THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Coastal Greenland Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

COASTAL 沿海

COASTAL GREENLAND LIMITED
沿海綠色家園有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 01124)

(1) MAJOR AND CONNECTED TRANSACTION;
(2) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser

大有融資有限公司
MESSIS CAPITAL LIMITED

A notice convening a special general meeting of the Company to be held at Suite 1712-16, 17th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 19 November 2012 at 10:00 a.m. is set out on pages 128 and 129 of this circular. A form of proxy for use at the special general meeting is enclosed with this circular.

Whether or not you are able to attend the special general meeting of the Company, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

* *For identification purposes only*

2 November 2012

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of the Huizhou Sale Shares and the Huizhou Sale Loan from the Acquisition Vendor by the Acquisition Purchaser pursuant to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement entered into between the Acquisition Purchaser and the Acquisition Vendor and dated 16 October 2012 in relation to the Acquisition
"Acquisition Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"Acquisition Consideration"	the total consideration for the acquisition of the Huizhou Sale Shares and the Huizhou Sale Loan
"Acquisition Purchaser"	Shenzhen Coastal
"Acquisition Vendor"	Shum Yip Investment
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	board of Directors
"Business Day"	a day (other than Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no.8 or above or a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. in Hong Kong) on which licensed banks in Hong Kong are generally open for business
"Coastal Realty Investment"	Coastal Realty Investment (China) Limited (沿海地產投資(中國)有限公司), a wholly-owned subsidiary of the Company
"Company"	Coastal Greenland Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1124)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the Suzhou Sale Shares and the Suzhou Sale Loan by the Disposal Vendors to the Disposal Purchaser pursuant to the terms and conditions of the Disposal Agreement
"Disposal Agreement"	the conditional sale and purchase agreement entered into among the Disposal Vendors and the Disposal Purchaser and dated 16 October 2012 in relation to the Disposal
"Disposal Completion"	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
"Disposal Consideration"	Phase I Disposal Consideration and Phase II Disposal Consideration
"Disposal Purchaser"	Shum Yip Land
"Disposal Vendors"	Suzhou Gaotong and Coastal Realty Investment
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huizhou Assets"	the Huizhou Project and two residential units at Jinhui Hujin Garden, Huicheng District, Huizhou City, Guangdong Province, the PRC with aggregate GFA of approximately 325.66 sq.m.
"Huizhou Open Tender"	the open tender process in relation to the sale and purchase of the Huizhou Sale Shares and the Huizhou Sale Loan on Shenzhen United Property and Share Rights Exchange (深圳聯合產權交易所)

"Huizhou Project"	two parcels of land at Huizhou City, Guangdong Province, the PRC with a total site area of approximately 153,240.6 sq.m. for a term of 40 years expiring on 12 October 2047 for commercial use and 70 years expiring on 12 October 2077 for residential use, which are proposed to be developed into a residential project in three phases with a total GFA of approximately 372,077 sq.m.
"Huizhou Sale Loan"	the shareholder's loan in the principal amount of RMB194,830,900 (equivalent to approximately HK$237,599,000), which represents 30% of the aggregate shareholder's loan due by the Huizhou Target Company to the Acquisition Vendor on the date of the Acquisition Agreement
"Huizhou Sale Shares"	30% equity interest of the Huizhou Target Company
"Huizhou Target Company"	惠州深業南方地產有限公司 (Huizhou Shum Yip Southern Land Company Limited), a company established in the PRC and is held as to 51% by Shum Yip Southern Land and as to 49% by Shum Yip Investment as at the Latest Practicable Date
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors, established by the Board to advise the Independent Shareholders regarding the Transactions
"Independent Financial Adviser"	Messis Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) of the regulated activity under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions
"Independent Shareholder(s)"	Shareholder(s) other than (i) the SIL Concert Group, and (ii) all parties involved in or interested in the Transactions
"Latest Practicable Date"	31 October 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Mr. Jiang"	Mr. Jiang Ming, an executive Director and a substantial Shareholder
"Phase I Disposal Consideration"	RMB335,219,700 (equivalent to approximately HK$408,805,000), being part of the consideration for the disposal of the Suzhou Sale Shares and the Suzhou Sale Loan
"Phase II Disposal Consideration"	RMB214,780,300 (equivalent to approximately HK$261,927,000), being part of the consideration for the disposal of the Suzhou Sale Shares and the Suzhou Sale Loan
"PRC"	the People's Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Remaining Group"	the Group excluding Suzhou Target Group
"Senior Loan Note"	the senior loan note in the aggregate principal amount of US$129,000,000 (equivalent to HK$1,006,200,000) issued by the Company with maturity date of 8 November 2012
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Transactions by the Independent Shareholders
"Share(s)"	ordinary share(s) of par value of HK$0.10 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Coastal"	Shenzhen Coastal Property Investment Limited (深圳沿海國投置業有限公司), a wholly-owned subsidiary of the Company and an investment holding company
"Shum Yip Investment"	Shum Yip Investment (Shenzhen) Co., Ltd. (深業控股(深圳)有限公司), a wholly-owned subsidiary of SIL

"Shum Yip Land"	Shum Yip Land Co., Ltd. (深業置地有限公司), a wholly-owned subsidiary of SIL
"Shum Yip Southern Land"	Shum Yip Southern Land (Holdings) Co., Ltd (深業南方地產(集團)有限公司), a wholly-owned subsidiary of SIL
"SIL"	Shenzhen Investment Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 604), being a substantial Shareholder
"SIL Concert Group"	SIL and its associates
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Suzhou Assets"	the Suzhou Project and five units in an office building located at Suzhou City, Jiangsu Province, the PRC with a GFA of about 1,865 sq.m.
"Suzhou Gaotong"	Suzhou Gaotong Information Services and Consultation Ltd. (蘇州高通信息諮詢有限公司), a wholly-owned subsidiary of the Company
"Suzhou Open Tender"	the open tender process in relation to the sale and purchase of the Suzhou Sale Shares and the Suzhou Sale Loan on Shenzhen United Property and Share Rights Exchange (深圳聯合產權交易所)
"Suzhou Project"	Suzhou Coastal International Centre located at the heart of Jinchang District, Suzhou City, Jiangsu Province, the PRC with a total GFA of about 115,700 sq.m. with a composite commercial development of a hotel managed by Marriott International Management Company Limited, offices, serviced apartments and retail shops
"Suzhou Sale Loan"	the entire shareholder's loan due by the Suzhou Target Company to Coastal Realty Investment in the principal amount of RMB392,068,100 (equivalent to approximately HK$478,132,000) on the date of the Disposal Agreement
"Suzhou Sale Shares"	the entire equity interest of the Suzhou Target Company

"Suzhou Target Company"	Suzhou New Development Investment Co., Ltd. (蘇州新發展投資有限公司), a wholly-owned subsidiary of the Company
"Suzhou Target Group"	Suzhou Target Company and its subsidiaries
"Transactions"	the Acquisition and the Disposal
"Valuer"	RHL Appraisal Limited, an independent professional property valuer
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"sq.m."	square meter(s)
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

Unless otherwise specified, translations of RMB into HK$ and US$ into HK$ in this circular are based on the rates of HK$1 = RMB0.82 and HK$7.8 = US$1.00 respectively. No representation is made that any amount in RMB, US$ and HK$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

COASTAL GREENLAND LIMITED
沿海綠色家園有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 01124)

Executive Directors:
Mr. Chan Boon Teong *(Chairman)*
Mr. Jiang Ming
(Vice Chairman and Managing Director)
Mr. Tao Lin
Mr. Cheng Wing Bor
Mr. Lin Chen Hsin
Mr. Cai Shaobin
Mr. Zheng Hong Qing
Mr. Wang Jun

Non-executive Directors:
Mr. Lu Jiqiang
Mr. Dai Jingming

Independent non-executive Directors:
Mr. Tang Lap Yan
Mr. Law Kin Ho
Mr. Wong Kai Cheong

Registered office:
26 Burnaby Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Suite 1712-16, 17th Floor
China Merchants Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

2 November 2012

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION;
AND
(2) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION**

INTRODUCTION

Reference is made to the announcements of the Company dated 4 October 2012, 16 October 2012, 26 October 2012 and 1 November 2012 respectively, in relation to, inter alia, (i) the Acquisition which constitutes a major and connected transaction on the part of the Company; and (ii) the Disposal which constitutes a very substantial disposal and connected transaction on the part of the Company.

* *For identification purpose only*

The purpose of this circular is to provide you, among other matters, (i) further information on the Transactions; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of the SGM.

THE ACQUISITION AGREEMENT

Date

16 October 2012

Parties

Purchaser: Shenzhen Coastal, a wholly-owned subsidiary of the Company and an investment holding company

Vendor: Shum Yip Investment, a wholly-owned subsidiary of SIL

Shum Yip Investment is an investment holding company. As at the Latest Practicable Date, SIL holds 631,092,857 Shares, representing approximately 22.62% of the entire equity interest of the Company, and is therefore a connected person of the Company by virtue of being a substantial Shareholder. Shum Yip Investment, being a wholly-owned subsidiary of SIL, is an associate of the substantial Shareholder and therefore a connected person of the Company.

Assets to be acquired

(1) the Huizhou Sale Shares, being 30% equity interest of the Huizhou Target Company; and

(2) the Huizhou Sale Loan.

The Huizhou Target Company was established on 5 April 2007 in the PRC as a limited liability company with registered capital of RMB50,000,000 and is principally engaged in property development. As at the Latest Practicable Date, the Huizhou Target Company is held as to 51% by Shum Yip Southern Land and as to 49% by Shum Yip Investment and its principal assets are the Huizhou Assets comprising of (a) the Huizhou Project with two parcels of land at Huizhou City, Guangdong Province, the PRC with a total site area of approximately 153,240.6 sq.m. for a term of 70 years expiring on 12 October 2077 for residential use or 40 years expiring on 12 October 2047 for commercial use; and (b) two residential units at Jinhui Hujin Garden, Huicheng District, Huizhou City, Guangdong Province, the PRC with GFA of approximately 325.66 sq.m..

The Huizhou Project is situated at Huicheng District Huizhou City, Guangdong Province, the PRC which is near to the Huizhou West Railway Station and is proposed to be developed into a residential development in three phases with a total GFA of approximately 372,077 sq.m.. The first phase with site area of approximately 38,993.5 sq.m. and GFA of approximately 103,723 sq.m. is expected to be available for pre-sale in early 2013 and the whole development is expected to be completed in 2016. The total construction cost of the Huizhou Project is estimated to be approximately RMB1.6 billion (equivalent to approximately HK$2.0 billion) and is expected to be financed by bank borrowings and proceeds from pre-sale of residential units. Furthermore, the Huizhou Target Company has signed an agreement to construct affordable houses with a site area of approximately 20,018 sq.m. and GFA of approximately 62,532 sq.m. on a parcel of land adjacent to the Huizhou Project on behalf of 惠州市住房和城鄉建設規劃局 (Huizhou City Construction Bureau of Housing and Urban Planning). The total development cost for the affordable houses is estimated to be approximately RMB150,000,000 and will be reimbursed by the government authority with certain profit margin to the Huizhou Target Company. The whole affordable houses development is expected to be completed in 2013.

Set out below is a summary of the unaudited financial information of the Huizhou Target Company for the years ended 31 December 2010 and 2011 prepared in accordance with Hong Kong Financial Reporting Standards.

	For the year ended 31 December 2010	**For the year ended 31 December 2011**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Turnover	0	18,472
(Loss) before tax	(11,392)	(36,155)
(Loss) after tax	(11,392)	(36,155)

Acquisition Consideration

Within five days after the date of the Acquisition Agreement, the Huizhou Sale Shares and the Huizhou Sale Loan will be put on Shenzhen United Property and Share Rights Exchange (深圳聯合產權交易所) for the Huizhou Open Tender.

