Acquisition of property based subsidiaries (note 33)	**35,798**	–
Amortisation during the year (note 10)	**(1,256)**	(114)
At end of year	**93,500**	4,819
Analysed for reporting purposes as:		
Non-current asset	**91,520**	4,819
Current asset (included in prepayments, deposits and other receivables)	**1,980**	–
	93,500	4,819

The Group's leasehold lands were held under the following lease terms:

	2007 HK$'000	2006 HK$'000
Leasehold land in Hong Kong		
Medium-term leases	**4,120**	4,222
Leasehold land in the PRC		
Long leases	**623**	597
Medium-term leases	**88,757**	–
	89,380	597
	93,500	4,819

18. PROPERTIES UNDER DEVELOPMENT

	2007 HK$'000	2006 HK$'000
COST		
At beginning of year	**3,785,205**	3,301,943
Exchange realignment	**208,693**	132,201
Additions	**2,502,168**	1,041,316
Acquisition of a property based subsidiary (note 33)	**1,172,716**	–
Acquisition of jointly-controlled entities (note 34)	**949,856**	–
Transfer to completed properties for sale	**(1,584,509)**	(685,024)
Transfer to investment properties (note 16)	**(172,549)**	(5,231)
Disposal of property based subsidiaries (note 35)	**(134,948)**	–
At end of year	**6,726,632**	3,785,205

The properties under development of the Group are situated in the PRC and are held under long term leases.

Included in the properties under development as at 31 March 2007 is carrying value of HK$4,020,608,000 (2006: HK$1,472,201,000) which represents the carrying value of the properties expected to be completed and available for sale after more than twelve months from the balance sheet date.

Certain properties under development with an aggregate carrying value of approximately HK$4,161 million (2006: HK$2,845 million) and HK$123 million (2006: HK$113 million) respectively have been pledged to banks to secure banking facilities and other loans granted to the Group (note 27(a)(ii) and (c)).

19. GOODWILL

	HK$'000
COST	
At 1 April 2005 and at 1 April 2006	66,247
Arising from acquisition of additional interest of subsidiaries	1,396
At 31 March 2007	**67,643**

Impairment testing of goodwill

Goodwill acquired through business combinations or acquisition of additional interest of subsidiaries has been allocated to cash-generating unit ("CGU") that are expected to benefit from that business combination. These subsidiaries are principally engaged in property development. Goodwill has been allocated to the CGU in property development segment.

19. GOODWILL *(Continued)*

The recoverable amount of the CGU is determined based on estimated fair value less costs to sell. The fair value of properties under development less costs to sell is estimated based on the estimated net realisable value with reference to the valuation of the fair values of the underlying assets of the CGU performed by independent professionally qualified valuer by reference to the comparable transactions in similar locations and conditions.

During the year ended 31 March 2007, management of the Group determines that there are no impairments of its CGU containing goodwill.

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

The summarised financial information in respect of the Group's interests in jointly-controlled entities which are accounted for using proportionate consolidation with the line-by-line reporting format is as follows:

	2007 HK$'000	2006 HK$'000
Current assets	**2,633,832**	254,417
Non-current assets	**778,451**	418,839
Current liabilities	**(1,285,923)**	(260,692)
Non-current liabilities	**(1,224,758)**	(144,412)
Net assets	**901,602**	268,152
Income	**1,253,652**	250
Expenses	**(1,033,278)**	(30)
Profit for the year	**220,374**	220

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

As at 31 March 2007, the Group had interests in the following jointly-controlled entities:

Name	Nominal value of registered capital	Place of registration and operations	Proportion of the nominal value of registered capital (Note (b))	Group's percentage of Voting power	Group's percentage of Profit sharing (Note (b))	Principal activities
Beijing Gaosheng Real Estate Company Limited ("Gaosheng") (Note 34(i)) (Note (a))	RMB466,800,000	PRC	100	57	100	Property development
New Shanghai Property International Management Co., Ltd.	US$1,000,000	PRC	30	43	30	Dormant
Qingdao Coastal Realty Development Co., Ltd.	RMB100,000,000	PRC	50	25	50	Dormant
Tianjin Coastal Greenland Real Estate Co., Ltd. (Note (a))	RMB30,000,000	PRC	70	60	70	Dormant
Beijing Wendela Real Estate Development Co., Ltd. ("Wendela") (Note (a))	RMB100,000,000	PRC	70.8	60	70.8	Land development

Notes:

(a) In the opinion of the directors, the Group has joint control over these economic activity of the above jointly-controlled entities.

(b) the Group is entitled to share the operating results of these jointly-controlled entities based on the Group's ownership interest/profit sharing ratio.

21. INTEREST IN AN ASSOCIATE

	2007 HK$'000	2006 HK$'000
Cost of investment, listed in the PRC	**123,404**	–
Share of post-acquisition loss	**(906)**	–
Unrecognised profit on disposal of a subsidiary to the associate	**(8,471)**	–
	114,027	–
Fair value of listed investment	**311,912**	–

The fair value of the above listed investment is determined based on the quoted market bid price available on the relevant exchange after adjusting the marketability discount of 16% to 24% for lock up period.

As at 31 March 2007, the Group had interests in the following associate.

Name of entity	Place of registration and operations	Proportion of nominal value of registered capital held by the Group %	Principal activities
Shanghai Fenghwa Group Company Limited ("Fenghwa")	PRC	21.13	Property development and property investment

The listed investment of 39,719,503 shares of the associate held by the Group have lock up periods which restricted the Group to sell in the market ranging from 12 months to 36 months from 1 March 2007.

21. INTEREST IN AN ASSOCIATE *(Continued)*

During the year, the Group acquired 21.13% equity interest or 31.8 million shares in Fenghwa, a company listed on the Shanghai Stock Exchange, the PRC for an aggregate consideration of HK$68 million in April 2006. The Group initially accounted for Fenghwa as available-for-sale investment before the Group has any representative in the board of directors of Fenghwa. During the year, subsequent to the Group's acquisition of the 21.13% equity interest, Fenghwa carried out a restructuring scheme, which principally involved the debt restructuring, capitalisation of certain reserve by issue of bonus shares and transfer of bonus shares by the shareholders of non-circulating shares of Fenghwa to shareholders of circulating shares of Fenghwa, restructuring the operations and business of Fenghwa, etc. Pursuant to the restructuring scheme of Fenghwa, the Group, as a substantial shareholder of Fenghwa, agreed to dispose of Coastal Greenland Development (Anshan) Ltd ("Anshan Project"), a wholly owned subsidiary of the Company, with its then net asset carrying value of RMB74 million (equivalent to approximately HK$75 million), to Fenghwa for a consideration of RMB111 million (equivalent to HK$112 million). The consideration is settled by Fenghwa by the issue of approximately 7.9 million bonus shares of Fenghwa to the Group for an equivalent amount of RMB55 million (equivalent to HK$56 million) and cash of RMB56 million (equivalent to approximately HK$57 million). Accordingly, the disposal of Anshan Project resulted in a gain of RMB29 million (equivalent to approximate HK$29 million) which is reflected in the "gain on disposal of property based subsidiaries" in the consolidated income statement (see also note 35). As a result of disposal of Anshan Project to Fenghwa, the Group was also not required to transfer the bonus shares to the shareholders of circulating shares of Fenghwa and therefore, the Group maintains its equity shareholding in Fenghwa after the restructuring. At 31 March 2007, the Group has 21.13% equity interest or 39.7 million shares in Fenghwa. Upon the completion of restructuring of Fenghwa in January 2007, the Group has appointed four directors to the board of directors of Fenghwa and is able to exercise significant influence over the operating and financial policies of Fenghwa and accordingly Fenghwa is accounted for by the Group as an associate since then.

21. INTEREST IN AN ASSOCIATE *(Continued)*

The financial year end date of the associate is 31 December of each year. The summarised financial information in respect of the Group's associate as at 31 March 2007 based on the financial statements prepared using Accounting Standards for Business Enterprises of the PRC is set out below:

	2007 HK$'000	2006 HK$'000
Total assets	460,952	–
Total liabilities	(299,159)	–
Net assets	161,793	–
Group's share of net assets of the associate	47,307	–
Revenue	93,494	–
Profit for the year	66,345	–
Group's share of loss of the associate for the period since acquisition	(906)	–

22. AVAILABLE-FOR-SALE INVESTMENTS

	2007 HK$'000	2006 HK$'000
Club membership debentures	3,047	560

The above unlisted investments represent investments in unlisted club membership debentures in Hong Kong. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

23. PLEDGED BANK DEPOSITS/BANK BALANCES

Pledged bank deposits represents deposits pledged to banks in respect of (i) mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group and (ii) deposits pledged to banks for banking facilities granted to the Group (note 27(a)(iv)).

Bank balances carry interest at market rates which approximates at 0.72%. The pledged bank deposits carry fixed interest rates which range from 1.85% to 4.86%.

The pledged bank deposits will be released upon the issuance of title deeds to the buyers of properties for bank deposits pledged under the condition as stated in (i) above or the settlement of relevant bank borrowings for bank deposits pledged under the condition as stated in (ii) above.

24. COMPLETED PROPERTIES FOR SALE

The Group's completed properties for sale are situated in the PRC.

Certain completed properties for sale with an aggregate carrying value of HK$211 million (2006: HK$166 million) have been pledged to banks and other parties to secure bank and other loans granted to the Group (note 27 (a)(iii)).

25. TRADE RECEIVABLES

Except for the proceeds from sales of properties and rental income from lease of properties which are payable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

An aged analysis of the trade receivables as at the balance sheet date based on contract date, net of allowance for bad and doubtful debts, is as follows:

	2007		2006	
	Balance HK$'000	**Percentage**	Balance HK$'000	Percentage
0 – 30 days	**75,688**	**51**	35,074	53
31 – 60 days	**52,268**	**35**	1,676	3
61 – 90 days	**10,241**	**7**	1,991	3
Over 90 days	**10,052**	**7**	27,286	41
	148,249	**100**	66,027	100

26. TRADE PAYABLES/DEPOSITS RECEIVED AND DEFERRED REVENUE

Trade payables

An aged analysis of the trade payables as at the balance sheet date based on invoice date is as follows:

	2007		2006	
	Balance HK$'000	**Percentage**	Balance HK$'000	Percentage
0 – 30 days	**18,394**	**24**	43,383	25
31 – 60 days	**445**	**1**	578	–
61 – 90 days	**416**	**1**	6,494	4
Over 90 days	**54,867**	**74**	120,821	71
	74,122	**100**	171,276	100

26. TRADE PAYABLES/DEPOSITS RECEIVED AND DEFERRED REVENUE *(Continued)*

Deposits received and deferred revenue

Included in the deposits received and deferred revenue in the Group's consolidated balance sheet as at 31 March 2007 was an amount of approximately HK$101 million (2006: HK$97 million) received pursuant to a joint development agreement entered into between the Group and a third party developer in respect of the joint development of a property project in Wuhan, the PRC. Under the joint development agreement, the Group should satisfy the conditions stipulated in the agreement including the provision of a parcel of land of 79,831 square metre with carrying amount of RMB38 million (equivalent to approximately HK$39 million), on which the third party developer is wholly responsible for the development of the property project, in return for a cash payment of RMB100 million (equivalent to approximately HK$101 million) to the Group from the third party developer. The Group shall be entitled to the RMB100 million if and only if the conditions stipulated are met. As at the balance sheet dates, the RMB100 million was received by the Group with certain conditions not yet been fulfilled and therefore it was recorded as deferred revenue in the Group's consolidated balance sheet.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2007 HK$'000	2006 HK$'000
CURRENT		
Bank loans – secured	**539,240**	432,310
Bank loans – unsecured	**20,203**	19,358
Other loans – secured	**204,893**	177,950
Liability component of convertible bonds (note 28)	**–**	72,232
	764,336	701,850
NON-CURRENT		
Bank loans – secured	**1,256,674**	375,023
Bank loans – unsecured	**363,662**	67,205
Other loans – secured	**725,034**	219,024
Other loans – unsecured	**161,627**	116,148
Senior notes	**579,148**	135,798
Liability component of convertible bonds (note 28)	**273,105**	–
	3,359,250	913,198
	4,123,586	1,615,048

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	2007 HK$'000	2006 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**559,443**	451,668
In the second year	**983,706**	378,604
In the third to fifth years, inclusive	**636,630**	63,624
	2,179,779	893,896
Other borrowings repayable:		
Within one year or on demand	**204,893**	250,182
In the second year	**1,451,003**	197,064
In the third to fifth years, inclusive	**281,520**	262,754
Beyond five years	**6,391**	11,152
	1,943,807	721,152
	4,123,586	1,615,048

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) certain investment properties of the Group with an aggregate carrying value at the balance sheet date of approximately HK$506 million (2006: HK$283 million) (note 16);

(ii) certain properties under development of the Group with an aggregate carrying value at the balance sheet date of approximately HK$4,161 million (2006: HK$2,845 million) (note 18);

(iii) certain completed properties for sale of the Group with an aggregate carrying value at the balance sheet date of approximately HK$211 million (2006: HK$166 million) (note 24);

(iv) certain bank deposits of the Group amounting to approximately HK$325 million (2006: HK$68 million) (note 23); and

(v) corporate guarantees from the Company and certain of its subsidiaries.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(b) The ranges of effective interest rates (which are also approximate to contracted interest rates) on the Group's interest-bearing bank and other borrowings, other than the liability component of convertible bonds which has an effective interest rate of 21.68% per annum, are as follows:

	2007		2006	
	Borrowings HK$'000	**Interest rate**	Borrowings HK$'000	Interest rate
Effective interest rate:				
Fixed-rate borrowings	**2,296,799**	**4.86% to 11.00%**	950,071	3.22% to 13.00%
Variable-rate borrowings	**1,826,787**	**5.76% to 6.93%**	664,977	5.76% to 6.75%

The fixed-rate borrowings, other than convertible bonds and senior notes, will be repriced every year.