The Acquisition Consideration is RMB214,780,300 (equivalent to approximately HK$261,927,000), of which the consideration for the Huizhou Sale Shares is RMB19,949,400 (equivalent to approximately HK$24,329,000) and the consideration for the Huizhou Sale Loan is RMB194,830,900 (equivalent to approximately HK$237,599,000). The Acquisition Consideration has been arrived at after arm's length negotiations between the parties with reference to (a) 30% of the unaudited net liabilities value of the Huizhou Target Company as at 30 June 2012 amounting to approximately RMB4,106,600 (equivalent to approximately HK$5,008,000) (including the Huizhou Sale Loan); (b) 30% of the valuation surplus amounting to RMB24,056,000 (equivalent to approximately HK$29,337,000) resulted from the difference between the preliminary valuation of the Huizhou Assets as at 30 June 2012 (conducted by the Valuer) and the unaudited net book value of the Huizhou Assets of RMB608,476,000 (equivalent to approximately HK$742,044,000) as at 30 June 2012; and (c) the face amount of the Huizhou Sale Loan as at 30 June 2012 of RMB194,830,900 (equivalent to approximately HK$237,599,000). The abovementioned unaudited financial information is prepared in accordance with Hong Kong Financial Reporting Standards.

The Acquisition Consideration shall be satisfied by way of set off against the Phase II Disposal Consideration.

Conditions precedent of the Acquisition Agreement

Acquisition Completion is conditional upon the satisfaction of the following conditions:

(a) there being no third party bade successfully (i) in the Huizhou Open Tender for the Huizhou Sale Shares and the Huizhou Sale Loan; and (ii) in the Suzhou Open Tender for the Suzhou Sale Shares and the Suzhou Sale Loan;

(b) the Company having satisfied all the required disclosure and approval procedures (including but not limited to the passing by the Independent Shareholders at the SGM of all necessary resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder) under all applicable laws and the Listing Rules in respect of the transactions contemplated under the Acquisition Agreement;

(c) the warranties given by the Acquisition Vendor under the Acquisition Agreement remaining true, complete and accurate in all respects;

(d) all necessary consents and approvals for or in connection with the Acquisition Agreement having been obtained by the Acquisition Vendor and a copy of such consents and approvals documents (save as those which have been publicly announced) having been passed to the Acquisition Purchaser;

(e) there being no events, facts, conditions, changes or any other circumstances from the date of the Acquisition Agreement to the Acquisition Completion which will have material adverse effect on the Huizhou Target Company;

(f) the warranties given by the Acquisition Purchaser under the Acquisition Agreement remaining true, complete and accurate in all respects;

(g) all necessary consents and approvals for or in connection with the Acquisition Agreement having been obtained by the Acquisition Purchaser and a copy of such consents and approvals documents (save as those which have been publicly announced) having been passed to the Acquisition Vendor;

(h) the Disposal Agreement having been completed;

(i) the Acquisition Agreement being in compliance and not in breach of the relevant requirements under the Senior Loan Note and other relevant agreement; and

(j) holders of the Senior Loan Note (other than SIL) having been repaid the outstanding principal and interest amount of US$79,000,000 (equivalent to approximately HK$616,200,000) under the Senior Loan Note on or before the maturity date of the Senior Loan Note.

All the conditions mentioned above are not waivable. If the conditions mentioned above have not been fulfilled in full on 26 November 2012 or such later date as the Acquisition Purchaser and the Acquisition Vendor may agree in writing, the Acquisition Agreement shall cease and neither parties shall have any obligations or liabilities under the Acquisition Agreement save for any antecedent breaches of the terms thereof.

The Company intends to repay the outstanding principal and interest amount of US$79,000,000 (equivalent to approximately HK$616,200,000) under the Senior Loan Note to the holders of the Senior Loan Note (other than SIL) in cash, which will be funded by the Company's internal resources.

Acquisition Completion is conditional upon, among other matters, there being no party having bidden successfully (i) in the Huizhou Open Tender for the Huizhou Sale Shares and the Huizhou Sale Loan; and (ii) in the Suzhou Open Tender for the Suzhou Sale Shares and the Suzhou Sale Loan. If a third party successfully bade in either the Huizhou Open Tender or the Suzhou Open Tender, the Acquisition will not proceed to completion.

Acquisition Completion

Subject to the fulfillment of all conditions precedent as set out in the paragraph headed "Conditions precedent of the Acquisition Agreement", Acquisition Completion shall take place within 30 Business Days after the expiry of the Huizhou Open Tender and the Suzhou Open Tender.

Upon the Acquisition Completion, the Huizhou Target Company will become an associated company of the Company.

THE DISPOSAL AGREEMENT

Date

16 October 2012

Parties

Vendors:	Suzhou Gaotong and Coastal Realty Investment, both wholly-owned subsidiaries of the Company and investment holding companies
Purchaser:	Shum Yip Land

The Disposal Purchaser is principally engaged in property development and a wholly-owned subsidiary of SIL.

As at the Latest Practicable Date, SIL holds 631,092,857 Shares, representing approximately 22.62% of the entire equity interest of the Company, and is therefore a connected person of the Company by virtue of being a substantial Shareholder. The Disposal Purchaser, being a wholly-owned subsidiary of SIL, is an associate of the substantial Shareholder and therefore a connected person of the Company.

Assets to be disposed of

(1) the Suzhou Sale Shares, being 100% equity interest of the Suzhou Target Company; and

(2) the Suzhou Sale Loan.

The Suzhou Target Company was established on 24 May 1995 in the PRC as a limited liability company with registered capital of RMB350,000,000 and is principally engaged in property development, property investment, hotel operation, property management, property leasing and convention business.

As at the Latest Practicable Date, the principal assets of the Suzhou Target Company are the Suzhou Assets comprising: (a) the Suzhou Project with Suzhou Coastal International Centre located at the heart of Jinchang District, Suzhou City, Jiangsu Province, the PRC with a total GFA of about 115,700 sq.m. with a composite commercial development of a hotel managed by Marriott International Management Company Limited, offices, serviced apartments and retail shops; and (b) five units in an office building located at Suzhou City, Jiangsu Province, the PRC with a GFA of about 1,865 sq.m.. The Suzhou Project was a half-developed commercial project at the time of acquisition by the Group in 2007 and the development of which is to be completed in two phases. The Group has completed the development of Phase 1 which consists of a 49-storey building comprising offices and a hotel with the GFA of about 33,990 sq.m. and 47,790 sq.m. respectively and a 9-storey building of serviced apartment and retail shops with the GFA of about 15,360 sq.m. and 2,940 sq.m. respectively. The hotel has commenced its business operation since December 2009.

Set out below is a summary of the unaudited consolidated financial information of the Suzhou Target Group for the year ended 31 March 2011 and 2012 prepared in accordance with Hong Kong Financial Reporting Standards.

	For the year ended 31 March 2011	**For the year ended 31 March 2012**
	HK$'000	*HK$'000*
Turnover	63,053	91,724
(Loss) before tax	(126,294)	(105,474)
(Loss) after tax	(116,576)	(93,615)

Disposal Consideration

Within five days after the date of the Disposal Agreement, the Suzhou Sale Shares and the Suzhou Sale Loan will be put on Shenzhen United Property and Share Rights Exchange (深圳聯合產權交 易所) for the Suzhou Open Tender.

The Disposal Consideration is RMB550,000,000 (equivalent to approximately HK$670,732,000), of which the consideration for the Suzhou Sale Shares is RMB157,931,900 (equivalent to approximately HK$192,600,000) and the consideration for the Suzhou Sale Loan is RMB392,068,100 (equivalent to approximately HK$478,132,000). The Disposal Consideration has been arrived at after arm's length negotiations between the parties with reference to (a) the unaudited net assets value (before capitalisation of the borrowing costs mentioned in (c) below) of the Suzhou Target Group as at 30 June 2012 of approximately RMB214,348,000 (equivalent to approximately HK$261,400,000) (including the Suzhou Sale Loan) which exclude a property not to be disposed; (b) the valuation surplus of RMB33,994,000 (equivalent to approximately HK$41,456,000) resulted from the difference between the preliminary valuation of the Suzhou Assets as at 30 June 2012 (conducted by the Valuer) and the unaudited net book value of the Suzhou Assets of RMB1,486,006,000 (equivalent to approximately HK$1,812,202,000) as at 30 June 2012; (c) borrowing costs capitalised by the Group as at 30 June 2012 of RMB51,236,000 (equivalent to approximately HK$62,483,000); (d) approximately 9.3% discount to the preliminary valuation of the Suzhou Assets amounting to RMB141,646,100 (equivalent to approximately HK$172,739,000); and (e) the face amount of the Suzhou Sale Loan as at 30 June 2012 of RMB392,068,100 (equivalent to approximately HK$478,132,000). The abovementioned unaudited financial information is prepared in accordance with Hong Kong Financial Reporting Standards.

The Directors considered that it is fair and reasonable to set the Disposal Consideration at a discount to the valuation of the Suzhou assets (which is different from the basis in determining the Acquisition Consideration) for the following reasons:

(1) hotel operation may tie up the funds and investment in hotel operation may not be recouped as efficient as investment in residential property development such as the Huizhou Project; and

(2) to use a discount to the valuation of the Suzhou Assets in determining the Disposal Consideration is a result after arm's length negotiation between the parties of the Transactions.

The Disposal Consideration shall be satisfied in the following manners:

(1) the Phase I Disposal Consideration will be payable by the Disposal Purchaser to the Disposal Vendors within five days after (i) SIL having been repaid the outstanding principal of US$50,000,000 and interest amount of US$3,000,000 of the Senior Loan Note held by SIL; (ii) the Suzhou Sale Shares having been transferred to the Disposal Purchaser and registered with the relevant government authority in the PRC under the name of the Disposal Purchaser; and (iii) if the acquisition of the Huizhou Sale Shares and the Huizhou Sale Loan have been completed pursuant to the terms and conditions of the Acquisition Agreement, the Huizhou Sale Shares having been charged by Shenzhen Coastal to the Disposal Purchaser; and

(2) (a) in the event that there being no third party bade successfully in the Huizhou Open Tender for the Huizhou Sale Shares and the Huizhou Sale Loan, the Phase II Disposal Consideration will be satisfied by way of set off against the Acquisition Consideration; and

(b) in the event that there being a third party bade successfully in the Huizhou Open Tender for the Huizhou Sale Shares and the Huizhou Sale Loan, the Phase II Disposal Consideration will be payable by the Disposal Purchaser to the Disposal Vendors on the same date as and when the Phase I Disposal Consideration is paid by the Disposal Purchaser to the Disposal Vendors.