The Group's borrowings that are denominated in currencies other than RMB are set out below:

	2007 HK$'000	2006 HK$'000
United States dollars	**852,253**	208,030
Hong Kong dollars	**–**	5,550
	852,253	213,580

Other borrowings repayable beyond five years are other secured loans which bear interest at market rates from 5.60% to 6.44% per annum and will be repayable by monthly instalments until 2013.

(c) At balance sheet dates, certain other loans were secured by the Group's equity interest in a jointly controlled entity, Gaosheng, and the Group's properties under development with a carrying value of approximately HK$123 million (2006: approximately HK$113 million) (note 18). The other loans bear variable interest at rates ranging from 5% to 11% per annum (2006: from 5% to 13%).

In additions, the Group entered into certain financing arrangements with independent third parties for its development project held by a subsidiary, Shanghai Xinghongda Real Estate Ltd. ("XHD") in current and prior years. Under the financing arrangements, the Group borrowed approximately RMB200 million (equivalent to approximately HK$202 million). The loan was secured by the Group's equity interest in XHD, and the bears fixed interest at 8.6% per annum and is fully repayable in June 2008.

(d) In prior year, pursuant to a subscription agreement dated 7 July 2005, the Company issued senior notes for an aggregate amount of US$17.5 million (equivalent to approximately HK$136.2 million) on 5 August 2005 (the "August 2005 Senior Notes") to an independent third party. The August 2005 Senior Notes bear fixed interest at 9% per annum and are wholly repayable on 5 August 2008. The August 2005 Senior Notes are secured by a share charge over the entired issued share capital of Coastal Realty Development Co. Limited ("CRD"), a wholly owned subsidiary of the Company.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(d) *(Continued)*

Pursuant to a subscription agreement dated 30 March 2006, the Company issued senior notes for a total amount of US$40 million (equivalent to approximately HK$311.2 million) on 4 April 2006 (the "April 2006 Senior Notes") to certain independent third parties. The April 2006 Senior Notes bear fixed interest at 9% per annum and is wholly repayable on 4 August 2008. The April 2006 Senior Notes are also secured by a share charge over the entired issued share capital of CRD.

Pursuant to a subscription agreement dated 30 June 2006, the Company issued senior notes for an amount of US$20 million (equivalent to approximately HK$155.6 million) on 6 July 2006 (the "July 2006 Senior Notes") to an independent third party. The July 2006 Senior Notes bear fixed interest at 9% per annum and is wholly repayable on 4 August 2008. The July 2006 Senior Notes are also secured by a share charge over the entired issued share capital of CRD.

28. CONVERTIBLE BONDS

In prior year, pursuant to a subscription agreement dated 7 July 2005, the Company issued convertible bonds for an aggregate amount of US$12.5 million (equivalent to approximately HK$97.3 million) on 5 August 2005 (the "2005 CB") to an independent third party, in four tranches, as subsequently amended on 10 November 2005, each in the amount of US$3,125,000 (equivalent to approximately HK$24.3 million). The conversion price for tranches 1 and 2 was HK$0.3 per share and that for tranches 3 and 4 was HK$0.5 per share. The conversion period of tranches 1, 2, 3 and 4 expire up to and including the 11th business day prior to 31 December 2005, 30 June 2006, 31 December 2006 and 30 June 2007, respectively. The 2005 CB bore interest at London Inter Bank Offer Rate plus 1.5% per annum. If the closing price of the Company's ordinary shares exceeds the conversion price on 10 consecutive trading days at any time during the period at any time prior to the maturity date, the Company may, at its option, demand for an early redemption of the convertible bonds at 100% of the face value. The directors consider that the fair value of this early redemption option by the Company is insignificant. The 2005 CB was secured by a share charge over the entire issued share capital of CRD. If the 2005 CB is not converted into ordinary shares of the Company, they will be redeemed at par to the issued value of US$12.5 million (equivalent to approximately HK$97.3 million) on maturity. The tranche 1 of the 2005 CB was converted into the Company's shares in prior year. The tranches 2, 3 and 4 of the 2005 CB were converted into the Company's shares during the current year (note 31).

Pursuant to a subscription agreement dated 30 June 2006 and the approval of the shareholders of the Company at a special general meeting held on 21 July 2006, the Company issued US$40 million (equivalent to approximately HK$312 million) convertible bonds (the "2006 CB") to an independent third party. The convertible bonds bear coupon interest rate at 4.75% per annum, are secured by a second priority charge over the entire issued share capital of CRD, and will mature on 30 December 2009 with a put option for the subscriber who has the right to demand for an early redemption of the 2006 CB during the period from 30 June 2009 to the maturity date at 100% of the face value, plus a pro-rata portion of the 45% redemption premium upon maturity. The directors consider that the fair value of this 2006 CB holder's early redemption option is insignificant. If the 2006 CB are not converted into ordinary shares of the Company, they will be redeemed at 145% of the issued value of US$40 million (equivalent to approximately of HK$312 million) on maturity. The 2006 CB is convertible at HK$0.7 per ordinary share into the share capital of the Company at any time during the tenure of the convertible bonds.

28. CONVERTIBLE BONDS *(Continued)*

The convertible bonds contain two components, liability component and conversion option derivative. The fair value of the embedded derivatives of the convertible bonds denominated in foreign currency was determined, upon issuance, and is carried as a financial liability which is measured at fair value with movement dealt with in the income statement. The effective interest rate of the liability component is 21.68% per annum.

The movements of the liability component and conversion option derivative of the convertible bonds for the year are set out as below:

	Liability component (note 27)		**Derivative component**	
		Shown as		**Shown as**
	US$'000	HK$'000	US$'000	HK$'000
At 1 April 2005	–	–	–	–
Issue of convertible bonds	12,093	94,324	359	2,800
Interest expense	652	5,085	–	–
Interest paid	(392)	(3,059)	–	–
Loss arising on changes of fair value	–	–	3,416	26,643
Conversion	(3,092)	(24,118)	(218)	(1,698)
At 31 March 2006	9,261	72,232	3,557	27,745
Issue of convertible bonds	30,987	241,703	7,188	56,065
Interest expense	5,984	46,675	–	–
Interest paid	(1,739)	(13,566)	–	–
Loss arising on changes of fair value	–	–	21,344	166,484
Conversion	(9,479)	(73,939)	(12,238)	(95,455)
At 31 March 2007	**35,014**	**273,105**	**19,851**	**154,839**

28. CONVERTIBLE BONDS *(Continued)*

The fair values of conversion option derivative of 2005 CB at 5 August 2005 (the date of grant) and at year end date were calculated using Monte Carlo simulation model. The inputs into the model were as follows:

	2005 CB				
	5.8.2005			31.3.2006	
	Tranche 1	Tranche 2	Tranches 3 and 4	Tranche 2	Tranches 3 and 4
Share price	HK$0.265	HK$0.265	HK$0.265	HK$0.830	HK$0.830
Volatility	51.82%	51.82%	51.82%	55.73%	55.73%
Risk free rate	3.25%	3.39%	3.47%	3.83%	4.55%
Dilution discount	4.01%	4.01%	4.82%	3.86%	4.63%
Exchange rate	7.8	7.8	7.8	7.8	7.8