Conditions precedent of the Disposal Agreement

Disposal Completion is conditional upon the satisfaction of the following conditions:

(a) there being no third party bade successfully in the Suzhou Open Tender for the Suzhou Sale Shares and the Suzhou Sale Loan;

(b) the Company having satisfied all the required disclosure and approval procedures (including but not limited to the passing by the Independent Shareholders at the SGM of all necessary resolutions to approve the Disposal Agreement and the transactions contemplated thereunder) under all applicable laws and the Listing Rules in respect of the transactions contemplated under the Disposal Agreement;

(c) the warranties given by the Disposal Vendors under the Disposal Agreement remaining true, complete and accurate in all respects;

(d) all necessary consents and approvals for or in connection with the Disposal Agreement having been obtained by the Disposal Vendors and a copy of such consents and approvals documents (save as those which have been publicly announced) having been passed to the Disposal Purchaser;

(e) there being no events, facts, conditions, changes or any other circumstances from the date of the Disposal Agreement to the Disposal Completion which will have material adverse effect on the Suzhou Target Company;

(f) the warranties given by the Disposal Purchaser under the Disposal Agreement remaining true, complete and accurate in all respects;

(g) all necessary consents and approvals for or in connection with the Disposal Agreement having been obtained by the Disposal Purchaser and a copy of such consents and approvals documents (save as those which have been publicly announced) having been passed to the Disposal Vendors;

(h) the Disposal Agreement being in compliance and not in breach of the relevant requirements under the Senior Loan Note and other relevant agreement;

(i) holders of the Senior Loan Note (other than SIL) having been repaid the outstanding principal and interest amount of US$79,000,000 (equivalent to approximately HK$616,200,000) under the Senior Loan Note on or before the maturity date of the Senior Loan Note; and

(j) SIL having complied with all necessary requirements and obtained all necessary approvals with respect to the Disposal Agreement under all applicable laws and the Listing Rules.

All the conditions mentioned above are not waivable. If the conditions mentioned above have not been fulfilled in full on 26 November 2012 or such later date as the Disposal Purchaser and the Disposal Vendors may agree in writing, the Disposal Agreement shall cease and neither parties shall have any obligations or liabilities under the Disposal Agreement save for any antecedent breaches of the terms thereof.

The Company intends to repay the outstanding principal and interest amount of US$79,000,000 (equivalent to approximately HK$616,200,000) under the Senior Loan Note to the holders of the Senior Loan Note (other than SIL) in cash, which will be funded by the Company's internal resources.

Disposal Completion is conditional upon, among other matters, no third party having bidden successfully in the Suzhou Open Tender for the Suzhou Sale Shares and the Suzhou Sale Loan. If a third party successfully bade in the Suzhou Open Tender, the Disposal will not proceed to completion.

As Disposal Completion is not conditional upon, no third party having bidden successfully in the Huizhou Open Tender for the Huizhou Sale Shares and the Huizhou Sale Loan, even if a third party successfully bade in the Huizhou Open Tender, the Disposal will can still proceed to completion.

Disposal Completion

Subject to the fulfillment of all conditions precedent as set out in the paragraph headed "Conditions precedent of the Disposal Agreement", Disposal Completion shall take place within 30 Business Days after the expiry of the Suzhou Open Tender.

Upon the Disposal Completion, the Suzhou Target Company will no longer be a subsidiary of the Company and the Company will not have any interest in the Suzhou Target Company.

GUARANTEE

On 16 October 2012:

(a) each of Mr. Jiang and the Company as guarantor entered into a guarantee agreement respectively, pursuant to which each of Mr. Jiang and the Company agreed to guarantee to Shum Yip Investment and Shum Yip Land the performance of Suzhou Gaotong and Coastal Realty Investment of their obligations under the Disposal Agreement and the performance of Shenzhen Coastal of its obligation under the Acquisition Agreement;

(b) Shenzhen Coastal as guarantor entered into a guarantee agreement, pursuant to which Shenzhen Coastal agreed to guarantee to Shum Yip Investment and Shum Yip Land the performance of Suzhou Gaotong and Coastal Realty Investment of their obligations under the Disposal Agreement;

(c) Shenzhen Coastal entered into a share pledge agreement with Shum Yip Land, pursuant to which upon completion of the Acquisition Agreement, Shenzhen Coastal will charge the Huizhou Sale Shares to Shum Yip Land to secure the performance of Suzhou Gaotong and Coastal Realty Investment of their obligations under the Disposal Agreement; and

(d) SIL as guarantor entered into a guarantee agreement, pursuant to which SIL agreed to guarantee to Suzhou Gaotong, Coastal Realty Investment and Shenzhen Coastal the performance of Shum Yip Land of its obligation under the Disposal Agreement and the performance of Shum Yip Investment of its obligation under the Acquisition Agreement.

REASONS FOR THE TRANSACTIONS

The Group is principally engaged in property development, property investment and provision of property management services. In recent years, the PRC government has implemented a series of austerity measures such as home purchase restriction, price control and tightened monetary policy, resulting in a slowdown in the volume of transactions in the property market and downward adjustments in housing price in general. The Group expects that those regulatory measures, as well as the tightening credit policy for property sector, will not be loosen in the short run, which makes the PRC property market continuously being subject to challenging and volatile operating environment. Hence, the Group has endeavored to adopt prudent business and financial strategies and closely monitor the development of PRC property market to identify suitable opportunities for optimising its land reserve portfolio and strengthening its product competitiveness.

In 2007, the Group completed the acquisition of Suzhou Coastal International Centre which was then a half-developed commercial project. Thereafter, the Group has financed the development of the commercial project by bank and other borrowings and the hotel has commenced business operation since December 2009. Since significant finance costs and depreciation charges were incurred for the Suzhou Project, the Group has been facing with the financial pressure from funds being tied up in the commercial property development/investment for leasing out and hotel operation which may not be recouped as efficient as the residential property development of which returns can be generated within a shorter time span upon the pre-sale of residential properties. Hence, the Group has been actively seeking opportunity to dispose of the Suzhou Project so as to relieve the funds locked up in this investment property for working capital of the Company.

The Group in recent years is looking for co-investment opportunities in property development projects so that on the one hand it can expand its property development portfolio and on the other hand it does not cause too much debt burden.

The Huizhou Project is situated near to Huizhou West Railway Station and Gaobangshan, a national park in the city with pleasant scenery. It is proposed to be developed into a residential development in three phases, the first of which is expected to be available for pre-sale in 2013. Through the Acquisition, the Group can enrich its land portfolio in Pearl River Delta Region, which is in line with its strategy to maintain geographically well-diversified land portfolio for quality residential development without causing too much debt burden by means of co-investment.

Through the Disposal, the Group can recoup its investment in commercial investment projects and hence alleviate the Group's continuous burden of the payment of financing charges and repayment of outstanding borrowings incurred for the Suzhou Project resulting in an improvement in the Group's gearing ratio.

As a result of the Acquisition, the interests in associates would increase by RMB214,780,300 (equivalent to approximately HK$261,927,000). As a result of the Disposal, the Directors expect that the Group would record an unaudited loss on the Disposal of RMB107,652,000 (equivalent to approximately HK$131,283,000). Such loss is estimated based on the gross proceeds from the Disposal of RMB550,000,000 (equivalent to approximately HK$670,732,000) less the aggregate carrying values of Suzhou Sale Shares. Suzhou Sale Loan and borrowing costs capitalised by the Group of RMB657,652,000 (equivalent to approximately HK$802,015,000) as at 30 June 2012 in the accounts of the Group and taxes and all relevant fees and expenses. Nevertheless, the Disposal will have a positive effect on its liabilities as the bank and other borrowings of the Group would decrease by RMB590,000,000 (equivalent to approximately HK$719,512,000). Besides, the Group would receive the net proceeds of approximately RMB335,000,000 (equivalent to approximately HK$408,537,000) as a result of the Transactions. The Directors intend to apply the net proceeds from the Transactions as general working capital of the Group.

PROPERTY PORTFOLIOS OF THE GROUP

The Company's business strategy is to concentrate on developing residential properties in the PRC and to maintain geographically well-diversified land portfolio for quality residential developments. After the completion of the Transactions, the portfolio of the Group's major properties and development projects is set out below.

Development projects of the Group

Anshan Greenland IT City

Anshan Greenland IT City is a large-scale development with a total site area of about 268,807 sq.m. located in Gaoxin District, Anshan, Liaoning Province. The project was developed into a low-density residential estate in six phases. The development of the whole project with a total GFA of about 438,358 sq.m. was completed and all residential units were sold and delivered.

Anshan Qianshan Road Project

Anshan Qianshan Road Project has a total GFA of about 59,000 sq.m. and is being developed into residential and commercial properties.

Anshan Wisdom New City

Anshan Wisdom New City with a total site area of about 84,577 sq.m. is located at North Shengli Road, Lishan District, Anshan, Liaoning Province and is being developed into a residential estate by three phases.

Beijing Jian Guo Men Wai Project

Beijing Jian Guo Men Wai Project is located in Chaoyang District, close to the central business district in Beijing. The plan is to develop an office building with a total GFA of about 44,900 sq.m. The Group has the free usage right of 65% of the GFA of the office building for 35 years starting from the completion of the development.

Beijing Silo City

Beijing Silo City with a total site area of about 216,025 sq.m. is a large-scale, high quality residential and commercial development located in Chaoyang District, close to the central business district of Beijing. The development has a unique modern design and convenient transportation options. The development is a residential/commercial/leisure complex with a total GFA of about 862,700 sq.m. The development has been carried out in phases. The Group owns 100% of Beijing Silo City.

Beijing Sunvilla Realhouse

Beijing Sunvilla Realhouse is a high quality residential development in Panggezhuang Town, an attractive location in Daxing District, Beijing. The Group owns 100% of Beijing Sunvilla Realhouse. The development is a villa estate with a total site area of about 484,421 sq.m. and is being carried out in three phases.

Dalian Coastal International Centre

Dalian Coastal International Centre has a total site area of about 34,001 sq.m. and is being developed into a residential/commercial complex with a total GFA of about 379,800 sq.m. The development is being carried out in two phases with GFA of about 217,200 sq.m. and 162,600 sq.m. for Phase I and Phase II respectively. The Group owns 100% interest in the development.

Dalian Jianzhu Project

The project is located in Ganjingzi District, Dalian, Liaoning Province with a site area of about 54,000 sq.m. The Group owns 100% interest in the development which has been planned to be developed into a residential estate by two phases with an estimated total GFA of about 147,700 sq.m.

Dongguan Riviera Villa

Dongguan Riviera Villa is an upscale low-density residential estate development in the Dao Jiao Town of Dongguan. The Group owns 100% of Dongguan Riviera Villa. The project has a site area of about 382,649 sq.m. and the development is being carried out in phases.

Foshan Chancheng Project

The project is located in Chancheng District, Foshan. The Group own 20% interest in the development which has been planned to be developed into residential properties with a total GFA of 138,000 sq.m.

Jiangxi Riviera Garden

Jiangxi Riviera Garden is a low-density residential estate development located at south of Gaoxin Avenue in Changling Town, Xinjian County, Jiangxi. The Group owns 100% of Jiangxi Riviera Garden. The development has a site area of about 186,393 sq.m. and was carried out in four phases.

Shanghai Riviera Garden

Shanghai Riviera Garden is a low-density residential estate development on Mingzhong Road in Xinqiao Town, Songjiang District of Shanghai. The Group owns 100% of Shanghai Riviera Garden. The development has a site area of about 326,118 sq.m. and is being carried out in two phases.

Shenyang Dongbei Furniture and Ornaments Plaza

Shenyang Dongbei Furniture and Ornaments Plaza located in Yuhong District, Shenyang, Liaoning Province is a property developed by an independent PRC developer and was acquired by the Group in 2004. The Group owns 100% of Shenyang Dongbei Furniture and Ornaments Plaza. The property comprises two office buildings of 2 and 7 storeys respectively, a 5-storey exhibition center, an 8-storey guest house, a carport, various single-storey warehouses and business shops. The Group held a total GFA of about 80,752 sq.m.

Shenyang Hunnan Project

Shenyang Hunnan Project is a development located in Hunnan New District, Shenyang, Liaoning Province with a site area of about 89,400 sq.m. The GFA of about 346,500 sq.m. are planned for residential development and 187,100 sq.m. are for commercial development. The Group owns 100% interest in the development.

Shenyang Sujiatun Project

Shenyang Sujiatun Project is a residential project with ancillary commercial facilities located in Sujiatun District, Shenyang, Liaoning Province with a site area of about 1,473,000 sq.m. The project is a mega development similar to the Group's Wuhan Silo City. The Group is in the process of formulating the development plan for this project.

Wuhan Lakeside Apartment

Wuhan Lakeside Apartment is a low-density large-scale residential estate development with a total GFA of about 344,000 sq.m. The Group owns 100% of Wuhan Lakeside Apartment. The development was carried out in phases.

Wuhan Silo City

Wuhan Silo City is an upscale residential development conveniently located at north of Jinshan Avenue in Dongxihu District of Wuhan. The Group owns 100% of Wuhan Silo City. This large-scale development has a site area of about 874,947 sq.m. and a planned total GFA of about 1,460,000 sq.m. The development is being carried out in phases.

Wuhan Tushu Dashijie Project

Wuhan Tushu Dashijie Project is located in the downtown area of Wuhan and is a commercial development comprising offices and serviced apartments with a total GFA of about 133,300 sq.m. The Group owns 90% of Wuhan Tushu Dashijie Project. The construction plan of the project will be finalised at a later stage.

Development project of an associate

Subsequent to the completion of the Transactions, the Group owns about 30% equity interest in Huizhou Target Company. Set out below is the portfolio of the property project being developed by Huizhou Target Company.

Huizhou Project

Huizhou Project is situated at Huicheng District Huizhou City, Guangdong Province, the PRC which is near to the Huizhou West Railway Station and is proposed to be developed into a residential development in three phases with a total GFA of approximately 372,077 sq.m.

Given the foregoing, the Directors (other than the members of the Independent Board Committee whose views will be included in this circular after considering the advice from the Independent Financial Adviser) consider that the Transactions are in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, SIL holds 631,092,857 Shares, representing approximately 22.62% of the entire equity interest of the Company, and is therefore a connected person of the Company by virtue of being a substantial Shareholder. Each of the Acquisition Vendor and the Disposal Purchaser, being a wholly-owned subsidiary of SIL, is an associate of the substantial Shareholder and therefore a connected person of the Company. Accordingly, the Acquisition and the Disposal will constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

The Acquisition and the Disposal will also constitute a major transaction and a very substantial disposal for the Company under Chapter 14 of the Listing Rules, which are subject to the approval of the Independent Shareholders at the SGM by way of poll.

As at the Latest Practicable Date, the SIL Concert Group is interested in a total of 631,092,857 Shares, representing approximately 22.62% of the entire equity interest of the Company. By virtue of the requirements of the Listing Rules, the SIL Concert Group will abstain from voting on the resolutions approving the Transactions at the SGM.

INDEPENDENT BOARD COMMITTEE

Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Transactions. Messis Capital limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

A notice convening the SGM to be held at Suite 1712-16, 17th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 19 November 2012 at 10:00 a.m. is set out on pages 128 and 129 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at a general meeting must be taken by poll. Accordingly, all the resolutions put to vote at the SGM will be taken by way of poll. The chairman of the SGM will explain the detailed procedure for conducting a poll at the commencement of the SGM.

RECOMMENDATION

The Independent Board Committee, having considered the advice of the Independent Financial Adviser, is of the view that the terms of each of the Acquisition Agreement and the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition and the Disposal are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions as set out in the notice of SGM.

The Board considers that the terms of the Acquisition and the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the Transactions. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Acquisition and the Disposal and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Coastal Greenland Limited
Chan Boon Teong
Chairman

COASTAL GREENLAND LIMITED
沿海綠色家園有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 01124)

2 November 2012

To the Independent Shareholders

Dear Sir or Madam

(1) MAJOR AND CONNECTED TRANSACTION; AND (2) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 2 November 2012 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you the terms of the Acquisition Agreement and the Disposal Agreement and whether such terms are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Messis Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the Acquisition Agreement and the Disposal Agreement (the "**Agreements**") were entered into on normal commercial terms; and (ii) the terms of each of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Independent Shareholders as a whole. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 24 to 48 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 7 to 22 of the Circular and the additional information set out in the appendices of the Circular.

Having considered the terms of each of the Agreements and the advice of Messis Capital Limited, we are of the opinion that (i) each of the Agreements were entered into on normal commercial terms; and (ii) the terms of each of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend that you vote in favour of the resolutions to be proposed at the SGM to approve the Acquisition, the Disposal and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee of
Coastal Greenland Limited

Mr. TANG Lap Yan *Independent non-executive Director*	Mr. LAW Kin Ho *Independent non-executive Director*	Mr. WONG Kai Cheong *Independent non-executive Director*

* *For identification purposes only*

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

大有融資有限公司
MESSIS CAPITAL LIMITED

2 November 2012

To: The Independent Board Committee and the Independent Shareholders of Coastal Greenland Limited

Dear Sir or Madam,

(1) MAJOR ACQUISITION AND CONNECTION TRANSACTION; AND (2) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement, the Disposal Agreement and the respective transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular (the "**Circular**") of the Company to the Shareholders dated 2 November 2012, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 4 October 2012 and 16 October 2012, the Company announced that (i) the Acquisition Purchaser, being a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Acquisition Vendor pursuant to which the Acquisition Purchaser has conditionally agreed to acquire and the Acquisition Vendor has conditionally agreed to sell the Huizhou Sale Shares and the Huizhou Sale Loan at a total consideration of RMB214,780,300 (equivalent to approximately HK$261,927,000); and (ii) the Disposal Vendors, being wholly-owned subsidiaries of the Company, entered into the Disposal Agreement with the Disposal Purchaser pursuant to which the Disposal Vendors have conditionally agreed to sell and the Disposal Purchaser has conditionally agreed to acquire the Suzhou Sale Shares and the Suzhou Sale Loan at a total consideration of RMB550,000,000 (equivalent to approximately HK$670,732,000).

As set out in the Letter from the Board, the Acquisition and the Disposal constitute a major acquisition and a very substantial disposal respectively for the Company under Chapter 14 of the Listing Rules. In addition, each of the Acquisition Vendor and the Disposal Purchaser, being a wholly-owned subsidiary of SIL, is a connected person of the Company by virtue of being an associate of SIL who is a substantial Shareholder. Accordingly, the Acquisition and the Disposal will constitute connected transactions on the part of the Company under Chapter 14A of the Listing Rules and are subject to approval of the Independent Shareholders at the SGM. The SGM will be convened to consider, and if thought fit, approve the Acquisition Agreement, the Disposal Agreement and the respective transactions contemplated thereunder. The SIL Concert Group will abstain from voting on the resolutions approving the Transactions in the SGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tang Lap Yan, Mr. Law Kin Ho and Mr. Wong Kai Cheong, has been established to advise the Independent Shareholders in respect of the Acquisition Agreement, the Disposal Agreement and the respective transactions contemplated thereunder.

We, Messis Capital Limited, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the Acquisition Agreement, the Disposal Agreement and the respective transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; (ii) whether the Acquisition Agreement, the Disposal Agreement and the respective transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole; (iii) whether the Independent Shareholders should vote in favour of the resolutions to approve the Acquisition Agreement, the Disposal Agreement and the respective transactions contemplated thereunder.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company. We are independent of the Company for the purposes of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continued to be so as at the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations not contained in the Circular the omission of which would make any statement in the Circular, including this letter, incorrect or misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, the Acquisition Vendor, the Disposal Purchaser and their respective associates. Also, we have not considered the taxation implication on the Group or the Shareholders as a result of the Transactions.

This letter is issued for the information of the Board solely in connection with their consideration of the Acquisition Agreement, the Disposal Agreement and the respective transactions contemplated thereunder. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

1. Review of Historical Financial Performance of the Group

The Group is principally engaged in property development, property investment and provision of property management services. The table below summarizes the consolidated financial results of the Group as extracted from the annual reports of the Company for the year ended 31 March 2012 (the "**AR 2012**") and for the year ended 31 March 2011 (the "**AR 2011**") which contains comparative figures for the year ended 31 March 2010.

	For the year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	3,922,033	3,753,191	7,177,603
Profit before taxation	685,227	755,397	1,545,924
Profit for the year attributable to owners of the Company	209,577	148,539	593,431

As shown in the above table, the Group's revenue decreased by approximately 4.3% from approximately HK$3,922.0 million for the year ended 31 March 2010 to approximately HK$3,753.2 million for the year ended 31 March 2011 and subsequently increased by approximately 91.2% from approximately HK$3,753.2 million for the year ended 31 March

2011 to approximately HK$7,177.6 million for the year ended 31 March 2012. The Group recorded a profit attributable to owners of the Company of approximately HK$209.6 million, HK$148.5 million and HK$593.4 million for the year ended 31 March 2010, 2011 and 2012 respectively.

The table below shows a summary of the consolidated financial position of the Group as at 31 March 2010, 2011 and 2012, which is extracted from the AR 2012 and the AR 2011:

	As at 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
	(restated)		
Non-current assets	4,023,007	3,299,122	3,130,134
Current assets	12,726,808	15,035,237	13,044,883
Current liabilities	7,401,849	9,796,051	9,678,287
Non-current liabilities	5,904,609	4,759,632	1,936,592
Total equity attributable to:			
Owners of the Company	3,380,026	3,703,633	4,489,350
Non-controlling interest	63,331	75,043	70,788
	3,443,357	3,778,676	4,560,138
Total cash and bank balances and pledged bank deposits	3,183,946	2,502,864	2,514,477
Total interest-bearing bank and other borrowings	5,881,506	5,746,590	6,347,028
Current ratio (*Note 1*)	1.72	1.53	1.35
Gearing ratio (*Note 2*)	78.3%	85.8%	84.0%

Notes:

1. The current ratio is calculated by dividing current assets over current liabilities.

2. The gearing ratio is calculated by dividing net borrowings (being total interest-bearing bank and other borrowings less total cash and bank balances and pledged bank deposits) over total equity.

As shown from the above table, the Group's current ratio decreased from approximately 1.72 in 2010 to approximately 1.35 in 2012. In addition, the Group's gearing ratio jumped from approximately 78.3% in 2010 to approximately 85.8% in 2011 mainly due to the increase in the net borrowings (being total interest-bearing bank and other borrowings less total cash and bank balances and pledged bank deposits) of the Group as at 31 March 2011 and remained at approximately 84.0% as at 31 March 2012. As shown from the AR 2012, the Group has a total interest-bearing bank and other borrowings of approximately HK$5,036.9 million (which includes the Senior Loan Note) which is payable within one year as at 31 March 2012.

The table below summarizes the consolidated statement of cash flows of the Group as extracted from the AR 2012 and the AR 2011:

	For the year ended 31 March		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
	(restated)		
Net cash from (used in) operating activities	2,225,323	857,987	(193,070)
Net cash from (used in) investing activities	(2,407,243)	(134,370)	405,158
Net cash from (used in) financing activities	411,203	(879,801)	(183,038)
Net increase (decrease) in cash and cash equivalents	229,283	(156,184)	29,050

As shown from the above table, the Group's net cash flows from operating activities has decreased significantly from a net cash inflow of approximately HK$2,225.3 million for the year ended 31 March 2010 to a net cash outflow of approximately HK$193.1 million for the year ended 31 March 2012. As shown from the AR 2012, the net cash used in financing activities for the two years ended 31 March 2012 was mainly due to the repayment of bank and other borrowings and interest paid exceeding new bank and other borrowings raised during the relevant period.