The fair values of conversion option derivative of 2005 CB at the conversion dates were calculated using Black-Scholes Option Pricing model. The inputs into the model were as follows:

	2005 CB		
	16.12.2005	16.6.2006	13.12.2006
	Tranche 1	Tranche 2	Tranches 3 and 4
Exercise price	HK$0.3	HK$0.3	HK$0.5
Share price	HK$0.325	HK$0.54	HK$0.50
Intrinsic value	HK$0.025	HK$0.24	HK$0.82
Dilution discount	4.01%	3.67%	4.21%
Exchange rate	7.8	7.8	7.8

28. CONVERTIBLE BONDS *(Continued)*

The fair values of conversion option derivative of 2006 CB at 5 July 2006 (the date of grant) and at year end date were calculated using Monte Carlo simulation model. The inputs into the model were as follows:

	2006 CB	
	5.7.2006	**31.3.2007**
Exercise price	HK$0.7	HK$0.7
Share price	HK$0.58	HK$1.10
Volatility	64.87%	58.84%
Risk free rate	4.65%	3.88%
Dilution discount	19.16%	19.16%
Exchange rate	7.7676	7.7676

Since the Monte Carlo simulation model and Black-Scholes-Merton Option Pricing model require the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

The directors consider that the carrying amount of the 2006 CB at 31 March 2007 approximates to its corresponding fair value.

29. LONG TERM PAYABLES

At 31 March 2007, the long term payables include deferred consideration for acquisition of jointly-controlled entities of HK$229,064,000 (note 34(iii)) which are discounted at the prevailing market interest rate on the date of acquisition.

The repayment term of deferred consideration was analysed into:

	2007	2006
	HK$'000	HK$'000
In the second year	**128,482**	–
In the third to fifth years, inclusive	**100,582**	–
	229,064	–

30. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities (assets) during the year are as follows:

	Business combination (Note (a)) HK$'000	Fair value adjustments of investment properties HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 April 2005	660,912	–	–	58,806	719,718
Exchange realignment	24,582	–	–	2,187	26,769
Credited to the income statement during the year (note 9)	(9,381)	530	–	(3,134)	(11,985)
Disposal of property based subsidiaries (note 35)	(34)	–	–	(4,284)	(4,318)
At 31 March 2006	676,079	530	–	53,575	730,184
Exchange realignment	32,477	25	–	2,574	35,076
Charged (credited) to the income statement during the year (note 9)	–	26,260	(20,000)	(32,406)	(26,146)
Disposal of property based subsidiaries (note 35)	(29,095)	–	–	–	(29,095)
At 31 March 2007	**679,461**	**26,815**	**(20,000)**	**23,743**	**710,019**

Notes:

(a) This represents the tax effect of temporary differences arising from the fair value adjustments to properties under development upon acquisition of property holding subsidiaries.

(b) At the balance sheet date, the Group has unused tax losses of HK$335,029,000 (2006: HK$319,328,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$60,606,000 (2006: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$274,423,000 (2006: HK$319,328,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$189,319,000 (2006: HK$246,011,000) that will gradually expire until 2012. Other losses may be carried forward indefinitely.

(c) At 31 March 2007, there was no significant unrecognised deferred tax liability (2006: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint ventures as the Group has no liability to additional tax should such amounts be remitted.

(d) For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2007 HK$'000	2006 HK$'000
Deferred tax assets	**20,000**	–
Deferred tax liabilities	**(730,019)**	(730,184)
	(710,019)	(730,184)

31. SHARE CAPITAL

Shares

	Number of ordinary shares	Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.10 each at 31 March 2006 and 31 March 2007	3,000,000,000	300,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each at 1 April 2005	2,024,000,000	202,400
Issue of shares upon conversion of convertible bonds	81,250,000	8,125
At 31 March 2006 and 1 April 2006	2,105,250,000	210,525
Issue of shares upon conversion of convertible bonds	178,750,000	17,875
Issue of shares upon exercise of share options	31,520,000	3,152
At 31 March 2007	2,315,520,000	231,552

During the year, convertible bonds with an aggregate nominal amount of approximately HK$73,125,000 (2006: HK$24,375,000) were converted into 178,750,000 shares (2006: 81,250,000 shares) in the Company of HK$0.10 each (2006:HK$0.10).

Subsequent to the balance sheet date on 23 July 2007, convertible bonds with an aggregate nominal amount of approximately HK$312.5 million were converted into 443,862,857 shares in the Company of HK$0.10 each.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 32.

32. SHARE OPTION SCHEMES

On 20 September 1997, the Company adopted a share option scheme (the "Scheme 1997") for the eligible participants, including the directors of the Company (other than non-executive directors) or any of its subsidiaries and other employees of the Group, pursuant to which options to subscribe for an aggregate of up to 10% of the issued share capital of the Company from time to time were able to be granted. Under the Scheme 1997, the directors were allowed to terminate the Scheme 1997 at any time and in accordance therewith, the directors terminated the Scheme 1997 on 30 August 2002. However, all the options granted under the Scheme 1997 which remained outstanding on the date of termination of the Scheme 1997 continue to be valid and exercisable in accordance with the provisions of the Scheme 1997.

32. SHARE OPTION SCHEMES *(Continued)*

A new option scheme (the "Scheme 2002") was adopted by the shareholders of the Company at the annual general meeting held on 24 September 2002. Under the Scheme 2002, the directors of the Company may, subject to and in accordance with the provisions of the Scheme 2002 and the Listing Rules, grant share options to any eligible participant to subscribe for shares in the capital of the Company. A summary of the principal terms of the Scheme 2002 is as follows:

(a) Purposes of the Scheme 2002

The purposes of the Scheme 2002 are to provide incentives or rewards to eligible participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity").

(b) Eligible participants ("Participants")

The directors may, at their absolute discretion, invite any person belonging to any of the following classes of the Participants, to take up options to subscribe for shares in the capital of the Company:

(i) any eligible employee of the Company or its subsidiaries;

(ii) any non-executive director (including any independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any legal or financial adviser of the Group or any Invested Entity or any technical consultant that provides research, development or other technological support to the Group or any Invested Entity; and

(vi) any shareholder of any member of the Group or any Invested Entity, or any holder of any securities issued by any member of the Group or any Invested Entity who has made or may make a contribution to the development and growth of the Group or any Invested Entity;

and, for the purposes of the Scheme 2002, options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust.

The basis of eligibility of any of the above classes of Participants to the grant of any option shall be determined by the directors from time to time with regard to their contribution to the development and growth of the Group and any Invested Entity.

32. SHARE OPTION SCHEMES *(Continued)*

(c) Maximum number of shares

(i) The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme 2002 and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

(ii) The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme 2002 and any other share option schemes of the Company) to be granted under the Scheme 2002 and any other share option schemes of the Company must not in aggregate exceed 102,400,000 shares, representing 10% of the issued share capital of the Company as at the date of adoption of Scheme 2002.

(iii) At 31 March 2007, the number of shares issuable under share options granted under the Scheme 1997 was 31,200,000 (2006: 62,720,000), which represented approximately 1.3% (2006: 3%) of the Company's shares in issue at that date.