Based on the above, we are of the view that although the Group has been able to generate profits from its business, its liquidity position has weakened over the past three financial years as shown by the decreases in the current ratio and the net cash flows generated from operating activities. At the same time, the Group has increasingly used bank and other borrowings to finance its operations as shown by the increase in gearing ratio over the past three financial years. Furthermore, the majority of the Group's bank and other borrowings are short-term and repayable within one year as at 31 March 2012. In light of the weak financial position, it is necessary for the Group to take appropriate action to preserve its cash resources and alleviate its present/future financial burden so as to improve the overall liquidity and financial stability position amid the current uncertain business and economic environment.

2. Reasons for the Transactions and Use of Proceeds

As set out in the Letter from the Board, in light of the regulatory and austerity measures such as home purchase restriction, price control and tightened monetary policy implemented by the PRC government, the Group has endeavored to adopt prudent business and financial strategies and closely monitor the development of the PRC property market so as to identify suitable opportunities for optimising its land reserve portfolio and strengthening its product competitiveness. Since significant finance costs and depreciation charges were incurred for the Suzhou Project, the Group has been facing with the financial pressure from funds being tied up in the commercial property development/investment for leasing out and hotel operation which may not be recouped as quick as the residential property development of which returns can be generated within a shorter time span upon the pre-sale of residential properties. Hence, the Group has been actively seeking opportunity to dispose of the Suzhou Project so as to relieve the funds locked up in this investment property for working capital of the Company. Through the Disposal, the Group can recoup its investment in commercial investment projects and hence alleviate the Group's continuous burden of the payment of financing charges and repayment of outstanding borrowings incurred for the Suzhou Project resulting in an improvement in the Group's gearing ratio.

We note from the AR 2012 that the majority of the Group's properties held for sale and investment are for residential purposes and the Group's business strategy is to develop quality residential estates for the PRC upper to middle class domestic market. The Huizhou Project is situated at Huicheng District Huizhou City, Guangdong Province, the PRC which is near to the Huizhou West Railway Station and is proposed to be developed into a residential development in three phases, the first of which is expected to be available for pre-sale in 2013. Through the Acquisition, the Group can enrich its land portfolio in Pearl River Delta Region, which is in line with its strategy to maintain geographically well-diversified land portfolio for quality residential development without causing too much debt burden by means of co-investment.

The following table shows a summary of statistics about the economic growth and property market in Huizhou during 2006-2010 as extracted from the Huizhou Statistical Yearbook 2011:

Year	**GDP growth** *(%)*	**GDP per capita** *(RMB)*	**Real estate investment** *(RMB billion)*	**Total sales area of commodity houses** *('0000 square meters)*	**Total sales amount of commodity houses** *(RMB billion)*
2006	16.8%	24,881	6.9	254.7	7.6
2007	17.6%	29,284	13.8	383.2	15.3
2008	11.6%	33,428	18.7	295.9	12.2
2009	13.2%	35,819	17.5	543.8	23.2
2010	18.0%	43,396	26.8	627.3	31.1

Source: Huizhou Statistical Yearbook 2011

As shown from the above table, the average GDP growth of Huizhou was approximately 15.4% from 2006-2010 while GDP per capita increased from RMB24,881 in 2006 to RMB43,396 in 2010. Real estate investment in Huizhou increased rapidly from approximately RMB6.9 billion in 2006 to approximately RMB26.8 billion in 2010. According to the Huizhou Statistical Yearbook 2011, out of the RMB26.8 billion real estate investment in 2010, approximately RMB19.8 billion were investment in residential properties and over 50% of the investment in residential properties were made in Huicheng District. There were also increases in the total sales area and total sales amount of commodity houses (including residential properties) in Huizhou from 2006 to 2010. According to the Huizhou Statistical Yearbook 2011, total sales area and total sales amount in commodity properties in Huizhou in 2010 were approximately 6.27 million square meters and RMB31.1 billion respectively and the Huicheng District accounted for over 40% and 50% of the total sales area and total sales amount in residential properties in Huizhou in 2010 respectively.

According to the Pearl River Delta Region Reform and Development Plan (2008-2020) (《珠江三角洲地區改革發展規劃綱要(2008-2020年)》) published by the National Development and Reform Commission of the People's Republic of China (PRC) in December 2008, the PRC government has set goals to develop the Pearl River Delta Region in the future such that the GDP per capita will reach RMB135,000 and urbanization level will reach approximately 85% by 2020. According to an article published on the website of the municipal government of Huizhou (www.huizhou.gov.cn) on 8 June 2012, the Implementation Measures by the Municipal Committee and Municipal Government to Improve the Level of Urbanization 《市委、市政府關於提高城市化發展水準的實施辦法》strives to increase the urbanization level of Huizhou to above 70% and to 85% for major districts in Huizhou such as the Huicheng District by 2015. Based on the above, we are of the view that there are potential growth opportunities for the residential property market in Huizhou, in particular the Huicheng District where the Huizhou Project is situated.

As set out in the Letter from the Board, the Disposal will have a positive effect on the Group's liabilities as the bank and other borrowings of the Group would decrease by about RMB590,000,000 (equivalent to approximately HK$719,512,000). Besides, the Group would receive the net proceeds of approximately RMB335,000,000 (equivalent to approximately HK$408,537,000) as a result of the Transactions.

The following table set out the monthly total trading volume, the highest, lowest and average daily number of the Shares traded per month, number of trading days with no trading volume, and the respective percentages of the Shares' monthly trading volume as compared to the total number of issued Shares as at the Latest Practicable Date and the total number of issued Shares held by the Independent Shareholders during the period from 3 October 2011 to 16 October 2012 (being the date of the Acquisition Agreement and the Disposal Agreement) and further up to the Latest Practicable Date (the "**Review Period**"):

Month	**Total trading volume**	**Highest daily trading volume**	**Lowest daily trading volume**	**Average daily trading volume**	**Number of trading days with no trading volume**	**Percentage of average daily trading volume to total number of Shares in issue** *(Note 1)*	**Percentage of average daily trading volume to total number of Shares held by the Independent Shareholders** *(Note 2)*
2011							
October	32,082,000	6,548,000	30,000	1,604,100	0	0.06%	0.07%
November	42,354,000	6,558,000	10,000	1,925,182	0	0.07%	0.09%
December	30,841,417	7,310,000	2,000	1,542,071	0	0.06%	0.07%

Month	Total trading volume	Highest daily trading volume	Lowest daily trading volume	Average daily trading volume	Number of trading days with no trading volume	Percentage of average daily trading volume to total number of Shares in issue *(Note 1)*	Percentage of average daily trading volume to total number of Shares held by the Independent Shareholders *(Note 2)*
2012							
January	4,190,000	720,000	0	232,778	2	0.01%	0.01%
February	98,688,000	35,302,000	10,000	4,699,429	0	0.17%	0.22%
March	30,570,000	5,368,000	54,000	1,389,545	0	0.05%	0.06%
April	3,940,000	750,000	0	218,889	1	0.01%	0.01%
May	6,209,000	1,020,000	0	282,227	1	0.01%	0.01%
June	32,226,402	12,322,000	0	1,534,591	1	0.05%	0.07%
July	30,612,014	10,284,007	0	1,457,715	1	0.05%	0.07%
August	11,692,000	2,462,000	0	531,455	2	0.02%	0.02%
September	17,882,000	3,190,000	130,000	894,100	0	0.03%	0.04%
October (up to the Latest Practicable Date)	66,565,000	21,560,000	142,000	3,503,421	0	0.13%	0.16%

Source: the Stock Exchange's website

Notes:

1. Based on 2,790,582,857 total issued Shares at the Latest Practicable Date.

2. Based on the total number of Shares held by the Independent Shareholders of 2,159,490,000 as at the Latest Practicable Date.

The highest average daily trading volume of the Shares amounted to approximately 4.7 million, representing approximately 0.17% of the total number of issued Shares and approximately 0.22% of the total number of Shares held by the Independent Shareholders respectively. Although there were only 8 trading days during the Review Period with no actual Shares traded during the day, the average daily trading volume of the Shares during the entire Review Period was approximately 0.05% of the total number of issued Shares and 0.07% of the total number of Shares held by the Independent Shareholders. Based on the above, we consider that the trading of the Shares was relatively thin during the Review Period.

We are advised by the Directors that the Company's credit rating has declined over the past year and it was rated Caa1 (by Moody's) and CCC+ (by Standard and Poor's) as at the Latest Practicable Date. Having considered (i) the low volume of Shares traded on the Stock Exchange during the Review Period; (ii) the low credit rating of the Company; (iii) the weak sentiment of the current capital market; (iv) the deterioration of the Group's working capital and gearing as analyzed under the section headed "Review of historical financial performance of the Group" above; and (v) the challenging operating environment faced by the Group in light of the regulatory and austerity measures such as home purchase restriction, price control and tightened monetary policy implemented by the PRC government, we are of the view that it is difficult for the Company to raise new funds from the market and the Disposal provides an excellent opportunity for the Company to raise additional funds for working capital under the current circumstances.

Having considered that (i) the Disposal is in line with the corporate strategy of the Group to focus its financial resources on the development of residential properties rather than commercial properties; (ii) the Disposal allows the Group to alleviate the continuous burden of the payment of financing charges and repayment of outstanding borrowings incurred for the Suzhou Project and reduce bank and other borrowings of the Group; (iii) the gross proceeds from the Disposal provides additional working capital for the Group; (iv) the commercial property development of the Suzhou Project is an investment property of which returns and cash are generated through leasing of the property and hence the payback period is longer than that of a residential project of which investment can be recouped upon its pre-sale of residential properties; and (v) the Disposal provides an excellent opportunity for the Company to raise additional funds for working capital under the current circumstances, we are of the view that the Disposal is in the interest of the Company and the Shareholders as a whole.

As stated from the Letter from the Board, the Huizhou Project is in progress and is proposed to be developed into a residential development in three phases with a total GFA of approximately 372,077 sq.m. and the whole development is expected to be completed in 2016. As advised by the Directors, the Huizhou Target Company has started to construct affordable houses with a site area of approximately 20,018 sq.m. and GFA of approximately 62,532 sq.m. on a parcel of land adjacent to the Huizhou Project on behalf of 惠州市住房和城鄉建設規劃局 (Huizhou City Construction Bureau of Housing and Urban Planning) and the whole affordable houses development is expected to be completed in 2013. As analysed in the subsection headed "Historical financial performance" under the paragraph headed "Information on the Huizhou Target Company" below, the Huizhou Target Company has already started to recognise revenue from the construction contract of the affordable houses since the financial year ended 31 December 2011. Having considered that (i) the Acquisition is in line of the Company's business strategy to concentrate on developing residential properties in the PRC and to maintain geographically well-diversified land portfolio for quality residential development; (ii) there are potential growth opportunities for the residential property market in Huizhou in the next few years, in particular the Huicheng District where the Huizhou Project is situated; and (iii) the return of the development of the Huizhou Project can be recouped upon the pre-sale of residential properties and hence the payback period is shorter than commercial property development projects whose returns are generated through leasing of properties, we are of the view that the Acquisition is also in the interest of the Company and the Shareholders as a whole.