(d) Maximum entitlement of each Participant

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme 2002 and any other share option schemes of the Company (including both exercised and outstanding options) to each Participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options to a Participant in excess of the Individual Limit in any 12-month period up to and including the date of such further grant is subject to the issue of a circular to the shareholders and the shareholders' approval in a general meeting of the Company with such Participant and his associates abstaining from voting.

(e) Grant of options to connected persons

(i) Any grant of options under the Scheme 2002 to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options).

(ii) Where any grant of options to a substantial shareholder or an independent non–executive director, or any of their respective associates, would result in the Company's shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(aa) representing in aggregate over 0.1% of the Company's shares in issue; and

32. SHARE OPTION SCHEMES *(Continued)*

(e) Grant of options to connected persons *(Continued)*

(bb) having an aggregate value, based on the closing price of the Company's shares at the date of each grant, in excess of HK$5,000,000, such further grant of options must be approved by the shareholders in a general meeting.

Any change in the terms of the options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates must be approved by the shareholders in a general meeting.

(f) Time of acceptance and exercise of an option

An offer of a grant of an option may be accepted by a Participant within 28 days from the date of the offer of the grant of the option. A consideration of HK$1 in total is payable on acceptance of the offer of grant of an option.

An option may be exercised in accordance with the terms of the Scheme 2002 at any time during a period to be determined and notified by the directors to each grantee, which period may commence on the day on which the offer of the grant of the option is made but shall end in any event not later than ten years from the date of the grant of the option subject to the provisions for early termination thereof. The directors may at their discretion determine the minimum period for which an option granted under the Scheme 2002 must be held before it can be exercised, although there is no specific requirement of such a minimum period under the Scheme 2002.

(g) Basis of determining the option exercise price

The subscription price for the shares under the Scheme 2002 shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of the grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares. Without prejudice to the generality of the foregoing, the directors may grant options in respect of which the subscription price is fixed at different prices for different periods during the option period provided that the subscription price for the Company's shares for each of the different periods shall not be less than the subscription price determined in the manner set out herein.

(h) Period of the Scheme 2002

The Scheme 2002 will remain in force for a period of ten years commencing on 24 September 2002.

32. SHARE OPTION SCHEMES *(Continued)*

No share options have been granted under the Scheme 2002 from its adoption to 31 March 2007. The following share options were outstanding under the Scheme 1997 during the year:

Name or category of Participant	Number of share options: At 1 April 2006	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2007	Date of grant of share options(1)	Exercise period of share options(3)	Exercise price of share options(2) HK$
Directors								
Chan Boon Teong	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Jiang Ming	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Tao Lin	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Cheng Wing Bor	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Lin Chen Hsin	1,600,000	–	–	–	1,600,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Other employees								
In aggregate	35,520,000	–	(31,520,000)	–	4,000,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
	62,720,000	–	(31,520,000)	–	31,200,000			

32. SHARE OPTION SCHEMES *(Continued)*

The following share options were outstanding under the Scheme 1997 during the prior year:

	Number of share options							Exercise
Name or category of Participant	At 1 April 2005	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2006	Date of grant of share options(1)	Exercise period of share options(3)	price of share options(2) HK$
Directors								
Chan Boon Teong	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Jiang Ming	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Tao Lin	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Cheng Wing Bor	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Lin Chen Hsin	1,600,000	–	–	–	1,600,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Other employees								
In aggregate	35,520,000	–	–	–	35,520,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
	62,720,000	–	–	–	62,720,000			

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(3) The share options are exercisable in tranches during the period from 1 October 2000 to 19 September 2007, as specified in the share option certificates.

At the balance sheet date, the Company had 31,200,000 (2006: 62,720,000) share options outstanding under the Scheme 1997. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 31,200,000 (2006: 62,720,000) additional ordinary shares of the Company and additional share capital of HK$3,120,000 (2006: HK$6,272,000) and share premium of HK$3,120,000 (2006: HK$6,272,000) (before issue expenses).

32. SHARE OPTION SCHEMES *(Continued)*

Subsequent to the balance sheet date on 11 May 2007, the Company granted 125,940,000 share options under the Scheme 2002.

At the date of approval of these financial statements, the Company had 31,200,000 (2006: 36,320,000) and 125,940,000 (2006: nil) share options outstanding under the Scheme 1997 and the Scheme 2002, respectively, which represented approximately 4.6% (2006: 1.6%) of the Company's shares in issue at that date.

33. ACQUISITION OF PROPERTY BASED SUBSIDIARIES

During the year, the Group had acquired prepaid land lease payments and properties under development in the PRC and their related assets and liabilities at considerations of HK$954,138,000 from third parties. The purchase were by way of acquisition of the entired equity interest in Shengzhen Tongzhe Culture Limited, Liaoning Baocheng Real Estate Ltd. and Shenyang Rong Tian Real Estate Development Co. Ltd on 31 May 2006, 31 July 2006 and 31 March 2007 respectively. These transactions have been reflected as purchases of assets and liabilities rather than as business combinations as the subsidiaries acquired are property holding companies and not business concerns.

The net assets acquired in these transactions are as follows:

	2007 **HK$'000**	2006 HK$'000
Net assets acquired:		
Property, plant and equipment (note 15)	**16,647**	–
Prepaid land lease payments (note 17)	**35,798**	–
Properties under development (note 18)	**1,172,716**	–
Prepayments, deposits and other receivables	**285**	–
Cash and bank balances	**1,577**	–
Interest-bearing bank and other borrowings	**(28,057)**	–
Trade payables	**(1,780)**	–
Other payables and accruals	**(243,048)**	–
	954,138	–
Satisfied by:		
Cash	**655,126**	–
Other payables	**299,012**	–
	954,138	–

33. ACQUISITION OF PROPERTY BASED SUBSIDIARIES *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2007 HK$'000	2006 HK$'000
Cash consideration	**655,126**	–
Cash and bank balances acquired	**(1,577)**	–
Net outflow of cash and cash equivalents in respect of the acquisition of property based subsidiaries	**653,549**	–

34. ACQUISITION OF PROPERTY BASED JOINTLY-CONTROLLED ENTITIES

(i) During the year, the Group has entered into agreements to acquire additional interest in a property development project in the PRC through the acquisition of all the equity interest of the other joint venture parties in the project company, Gaosheng, at a total consideration of RMB776,520,000 (equivalent to approximately HK$784,419,000), of which RMB292,726,000 (equivalent to approximately HK$295,704,000) was paid by the Group during the year. The remaining amounts of the consideration shall be payable by three instalments in the amounts of RMB189,794,000, RMB158,500,000 and RMB135,500,000 (equivalent to approximately HK$191,725,000, HK$160,112,000 and HK$136,878,000) during each of the year ending 31 March 2008, 2009 and 2010 respectively. As at 31 March 2007, the present values, which were arrived at by using the prevailing market interest rate as at the date of acquisition as the discounting rate, of the outstanding instalments payable have been included in other payables of HK$191,725,000 for the first instalment and long-term payables of HK$296,990,000, for the second and third instalments. The transaction has been reflected as purchase of assets and liabilities rather than business combination as the project company acquired is a property holding company and not a business concern.

The directors are of the opinion that Gaosheng remains a jointly-controlled entity of the Group although the Group has 100% equity interest in it as the Group and the former equity holder of Gaosheng who had disposed of 50% equity interest in Gaosheng to the Group (the "JCE Partner") both have joint control over the financial and operating policies of Gaosheng since prior to the full settlement of all the outstanding considerations the JCE Partner retains its 43% voting power in the board of directors of Gaosheng, and at least two-thirds of the total votes is needed in order to pass any board resolution concerning certain major financial and operating policies of Gaosheng as stipulated in the article of association of Gaosheng. The Group has accounted for 100% equity interest in Gaosheng since 1 April 2006.

(ii) During the year, the Group acquired the properties for sale in the PRC through acquisition of 70.8% equity interest in a project company Wendela and the Group obtained jointly control over significant financial and operating policies of Wendela pursuant to the acquisition. The transaction was completed on 30 June 2006 and has been reflected as purchase of assets and liabilities rather than business combination as the jointly-controlled entities acquired is a property holding company and not a business concern.

34. ACQUISITION OF PROPERTY BASED JOINTLY-CONTROLLED ENTITIES *(Continued)*

(iii) The net assets acquired in the above-mentioned transactions are as follows:

	2007 HK$'000	2006 HK$'000
Net assets acquired:		
Property, plant and equipment (note 15)	917	–
Properties under development (note 18)	949,856	–
Prepayment, deposits and other receivables	326,041	–
Completed properties for sale	137,949	–
Cash and bank balances	54,526	–
Interest-bearing bank and other borrowings	(105,579)	–
Trade payables	(36,116)	–
Other payables and accruals	(187,636)	–
Tax recoverable	12,168	–
Deposits received and deferred revenue	(407,109)	–
Amounts due from jointly-controlled entities	73,589	–
	818,606	–
Satisfied by:		
Cash	368,474	–
Other payables	221,068	–
Long term payables (note 29)	229,064	–
	818,606	–

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of jointly-controlled entities is as follows:

	2007 HK$'000	2006 HK$'000
Cash consideration	368,474	–
Cash and bank balances acquired	(54,526)	–
Net outflow of cash and cash equivalents in respect of the acquisition of property based jointly-controlled entities	313,948	–

35. DISPOSAL OF PROPERTY BASED SUBSIDIARIES

During the year, the Group disposed of certain subsidiaries which were engaged in property development and property investment in the PRC, for a total consideration of HK$195 million.

	2007 HK$'000	2006 HK$'000
Net assets disposed of:		
Property, plant and equipment (note 15)	**1,189**	7,175
Investment properties (note 16)	**29,740**	119,826
Completed properties for sale	**34,812**	620
Properties under development (note 18)	**134,948**	–
Cash and bank balances	**23,051**	35,505
Trade receivables	**4,001**	–
Prepayments, deposits and other receivables	**163,175**	42,156
Interest-bearing bank and other borrowings	**(130,912)**	(48,152)
Trade payables	**(40,601)**	(1,656)
Other payables and accruals	**(25,601)**	(25,847)
Deposits received and deferred revenue	**(2,940)**	(60,553)
Tax payable	**–**	(25,500)
Deferred tax liabilities (note 30)	**(29,095)**	(4,318)
Long term payable	**(5,895)**	–
	155,872	39,256
Exchange fluctuation reserve released	**(8,484)**	–
Gain on disposal of property based subsidiaries	**39,420**	25,801
	186,808	65,057
Satisfied by:		
Cash	**139,424**	65,057
Interest in an associate	**47,384**	–
	186,808	65,057

35. DISPOSAL OF PROPERTY BASED SUBSIDIARIES *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2007 HK$'000	2006 HK$'000
Cash consideration	**139,424**	65,057
Cash and bank balances disposed of	**(23,051)**	(35,505)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**116,373**	29,552

The results of the subsidiaries disposed of in the years ended 31 March 2007 and 2006 had no significant impact on the Group's consolidated revenue or profit after taxation for those years.

36. MAJOR NON-CASH TRANSACTIONS

During the year, convertible bonds with an aggregate nominal amount of approximately HK$55,250,000 (2006: HK$24,375,000) were converted into 178,750,000 (2006: 81,250,000) shares in the Company of HK$0.10 each and share premium of HK$151,519,000 (2006: HK$17,691,000).

Part of the consideration for the disposal of property based subsidiaries, acquisition of property based subsidiaries and jointly-controlled entities that occurred during the year comprised shares, deferred consideration and cash payments. Further details are set out in note 33, note 34 and note 35.

37. CONTINGENT LIABILITIES

At balance sheet date, contingent liabilities of the Group not for provided for in the financial statements are as follows:

	2007 HK$'000	2006 HK$'000
Guarantees given to banks		
in connection with facilities granted to:		
– Banks in respect of mortgage loans granted to property purchasers	**890,233**	392,924
– An associate	**23,483**	–
– A PRC company (note)	**–**	30,000
	913,716	422,924

Note: The PRC company became a subsidiary of the Group during the year ended 31 March 2007.

38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from 1 month to over 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2007 **HK$'000**	2006 HK$'000
Within one year	**2,464**	2,840
In the second to fifth years, inclusive	**4,685**	3,102
	7,149	5,942

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to over 5 years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2007 **HK$'000**	2006 HK$'000
Within one year	**243**	2,596
In the second to fifth years, inclusive	**–**	1,372
	243	3,968

39. COMMITMENTS

At 31 March 2007, the Group had the following capital commitments:

	2007 **HK$'000**	2006 HK$'000
Contracted but not provided for		
Acquisition of an additional interest in a subsidiary	**57,580**	25,121
Acquisition of an additional interest in jointly-controlled entity	**29,497**	7,986
	87,077	33,107

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in the notes to the consolidated financial statements, the Group had the following significant transactions with related parties:

In the prior year, the Group obtained the refinancing of a loan in respect of certain completed properties for sale situated in the PRC (the "Properties") through the arrangement of individual mortgage loans in aggregate amounting to HK$35.9 million (the "Loans") taken out by certain senior management personnel of the Company's subsidiaries (the "Senior Management Personnel"). Under the refinancing arrangement, the Group disposed of the Properties to the Senior Management Personnel for their arrangement of the individual mortgage loans with a bank, the proceeds of which were used to settle the consideration payable to the Group. The Group is responsible for the interest and principal payments of the Loans and the Group retains the beneficial ownership of the Properties and the associated benefits through certain trust deeds and other arrangements. In the opinion of the directors, the Group retains the significant risks and rewards associated with the Properties and the Loans. As such, the Group continued to recognise the Properties and recorded the proceeds received from the Senior Management Personnel as an other loan in the consolidated financial statements to reflect the commercial substance of the aforesaid refinancing arrangement. As at 31 March 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 (2006: HK$41.9 million) and HK$20.8 million (2006: HK$28.7 million), respectively.

(b) Outstanding balances with related parties

(i) The amount due to a substantial shareholder of the Company represent amount due to Coastal International Holding Limited ("CIH"). The amount is unsecured, interest-free and repayable on demand. Certain directors of the Company have significant beneficial interests in CIH.