3. The Acquisition Agreement

Information on the Huizhou Target Company

Principal business

As set out in the Letter from the Board, the Huizhou Target Company was established on 5 April 2007 in the PRC as a limited liability company with registered capital of RMB50,000,000 and principally engaged in property development. The principal assets of Huizhou Target Company are the Huizhou Assets comprising: (a) the Huizhou Project with two parcels of land at Huizhou City, Guangdong Province, the PRC with a total site area of approximately 153,240.6 sq.m. for a term of 70 years expiring on 12 October 2077 for residential use or 40 years expiring on 12 October 2047 for commercial use; and (b) two residential units at Jinhui Hujin Garden, Huicheng District, Huizhou City, Guangdong Province, the PRC with GFA of approximately 325.66 sq.m.. The Huizhou Project is situated at Huicheng District Huizhou City, Guangdong Province, the PRC which is near to the Huizhou West Railway Station and is proposed to be developed into a residential development in three phases with a total GFA of approximately 372,077 sq.m.. The first phase with site area of approximately 38,993.5 sq.m. and GFA of approximately 103,723 sq.m. is expected to be available for pre-sale in early 2013 and the whole development is expected to be completed in 2016. The total construction cost of the Huizhou Project is estimated to be approximately RMB1.6 billion (equivalent to approximately HK$2.0 billion) and is expected to be financed by bank borrowings and proceeds from pre-sale of residential units. Furthermore, the Huizhou Target Company has signed an agreement to construct affordable houses with a site area of approximately 20,018 sq.m. and GFA of approximately 62,532 sq.m. on a parcel of land adjacent to the Huizhou Project on behalf of 惠州市住房和城鄉建設規劃局 (Huizhou City Construction Bureau of Housing and Urban Planning). The total development cost for the affordable houses is estimated to be approximately RMB150,000,000 and will be reimbursed by the government authority with certain profit margin to the Huizhou Target Company. The whole affordable houses development is expected to be completed in 2013.

Historical financial performance

Set out below is a summary of the consolidated financial information of the Huizhou Target Company prepared in accordance with Hong Kong Financial Reporting Standards as extracted from the accountants' report of the Huizhou Target Company set out in Appendix II to the Circular:

	Year ended 31 December			Six months ended 30 June	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Turnover	–	–	18,472,289	–	76,886,672
Loss before taxation	(1,123,307)	(11,391,668)	(36,154,676)	(18,074,310)	(13,230,025)
Loss for the year/period	(1,123,307)	(11,391,668)	(36,154,676)	(18,074,310)	(13,230,025)

The Huizhou Target Company did not record any turnover for the two years ended 31 December 2010 until the second half of 2011 when it recorded turnover of approximately RMB18.5 million for the year ended 31 December 2011 and RMB76.9 million for the six months ended 30 June 2012 respectively. As advised by the Directors, the turnover was derived from the construction contract to construct affordable houses with a site area of approximately 20,018 sq.m. and GFA of approximately 62,532 sq.m. on a parcel of land adjacent to the Huizhou Project on behalf of 惠州市住房和城鄉建設規劃局 (Huizhou City Construction Bureau of Housing and Urban Planning). Accordingly to the accounting policy of the Huizhou Target Company, revenue from construction contracts is recognized on the percentage of completion method, measured by reference to the value of work certified during the year/period. As set out in the Letter from the Board, the total development cost for the affordable houses is estimated to be approximately RMB150,000,000 and will be reimbursed by the government authority with certain profit margin to the Huizhou Target Company and the whole affordable houses development is expected to be completed in 2013. The loss recorded by the Huizhou Target Company increased over the three years ended 31 December 2011 mainly due to the increase in finance costs on loans from shareholders.

As disclosed in the accountants' report of the Huizhou Target Company as set out in Appendix II to the Circular, the audited net liabilities value of the Huizhou Target Company as at 30 June 2012 was approximately RMB12.5 million. Such balance mainly consisted of properties under development of approximately RMB606.7 million and liabilities arising from loans from shareholders and amounts due to shareholders of approximately RMB460 million and RMB174.5 million respectively.

Upon the Acquisition Completion, the Huizhou Target Company will become an associated company of the Company which will hold 30% equity interest of the Huizhou Target Company and will have the same percentage share in the results and net assets of Huizhou Target Company.

Principal terms of the Acquisition Agreement

Pursuant to the Acquisition Agreement, the Acquisition Purchaser, being a wholly-owned subsidiary of the Company, agreed to acquire (i) the Huizhou Sale Shares, being 30% equity interest of the Huizhou Target Company; and (ii) the Huizhou Sale Loan from the Acquisition Vendor at the Acquisition Consideration. The Acquisition Consideration shall be satisfied by way of set off against the Phase II Disposal Consideration.

Consideration for the Acquisition

The Acquisition Consideration is RMB214,780,300 (equivalent to approximately HK$261,927,000), of which the consideration for the Huizhou Sale Shares is RMB19,949,400 (equivalent to approximately HK$24,329,000) and the consideration for the Huizhou Sale Loan is RMB194,830,900 (equivalent to approximately HK$237,599,000). The Acquisition Consideration has been arrived at after arm's length negotiations between the parties with reference to (a) 30% of the unaudited net liabilities value of the Huizhou Target Company as at 30 June 2012 amounting to RMB4,106,600 (equivalent to approximately HK$5,008,000) (including the Huizhou Sale Loan); (b) 30% of the valuation surplus amounting to RMB24,056,000 (equivalent to approximately HK$29,337,000) resulted from the difference between the preliminary valuation of the Huizhou Assets as at 30 June 2012 (conducted by the Valuer) and the unaudited net book value of the Huizhou Assets of RMB608,476,000 (equivalent to approximately HK$742,044,000) as at 30 June 2012; and (c) the face amount of the Huizhou Sale Loan as at 30 June 2012 of RMB194,830,900 (equivalent to approximately HK$237,599,000).

In assessing the fairness and reasonableness of the Acquisition Consideration, we have reviewed the financial information of the Huizhou Target Company as disclosed in Appendix II to the Circular and the valuation of the Huizhou Assets as at 30 June 2012 by RHL Appraisal Limited, an independent professional valuer. The full text of the valuation report prepared by the Valuer is set out in Appendix V to the Circular.

As disclosed in the valuation report by the Valuer, the market value of the Huizhou Assets as in existing state at 30 June 2012 amounted to RMB688.8 million. We have discussed with the Valuer the methodology, bases and assumptions adopted for the valuation of the Huizhou Assets. The valuation of the Huizhou Assets is based on the market value, which is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". We understand that the Valuer has adopted the direct comparison approach in the valuation by making reference to comparable sales evidence as available in the relevant market. In this regard, we understand from the Valuer that (i) comparable sales transactions of land located at Huizhou City with land use rights granted for residential use similar to the Huizhou Project have been taken into consideration in arriving at the market value of the Huizhou Project; and (ii) comparable sales transactions of residential units at the Jinhui Huijin

Garden have been taken into consideration in arriving at the market value of the two residential units at the Jinhui Huijin Garden in Huizhou City. We also understand from the Valuer that the direct comparison approach is a commonly accepted market approach in the valuation of residential properties and is considered to be more reliable than other market approaches such as the income approach or the cost approach. Based on the above, we consider that the basis of the valuation of the Huizhou Assets is fair and reasonable.

As the principal assets of the Huizhou Target Company are the Huizhou Assets, we consider it appropriate to assess consideration for the Huizhou Sale Shares against the net liabilities value of the Huizhou Target Company taking into account the market or fair value of the Huizhou Assets. Based on the audited net liabilities value of the Huizhou Target Company of RMB12,513,223 as at 30 June 2012 and the valuation surplus amounting to RMB80,324,000 resulted from the difference between the valuation of the Huizhou Assets as at 30 June 2012 of RMB688,800,000 and the unaudited net book value of the Huizhou Assets of RMB608,476,000, the adjusted net asset value of the Huizhou Target Company would be RMB67,810,777, of which 30% of the adjusted net asset value would be RMB20,343,233. The consideration for the Huizhou Sale Shares of RMB19,949,400 is close to the 30% attributable interest in the adjusted consolidated net asset value of the Huizhou Target Company of RMB20,343,233 as at 30 June 2012.

Having considered that (i) the Company can acquire the Huizhou Sale Shares at a consideration which is close to the 30% attributable interest in the adjusted consolidated net asset value of the Huizhou Target Company of RMB20,343,233 as at 30 June 2012; (ii) the consideration for the Huizhou Sale Loan of RMB194,830,900 is equal to the face value amount of the Huizhou Sale Loan as at 30 June 2012, we are of the view that the Acquisition Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Other terms and conditions

Acquisition Completion is conditional upon the satisfaction of a number of conditions, details of which are set out in the Letter from the Board, and all such conditions cannot be waived. One of such conditions is that there being no third party bade successfully (i) in the Huizhou Open Tender for the Huizhou Sale Shares and the Huizhou Sale Loan; and (ii) in the Suzhou Open Tender for the Suzhou Sale Shares and the Suzhou Sale Loan. According to the Acquisition Agreement, (i) within five days after the date of the Acquisition Agreement, the Huizhou Sale Shares and the Huizhou Sale Loan will be put on Shenzhen United Property and Share Rights Exchange (深圳聯合產權交易所) for the Huizhou Open Tender at the Acquisition Consideration for 20 working days; and (ii) within five days after the date of the Acquisition Agreement, the Suzhou Sale Shares and the Suzhou Sale Loan will be put on Shenzhen United Property and Share Rights Exchange (深圳聯合產權交易所) for the Suzhou Open Tender at the Disposal Consideration for 20 working days. If either the Huizhou Sale Shares and the Huizhou Sale Loan or the Suzhou Sale Shares and the Suzhou Sale Loan are bade successfully by third parties in the Huizhou Open Tender and the Suzhou Open Tender respectively, the Acquisition Agreement shall cease. According to the Interim Measures for the Management of the Transfer of the State-owned Property Right of Enterprises《企業國有產權轉讓管理暫行辦法》jointly published by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) and the Ministry of Finance of the PRC (中華人民共和國財政部) and the Approved Interim Measures for the Management of Changes of State-owned Property Rights of Shenzhen Enterprises 《深圳市屬企業國有產權變動審批管理暫行辦法》 published by the Shenzhen municipal government (深圳市人民政府), the transfer of state-owned property right of enterprises must be publicly traded on the Shenzhen United Property and Share Rights Exchange (深圳聯合產權交易所). Furthermore, the Huizhou Open Tender provides an alternative exit strategy for both the Acquisition Purchaser and the Acquisition Vendor in relation to the Acquisition. As advised by the Directors and based on the latest information available to the Company, neither the Huizhou Sale Shares and the Huizhou Sale Loan nor the Suzhou Sale Shares and the Suzhou Sale Loan were bade successfully by third parties in the Huizhou Open Tender and the Suzhou Open Tender respectively as at the Latest Practicable Date.

Independent Shareholders should note that Acquisition Completion is conditional on the Disposal Agreement having become unconditional. Therefore, if the Disposal cannot proceed, the Acquisition Agreement shall cease and the Acquisition will not be carried out.

4. The Disposal Agreement

Information on the Suzhou Target Company

Principal business

As set out in the Letter from the Board, the Suzhou Target Company was established on 24 May 1995 in the PRC as a limited liability company with registered capital of RMB350,000,000 and is principally engaged in property development, property investment, hotel operation, property management, property leasing and convention business. The principal assets of the Suzhou Target Company are the Suzhou Assets comprising: (a) the Suzhou Project with Suzhou Coastal International Centre located at the heart of Jinchang District, Suzhou City, Jiangsu Province, the PRC with a total GFA of about 115,700 sq.m. with a composite commercial development of a hotel managed by Marriott International Management Company Limited, offices, serviced apartments and retail shops; and (b) five units in an office building located at Suzhou City, Jiangsu Province, the PRC with a GFA of about 1,865 sq.m.. The Suzhou Project was a half-developed commercial project at the time of acquisition by the Group in 2007 and the development of which is to be completed in two phases. The Group has completed the development of Phase 1 which consists of a 49-storey building comprising offices and a hotel with the GFA of about 33,990 sq.m. and 47,790 sq.m. respectively and a 9-storey building of serviced apartment and retail shops with the GFA of about 15,360 sq.m. and 2,940 sq.m. respectively. The hotel has commenced business operation since December 2009.