(ii) The Group's balances with its jointly-controlled entities are unsecured, interest-free and repayable on demand.

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

	2007	2006
	HK$'000	HK$'000
Short term benefits	**12,939**	8,052
Post-employment benefits	**214**	168
Total compensation paid to key management personnel	**13,153**	8,220

Further details of directors' emoluments are included in note 11.

41. POST BALANCE SHEET EVENTS

Subsequent to 31 March 2007, the following significant events took place:

(a) On 29 June 2007, the Group entered into sale and purchase agreements with AG Asia Realty Fund ("AG"), a minority shareholder of a subsidiary of the Company, to dispose of its 80% equity interest in an entity and 20% equity interest in another entity which respectively holds approximate 299,400 square meter residential gross floor area and approximate 178,000 square meter commercial gross floor area of a property project in Shenyang (the "Disposal"). The total consideration for the Disposal is approximately HK$330.7 million. Completion of the Disposal is conditional upon, among other things, the approval of the shareholders of the Company in a special general meeting to be held in August 2007.

(b) On 11 May 2007, the Company granted 77,000,000 and 48,940,000 share options to the directors and employees of the Company, respectively. The grant of these share options was approved by board of directors on 12 April 2007. The share options were granted at an exercise price of HK$1.2 per share which is higher than the five days average closing price of HK$1.182 per share of the Company's share traded immediately prior to the offer of the grant and the closing price of HK$1.17 per share of the Company's share traded on the day of the offer of the grant. The Group is in the process of assessing the financial impact of these newly granted share options.

(c) On 23 July 2007, the holder of the US$40 million convertible bonds issued on 21 July 2006 had exercised the conversion right in respect of the US$40 million 2006 CB whereby 443,862,857 shares of HK$0.1 each were allotted and issued upon conversion at a conversion price of HK$0.7 per share. The 443,862,857 shares represent approximately 16.1% of the enlarged issued share capital of the Company and rank pari passu in all respects with the existing issued shares of the Company.

42. COMPARATIVE FIGURES

In current year, certain comparative figures have been reclassified so as to conform with the current year's presentation.

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital (Note (i))	Percentage of equity attributable to the Company	Principal activities
Directly held subsidiaries:				
Coastal Realty (BVI) Limited	British Virgin Islands/ Hong Kong	US$200 Ordinary	100	Investment holding
Shenzhen Coastal Property Investment Limited^	PRC	US$11,000,000	65	Property development

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital (Note (i))	Percentage of equity attributable to the Company	Principal activities
Indirectly held subsidiaries:				
Beijing Xing Gang Real Estate Company Limited^	PRC	RMB112,050,000	100	Property development
Coastal Greenland Development (Shenzhen) Ltd.#	PRC	US$12,000,000	100	Property development
Coastal Greenland Development (Wuhan) Ltd.#	PRC	RMB50,000,000	100	Property development
Coastal Greenland Development (Xiamen) Ltd.#	PRC	RMB100,000,000	100	Property development
Coastal Greenland Development Jiangxi Limited#	PRC	US$10,000,000	100	Property development
Coastal Realty Development Co. Limited	Hong Kong	HK$10 Ordinary HK$20,000,000 Non-voting deferred shares (Note ii)	100	Investment holding
Coastal Realty Development (Shanghai) Co., Ltd.#	PRC	US$12,000,000	100	Property investment
Coastal Realty Investment (China) Limited#	PRC	US$100,000,000	100	Investment holding
Coastal Realty Management Company Limited	Hong Kong	HK$500,000 Ordinary	100	Investment holding
My Home Services (Shenzhen) Ltd.#	PRC	US$1,400,000	100	Property management
Direct Pole Limited	Hong Kong	HK$10,000 Ordinary	100	Property investment

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital (Note (i))	Percentage of equity attributable to the Company	Principal activities
Indirectly held subsidiaries: *(Continued)*				
Dragon Gain Investment Limited	Hong Kong	HK$1,000 Ordinary	100	Investment holding
Fenhall Development Limited	Hong Kong	HK$10,000 Ordinary	100	Property investment
Fenson Development Limited	Hong Kong	HK$10,000 Ordinary	100	Property investment
Frenwick Development Limited	Hong Kong	HK$10,000 Ordinary	100	Property investment
Greaton Development Limited	Hong Kong	HK$2 Ordinary	100	Property investment
Kings Crown Holdings Ltd.	British Virgin Islands/ Hong Kong	US$50,000 Ordinary	100	Investment holding
Pearl Square Enterprises Limited	Hong Kong	HK$2 Ordinary	100	Investment holding
Shanghai Coastal Greenland Real Estate Ltd. ^	PRC	RMB110,000,000	100	Investment holding
Shanghai Ling Zhi Properties Co., Ltd. ^	PRC	US$25,000,000	100	Property investment
Tacklemate Investment Limited	Hong Kong	HK$2 Ordinary	100	Property investment
Xiamen Linzi Construction Development Co., Ltd.#	PRC	US$5,000,000	100	Property investment
Coastal Greenland Development (Shenyang) Ltd.#	PRC	US$10,000,000	100	Property development
Shanghai Xinhongda Real Estate Ltd.#	PRC	RMB248,292,951	100	Property development
Chengdu Dingyuan Real Estate Ltd.	PRC	RMB10,000,000	78	Property development

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital (Note (i))	Percentage of equity attributable to the Company	Principal activities
Indirectly held subsidiaries: *(Continued)*				
Joinwell Investment Limited	Hong Kong	HK$2 Ordinary	100	Investment holding
Shenyang Rong Tian Real Estate Development Co., Ltd.#	PRC	RMB8,000,000	100	Property development
Shenzhen Tongzhe Culture Ltd.#	PRC	RMB1,000,000	100	Management service
Liaoning Baocheng Real Estate Development Co., Ltd.# (Note (iii))	PRC	USD85,000,000	50	Property development
Sichuan Coastal Greenland Investment Real Estate Ltd.#	PRC	RMB50,000,000	100	Land development

Notes:

(i) For those companies incorporated in Hong Kong and the British Virgin Islands, the amounts stated represent the nominal value of the issued share capital. For those companies registered in the PRC, the amounts stated represent the registered capital.

(ii) Non-voting deferred shares do not entitle the holders to receive any profit, or to receive notice of or to attend or vote at any general meeting of the company. On a return of assets on a winding-up or otherwise, the assets of the company available for distribution among the members shall be distributed as regards the first HK$100,000,000,000,000 thereof among the holders of ordinary shares in proportion to the amounts paid up on the ordinary shares held by them, respectively, and the balance (if any) of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the holders of the ordinary shares pari passu among themselves in each case in proportion to the amounts paid up on the shares held by them, respectively.