Historical financial performance

Set out below is a summary of the consolidated financial information of the Suzhou Target Group prepared in accordance with Hong Kong Financial Reporting Standards as extracted from the financial information of the Suzhou Target Group as set out in Appendix III to the Circular:

	Year ended 31 March			Three months ended 30 June	
	2010	**2011**	**2012**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	17,481	63,053	91,724	18,127	26,475
Increase/(decrease) in fair value of investment properties	494,105	7,778	–	–	(161,211)
Finance cost	(16,166)	(57,667)	(53,561)	(13,407)	(18,351)
Profit/(Loss) before taxation	429,434	(134,238)	(113,412)	(29,032)	(184,167)
Profit/(Loss) for the year/period	236,435	(104,942)	(87,105)	(22,270)	(98,751)

As shown from the table above, although revenue has increased over the past three years ended 31 March 2012, the Suzhou Target Group recorded losses before and after taxation for the two years ended 31 March 2012. Although the Suzhou Target Group recorded profit before and after taxation for the year ended 31 March 2010, this was mainly due to the recognition of an increase in fair value of investment properties amounted to approximately HK$494.1 million. As shown from the financial information of the Suzhou Target Group as set out in Appendix III to the Circular, the Suzhou Target Group incurred large amount of finance costs amounting to approximately HK$57.7 million and HK$53.6 million for the year ended 31 March 2011 and 2012 respectively. The Suzhou Target Group recorded a loss before taxation of approximately HK$184.2 million for the three months ended 30 June 2012, mainly attributable to the recognition of a decrease in fair value of investment properties amounted to approximately HK$161.2 million during the period.

	As at 31 March			As at 30 June
	2010	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	2,314,559	2,016,005	2,007,070	1,826,718
Investment properties and completed properties for sale	1,142,189	1,196,878	1,243,563	1,069,598
Bank balances and cash and pledged bank deposits	252,349	50,866	8,394	9,360
Current assets	605,580	289,257	259,750	261,549
Current liabilities	998,105	614,619	736,801	753,742
Net current liabilities	(392,525)	(325,362)	(477,051)	(492,193)
Total interest-bearing bank and other borrowings	597,120	809,736	727,829	719,512
Total equity	530,394	458,561	390,007	287,790
Current ratio (*Note 1*)	0.61	0.47	0.35	0.35
Gearing ratio (*Note 2*)	65.0%	165.5%	184.5%	246.8%

Notes:

1. The current ratio is calculated by dividing current assets over current liabilities.

2. The gearing ratio is calculated by dividing net borrowings (being total interest-bearing bank and other borrowings less total cash and bank balances and pledged bank deposits) over total equity.

As shown from the table above, the majority of the Suzhou Target Group's assets consist of investment properties and completed properties for sale. The working capital of the Suzhou Target Group deteriorated sharply over recent years as reflected by the decrease in bank balances and cash and pledged bank deposits from approximately HK$252.3 million as at 31 March 2010 to approximately HK$9.4 million as at 30 June 2012, the increase in net current liabilities from approximately HK$392.5 million as at 31 March 2010 to approximately HK$492.2 million as at 30 June 2012 and the fall in current ratio from approximately 0.61 as at 31 March 2010 to approximately 0.35 as at 30 June 2012. We also note from the financial information of the Suzhou Target Group that the Suzhou Target Group had net decrease in cash and cash equivalents of approximately HK$181.9 million and HK$7.3 million for the years ended 31 March 2011 and 2012 respectively. As a result of decrease in bank balances and cash and pledged bank deposits and the increase in total interest-bearing bank and other borrowings, the gearing ratio of the Suzhou Target Group increased from approximately 65.0% as at 31 March 2010 to approximately 246.8% as at 30 June 2012.

Since the Suzhou Target Company is a wholly-owned subsidiary of the Company, the historical financial performance and position of the Suzhou Target Group were consolidated into the Group's financial statements. As analysed under the section headed

"Review of historical financial performance of the Group" in this letter, the Group's working capital and current ratio have decreased while its total interest-bearing bank and other borrowings and gearing ratio have increased over the three years ended 31 March 2012. Upon the Disposal Completion, the Suzhou Target Company will no longer be a subsidiary of the Company and the Company will not have any interest in the Suzhou Target Company. Therefore, the results and net assets of the Suzhou Target Group will no longer be consolidated into the Group's financial statements.

Principal terms of the Disposal Agreement

Pursuant to the Disposal Agreement, the Disposal Vendors, both being wholly-owned subsidiaries of the Company, agreed to dispose (i) the Suzhou Sale Shares, being 100% equity interest of the Suzhou Target Company; and (ii) the Suzhou Sale Loan to the Disposal Purchaser at the Disposal Consideration which shall be satisfied in the following manners:

(1) the Phase I Disposal Consideration will be payable by the Disposal Purchaser to the Disposal Vendors within five days after (i) SIL having been repaid the outstanding principal of US$50,000,000 and interest amount of US$3,000,000 of the Senior Loan Note held by SIL; (ii) the Suzhou Sale Shares having been transferred to the Disposal Purchaser and registered with the relevant government authority in the PRC under the name of the Disposal Purchaser; and (iii) if the acquisition of the Huizhou Sale Shares and the Huizhou Sale Loan have been completed pursuant to the terms and conditions of the Acquisition Agreement, the Huizhou Sale Shares having been charged by Shenzhen Coastal to the Disposal Purchaser; and

(2) (a) in the event that there being no third party bade successfully in the Huizhou Open Tender for the Huizhou Sale Shares and the Huizhou Sale Loan, the Phase II Disposal Consideration will be satisfied by way of set off against the Acquisition Consideration; and

(b) in the event that there being a third party bade successfully in the Huizhou Open Tender for the Huizhou Sale Shares and the Huizhou Sale Loan, the Phase II Disposal Consideration will be payable by the Disposal Purchaser to the Disposal Vendors on the same date as and when the Phase I Disposal Consideration is paid by the Disposal Purchaser to the Disposal Vendors.

Consideration for the Disposal

The Disposal Consideration is RMB550,000,000 (equivalent to approximately HK$670,732,000), of which the consideration for the Suzhou Sale Shares is RMB157,931,900 (equivalent to approximately HK$192,600,000) and the consideration for the Suzhou Sale Loan is RMB392,068,100 (equivalent to approximately

HK$478,132,000). The Disposal Consideration has been arrived at after arm's length negotiations between the parties with reference to (a) the unaudited net assets value (before capitalisation of the borrowing costs mentioned in (c) below) of the Suzhou Target Group as at 30 June 2012 of RMB214,348,000 (equivalent to approximately HK$261,400,000) (including the Suzhou Sale Loan) which exclude a property not to be disposed and therefore has to be excluded from the net asset value; (b) the valuation surplus of RMB33,994,000 (equivalent to approximately HK$41,456,000) resulted from the difference between the preliminary valuation of the Suzhou Assets as at 30 June 2012 (conducted by the Valuer) and the unaudited net book value of the Suzhou Assets of RMB1,486,006,000 (equivalent to approximately HK$1,812,202,000) as at 30 June 2012; (c) borrowing costs capitalised by the Group as at 30 June 2012 of RMB51,236,000 (equivalent to approximately HK$62,483,000; (d) approximately 9.3% discount to the preliminary valuation of the Suzhou Assets amounting to RMB141,646,100 (equivalent to approximately HK$172,739,000); and (e) the face amount of the Suzhou Sale Loan as at 30 June 2012 of RMB392,068,100 (equivalent to approximately HK$478,132,000).

In assessing the fairness and reasonableness of the Disposal Consideration, we have reviewed the financial information of the Suzhou Target Group as disclosed in Appendix III to the Circular and the valuation of the Suzhou Assets as at 30 June 2012 by RHL Appraisal Limited, an independent professional valuer. The full text of the valuation report prepared by the Valuer is set out in Appendix V to the Circular.

As disclosed in the valuation report by the Valuer, the market value of the Suzhou Assets as in existing state at 30 June 2012 amounted to RMB1,520 million. We have discussed with the Valuer the methodology, bases and assumptions adopted for the valuation of the Suzhou Assets. The valuation of the Suzhou Assets is based on the market value, which is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". We understand that the Valuer has adopted the direct comparison approach in the valuation by making reference to comparable sales evidence as available in the relevant market. In this regard, we understand from the Valuer that comparable sales transactions of offices, hotel, serviced apartments and retail shops in Suzhou City similar to the Suzhou Project have been taken into consideration in arriving at the market value of the Suzhou Project. We also understand from the Valuer that the direct comparison approach is a commonly accepted market approach in the valuation of residential or commercial properties and is considered to be more reliable than other market approaches such as the income approach or the cost approach. Based on the above, we consider that the basis of the valuation of the Suzhou Assets is fair and reasonable.

As the principal assets of the Suzhou Target Company are the Suzhou Assets, we consider it appropriate to assess consideration for the Suzhou Sale Shares against the net assets value of the Suzhou Target Group taking into account the market or fair value of the Suzhou Assets. Based on (a) the unaudited net assets value (before capitalisation of the borrowing costs mentioned in (c) below but includes the Suzhou Sale Loan) of the

Suzhou Target Group of RMB235,988,000 (equivalent to approximately HK$287,790,000) as at 30 June 2012 which includes a property not to be disposed in the amount of RMB18,940,000 and therefore has to be excluded from the net assets value of the Suzhou Target Group; (b) the valuation surplus amounting to RMB33,994,000 resulted from the difference between the valuation of the Suzhou Assets as at 30 June 2012 of RMB1,520,000,000 and the unaudited net book value of the Suzhou Assets of RMB1,486,006,000; (c) borrowing costs capitalised by the Group as at 30 June 2012 of RMB51,236,000; and (d) a discount of approximately 9.3% to the valuation of the Suzhou Assets amounting to RMB141,646,100, the adjusted unaudited consolidated net asset value of the Suzhou Target Group would be RMB160,631,900.

We note that the calculation of the Disposal Consideration includes a discount of approximately 9.3% to the valuation of the Suzhou Assets as at 30 June 2012 amounting to RMB141,646,100 but no discount to the valuation of the Huizhou Assets as at 30 June 2012 was included in the calculation of the Acquisition Consideration. Although the Transactions are in substance an asset swap between the parties, the nature of the Suzhou Assets and the Huizhou Assets are completely different. The Huizhou Assets to be acquired are principally residential property development project and residential properties while the Suzhou Assets to be disposed are commercial property development project including offices and hotel. Therefore, we are of the view it is more appropriate to consider the bases of the Disposal Consideration and the Acquisition Consideration on an individual basis having taken into account the different nature of the Huizhou Assets and the Suzhou Assets in the Transactions.

As set out from the Letter from the Board, the Directors considered that it is fair and reasonable to set the Disposal Consideration at a discount to the valuation of the Suzhou assets (which is different from the basis in determining the Acquisition Consideration) for the following reasons: (1) hotel operation may tie up the funds and investment in hotel operation may not be recouped as efficient as investment in residential property development such as the Huizhou Project; and (2) to use a discount to the valuation of the Suzhou Assets in determining the Disposal Consideration is a result after arm's length negotiation between the parties of the Transactions.