(iii) The Group has significant control over the operation of the subsidiary.

wholly foreign owned enterprise
^ contractual joint venture

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

PROPERTIES HELD FOR SALE AND INVESTMENT

Property description	Address	Type of development	GFA of the development (sq.m.)	GFA held by the Group at 31 March 2007 (sq.m.)	Interest in the development attributable to the Group	Completion date
THE PRC						
Anshan Greenland (excluding section B in Phase VI)	North of Wangyu Road and east of Shenying Road District A of Anshan Development Zone of Industries of High and New Technologies Anshan	Residential with attached commercial area	339,758	18,862	21.13%	June 2000 December 2000, April 2002, May 2003 June 2005 and September 2006
Beijing Silo City Phases I and II	5 Baizi Bay Chaoyang District Beijing	Residential/ Commercial	227,939	39,429	100%	March 2007
Beijing Sunvilla Realhouse Phase I and section A in Phase II	Daxing County Panggezhuang Town Beijing	Residential	104,158	4,189	100%	December 2004
Fuzhou International Mansion	Unit 5C, Wusi Road Gulou District Fuzhou	Office	N/A	307	100%	1990 (Note 1)
Fuzhou Mansion	156-158 Hualin Road and 1 Hebian Road Gulou District Fuzhou	Residential	40,443	1,041	100%	June 2003
Jiangxi Riviera Garden Phase I	South of Gaoxin Avenue Changling Town Xinjian County Jiangxi	Residential with attached commercial area	129,100	39,215	100%	September 2006 and December 2006
Shanghai Golden Bridge Garden	103 Dong Zhu An Bin Road Changning District Shanghai	Residential with attached commercial area	65,908	4,823	100%	November 1997
Shenyang Dongbei Furniture and Ornaments Plaza	319 Shenliao Road Yuhong District Shenyang	Commercial	149,752	80,752	100%	2000 (Note 1)

PROPERTIES HELD FOR SALE AND INVESTMENT *(Continued)*

Property description	Address	Type of development	GFA of the development (sq.m.)	GFA held by the Group at 31 March 2007 (sq.m.)	Interest in the development attributable to the Group	Completion date
Shenzhen Dragon Court Phases I and II	Junction of Dongmen Central Road and Wenjin Central Road Luohu District Shenzhen	Residential/ commercial	45,582	3,598	100%	March 2000 and April 2003
Shenzhen Noble Center	26/F, 37/F and 38/F Noble Center No.1006, 3rd Fuzhong Road, Futian District, Shenzhen	Office	N/A	4,819	100%	2006 (Notes 1, 2)
Wuhan Lakeside Apartment Phases I, II, III and IV	West Airport Road and North of Jinyin Lake Dongxihu District Wuhan	Residential with attached commercial area	282,242	5,106	100%	August 2003, August 2004, August 2005 and March 2006
Xiamen Lu Jiang New City Phases I, II, III and IV	Luling Road Lianhua Road Lianhua District Xiamen	Residential with attached commercial area	143,411	9,465	100%	June 1998, August 2002, March 2003 and December 2003
Xiamen Xiang Jiang Garden	Junction of Lianhua South Road and Jiahe Road Lianhua District Xiamen	Residential/ commercial	99,355	3,133	100%	December 1993
				214,739		

Note 1: Developed by other PRC independent developers.

Note 2: The properties are used by the Group as its offices.

PROPERTIES HELD FOR SALE AND INVESTMENT *(Continued)*

Property description	Address	Type of development	GFA of the development (sq.m.)	GFA held by the Group at 31 March 2007 (sq.m.)	Interest in the development attributable to the Group	Completion date
HONG KONG						
City One Shatin	Flat C, 4th Floor, Block 8 5 Tak Kei Street Shatin Hong Kong	Residential		30	100%	1981 (Notes 1, 2 and 3)
Vienna Mansion	Flat B, 10th Floor 55 Paterson Street Causeway Bay Hong Kong	Residential		109	100%	1958 (Notes 1, 2 and 3)
				139		

Note 1: The area held by the Group represent saleable area.

Note 2: These residential properties are occupied by the Group as staff quarters.

Note 3: The Group's properties in Hong Kong were developed by other independent developers.

PROPERTIES MARKETED AND THE SALE OF WHICH ARE UNDERWRITTEN BY THE GROUP

Property description	Address	Type of development	GFA of the development (sq.m.)	GFA held by the Group at 31 March 2007 (sq.m.)	Interest in the development attributable to the Group	Completion date
Shanghai Golden Bridge Mansion	2077 Yanan West Road Changning District Shanghai	Residential/ commercial	35,768	6,882	100%	August 1993

PROPERTIES UNDER DEVELOPMENT

Property description	Address	Type of development	Estimated GFA of the development (sq.m.)	Interest in the development attributable to the Group	Expected year of completion (Note 1)
Anshan Greenland section B in Phase VI	North of Wangyu Road and east of Shenying Road District A of Anshan Development Zone of Industries of High and New Technologies	Residential with attached commercial area	96,500	21.13%	2007
Beijing Silo City (excluding Phases I and II)	5 Baizi Bay Chaoyang District Beijing	Residential/ commercial	622,341	100%	2007
Beijing Sunvilla Realhouse section B in Phase II and Phase III	Panggezhuang Town Daxing County Beijing	Residential	35,211	100%	2007
Chengdu Longquanyi Project	Baigongyan Scenic Zone Longquanyi District Chengdu	Residential with attached commercial area	222,534	79%	2010
Dalian Xinghai Bay Phases I and II	Zone A, Shahekou District Dalian Liaoning	Residential/commercial	343,900	50%	2009
Dongguan Riviera Villa Phases I and II	Cai Bai Cun Dao Jiao District Dong Guan	Residential with attached commercial area	320,000	65%	2007
Jiangxi Riviera Garden Phase II	South of Gaoxin Avenue Changling Town Xinjian County Jiangxi	Residential with attached commercial area	155,500	100%	2008
Shanghai Riviera Garden Phases I and II	Lot 1 Xinqiao Mingzhong Road Songjiang District Shanghai	Residential	292,800	100%	2007
Shenyan Hunnan Project Phases I and II	No. 8 Tiantan South Hunnan Shenyan Liaoning	Residential/ commercial	533,600	100%	2008
Wuhan Silo City (All Phases)	West of Zhangbo Freeway and North of Jinshan Avenue Dongxihu District Wuhan	Residential/ commercial	1,460,000	100%	2008
			4,082,386		

Note 1: For projects to be completed in phases, the year given refers to the estimated year of completion of the first mentioned phase. The estimated year of completion is the estimation of the Directors based on existing market conditions and assuming no unforeseen circumstances.

LAND DEVELOPMENT

Property description	Location	Site area of the development (sq.m.)	Estimated GFA of the development (sq.m.)	Type of development for which the land use is intended to be converted	Interest attributable to the Group
Beijing Shunyi Project	Zhanqian West Street Shunyi District Beijing	94,483	203,000	Residential with attached commercial	70.80% (Note)
Chengdu Dujiangyan Project	Zone 4, 5, 6, East of Zouma River Xingfuzhen Dujiangyan City	315,848	505,357	Residential with attached commercial	100% (Note)
			708,357		

Note: Land development involves arrangement for resettlement of existing residents and designing and proposing property development plan for approval by relevant government authorities etc., and the Group has interests in the land development. The further acquisitions of the land use rights of these projects for property development will be subject to public tender or auction process.

(See further discussion on land development in the "Review of Major Properties and Development Projects" section on page 16 of the Annual Report).