We are advised by the Directors that the Disposal Consideration exceeds the original cost of the net assets of Suzhou Target Company by RMB88,000,000 despite a discount of approximately 9.3% to the valuation of the Suzhou Assets as at 30 June 2012 amounting to RMB141,646,100. Furthermore, we are advised by the Directors that the Disposal Vendors were difficult to find other willing buyers for the Suzhou Project. Having considered that (i) the commercial property development of the Suzhou Project is an investment property of which returns and cash are generated through leasing of the property and hence the payback period is longer than that of a residential project of which investment can be recouped upon its pre-sale of residential properties; (ii) the Disposal is in line with the corporate strategy of the Group to focus its financial resources on the development of residential properties rather than commercial properties; (iii) the Disposal provides an excellent opportunity for the Company to raise additional funds for working capital given that it is difficult for the Company to raise new funds from the market in light of the low volume of Shares traded on the Stock Exchange during the Review Period, the low credit rating of the Company, the weak sentiment of the current capital market, the deterioration of the Group's working capital and gearing and the challenging operating environment faced by the Group under the regulatory and austerity measures such as home purchase restriction, price control and tightened monetary policy implemented by the PRC government as analyzed under the section headed "Reasons for the Transactions and use of proceeds" in this letter; (iv) the Suzhou Open Tender is favourable to the Company because the Company would be better off if a potential buyer is willing to bid for the Suzhou Sale Shares and the Suzhou Sale Loan at a price which is higher than the Disposal Consideration; (v) the Senior Loan Note is due on 8 November 2012 and the Group requires additional funding for working capital after the repayment of the Senior Loan Note; and (vi) the Disposal Consideration exceeds the original cost of the net assets of Suzhou Target Company by RMB88,000,000 despite a discount of approximately 9.3% to the valuation of the Suzhou Assets as at 30 June 2012, we are of the view that the discount of approximately 9.3% to the valuation of the Suzhou Assets as at 30 June 2012 amounting to RMB141,646,100 (equivalent to approximately HK$172,739,000) is acceptable so far as the Independent Shareholders are concerned.

Having considered the above together with the reasons that (i) the Acquisition is in line of the Company's business strategy to concentrate on developing residential properties in the PRC and to maintain geographically well-diversified land portfolio for quality residential development; (ii) there are potential growth opportunities for the residential property market in Huizhou in the next few years, in particular the Huicheng District where the Huizhou Project is situated as analysed under the section headed "Reasons for the Transactions and use of proceeds" in this letter; and (iii) the return of the development of the Huizhou Project can be recouped upon the pre-sale of residential properties and hence the payback period is shorter than commercial property development projects whose returns are generated through leasing of properties, we concur with the Directors that it is fair and reasonable to set the Disposal Consideration at a discount to the valuation of the Suzhou assets but do not apply the same basis to determine the Acquisition Consideration.

Having considered that (i) the consideration for the Suzhou Sale Shares of RMB157,931,900 is very close to the adjusted unaudited consolidated net asset value of the Suzhou Target Group amounting to RMB160,631,900 as at 30 June 2012; (ii) the consideration for the Suzhou Sale Loan of RMB392,068,100 is equal to the face value amount of the Suzhou Sale Loan as at 30 June 2012, we are of the view that the Disposal Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Other terms and conditions

Disposal Completion is conditional upon the satisfaction of a number of conditions, details of which are set out in the Letter from the Board, and all such conditions cannot be waived. One of such conditions is that there being no third party bade successfully in the Suzhou Open Tender for the Suzhou Sale Shares and the Suzhou Sale Loan. According to the Disposal Agreement, (i) within five days after the date of the Disposal Agreement, the Huizhou Sale Shares and the Huizhou Sale Loan will be put on Shenzhen United Property and Share Rights Exchange (深圳聯合產權交易所) for the Huizhou Open Tender at the Acquisition Consideration for 20 working days; and (ii) within five days after the date of the Disposal Agreement, the Suzhou Sale Shares and the Suzhou Sale Loan will be put on Shenzhen United Property and Share Rights Exchange (深圳聯合產權交易所) for the Suzhou Open Tender at the Disposal Consideration for 20 working days. If the Suzhou Sale Shares and the Suzhou Sale Loan are bade successfully by third parties in the Suzhou Open Tender, the Disposal Agreement shall cease. According to the Interim Measures for the Management of the Transfer of the State-owned Property Right of Enterprises 《企業國有產權轉讓管理暫行辦法》jointly published by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) and the Ministry of Finance of the PRC (中華人民共和國財政部) and the Approved Interim Measures for the Management of Changes of State-owned Property Rights of Shenzhen Enterprises 《深圳市屬企業國有產權變動審批管理暫行辦法》 published by the Shenzhen municipal government (深圳市人民政府), the transfer of state-owned property right of enterprises must be publicly traded on the Shenzhen United Property and Share Rights Exchange (深圳聯合產權交易所). Furthermore, the Suzhou Open Tender provides an alternative channel for the Disposal Vendors to dispose the Suzhou Sale Shares and the Suzhou Sale Loan at the Disposal Consideration to other potential willing buyers. As advised by the Directors and based on the latest information available to the Company, the Suzhou Sale Shares and the Suzhou Sale Loan had not been bade successfully by third parties in the Suzhou Open Tender as at the Latest Practicable Date.

5. Guarantee

As stated in the Letter from the Board, on 16 October 2012,

(a) each of Mr. Jiang and the Company as guarantor entered into a guarantee agreement respectively, pursuant to which each of Mr. Jiang and the Company agreed to guarantee to Shum Yip Investment and Shum Yip Land the performance of Suzhou Gaotong and Coastal Realty Investment of their obligations under the Disposal Agreement and the performance of Shenzhen Coastal of its obligation under the Acquisition Agreement;

(b) Shenzhen Coastal as guarantor entered into a guarantee agreement, pursuant to which Shenzhen Coastal agreed to guarantee to Shum Yip Investment and Shum Yip Land the performance of Suzhou Gaotong and Coastal Realty Investment of their obligations under the Disposal Agreement;

(c) Shenzhen Coastal entered into a share pledge agreement with Shum Yip Land, pursuant to which upon completion of the Acquisition Agreement, Shenzhen Coastal will charge the Huizhou Sale Shares to Shum Yip Land to secure the performance of Suzhou Gaotong and Coastal Realty Investment of their obligations under the Disposal Agreement; and

(d) SIL as guarantor entered into a guarantee agreement, pursuant to which SIL agreed to guarantee to Suzhou Gaotong, Coastal Realty Investment and Shenzhen Coastal the performance of Shum Yip Land of its obligation under the Disposal Agreement and the performance of Shum Yip Investment of its obligation under the Acquisition Agreement.

The entering of the above guarantee agreements and share pledge agreement by the relevant parties can ensure the performance of the obligations of each of the contracting parties under the Acquisition Agreement and the Disposal Agreement and therefore can safeguard the interests of the Shareholders in the Transactions. Therefore, we are of the view that the above guarantee agreements and share pledge agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole.

6. Financial Effects of the Transactions

Earnings

According to the unaudited pro forma financial information of the Group as set out in Appendix IV to the Circular (the "**Unaudited Pro Forma Financial Information**"), the carrying amount of assets and liabilities of the Suzhou Target Company to be disposed of as at 1 April 2011 is approximately HK$900.0 million (excluding the effect of the application of HKAS 12 (Amendments)) and would increase by approximately HK$88.3 million to approximately HK$988.3 million (excluding the effect of the application of HKAS 12 (Amendments)) as at 31 March 2012 and, as advised by the Directors, would decrease by approximately HK$94.7 million to approximately HK$805.3 million (including the effect of the application of HKAS 12 (Amendments)) as at 30 June 2012.

According to the Unaudited Pro Forma Financial Information, assuming only the Disposal had been completed on 1 April 2011 based on the carrying amount of the assets and liabilities of the Suzhou Target Company to be disposed of amounting to approximately HK$900.0 million as at 1 April 2011, the Group would recognise a loss on the Disposal of approximately HK$248.8 million and the unaudited consolidated net profit after taxation of the Group for the year ended 31 March 2012 would decrease from approximately HK$585.5 million to approximately HK$456.2 million after deconsolidation of the loss of Suzhou Target Group of HK$87.1 million for the year ended 31 March 2012. Assuming both the Disposal and the Acquisition had been completed on 1 April 2011, the unaudited consolidated net profit after taxation of the Group would decrease from approximately HK$585.5 million to approximately HK$465.2 million.

Net assets

According to the Unaudited Pro Forma Financial Information, assuming only the Disposal had been completed on 31 March 2012, the consolidated net assets attributable to owners of the Company of the Group as at 31 March 2012 would decrease from approximately HK$4,489.4 million to approximately HK$4,159.9 million. Assuming both the Disposal and the Acquisition had been completed on 31 March 2012, the consolidated net assets attributable to owners of the Company of the Group as at 31 March 2012 would decrease from approximately HK$4,489.4 million to approximately HK$4,161.7 million.

Working capital

According to the Unaudited Pro Forma Financial Information, assuming only the Disposal had been completed on 31 March 2012, the total current assets of the Group as at 31 March 2012 would decrease from approximately HK$13.0 billion to approximately HK$12.8 billion and the total current liabilities of the Group as at 31 March 2012 would decrease from approximately HK$9.7 billion to approximately HK$8.8 billion. Therefore, the current ratio (being current assets divided by current liabilities) of the Group would increase from approximately 1.34 to approximately 1.45. Assuming both the Disposal and the Acquisition had been completed on 31 March 2012, the total current assets of the Group as at 31 March 2012 would decrease from approximately HK$13.0 billion to approximately HK$12.6 billion and the total current liabilities of the Group as at 31 March 2012 would decrease from approximately HK$9.7 billion to approximately HK$8.8 billion. Therefore, the current ratio of the Group as at 31 March 2012 would increase from approximately 1.34 to approximately 1.43.

Gearing

According to the Unaudited Pro Forma Financial Information, assuming only the Disposal had been completed on 31 March 2012, the net debt of the Group, which is total interest-bearing bank and other borrowings minus cash and bank balances and pledged bank deposits as at 31 March 2012, would decrease from approximately HK$3,832.6 million to approximately HK$2,454.3 million. The gearing ratio (being net debt divided by total equity) of the Group as at 31 March 2012 would decrease from approximately 84.0% to 58.0%. Assuming both the Disposal and the Acquisition had been completed on 31 March 2012, the net debt of the Group as at 31 March 2012 would decrease from approximately HK$3,832.6 million to approximately HK$2,719.2 million and the gearing ratio of the Group would decrease from approximately 84.0% to approximately 64.2%.

Shareholders should note that the aforementioned analyses are for illustrative purpose as at 31 March 2012 only and does not purport to represent how the financial position of the Company will be upon the Acquisition Completion and the Disposal Completion. In conclusion, the working capital and gearing position of the Group would improve while the earnings and net assets of the Group would decrease as a result of the Transactions. Having considered that (i) the Disposal is in line with the corporate strategy of the Group to focus its financial resources on residential property development and to gradually dispose of its commercial development projects; (ii) the first phase of the Huizhou Project is expected to be available for pre-sale in early 2013 which will bring future revenue and earnings to the Group and there are potential growth opportunities for the residential property market in Huizhou, as analysed under the section headed "Reasons for the Transactions and use of proceeds" in this letter which may generate future earnings to the Group and hence improve the net assets position of the Group; and (iii) the Group's working capital would increase while its gearing ratio would decrease upon completion of the Transactions, we consider that although there is a decrease in both the earnings and net assets as a result of the Transactions in the immediate term, in the long run the Transactions will benefit the Group as they would have improved the financial position of the Group and hence the Transactions are in the interest of the Company so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above mentioned principal factors and reasons, in particular,

- the Transactions are in line of the Company's business strategy to concentrate on developing residential properties in the PRC and to focus its financial resources on the development of residential properties rather than commercial properties;
- the Disposal allows the Group to alleviate the continuous burden of the payment of financing charges and repayment of outstanding borrowings incurred for the Suzhou Project and reduce bank and other borrowings of the Group;
- the Disposal would enable the Group to avoid further possible fund injection as required to support future operation of the Suzhou Target Company and deploy more resources on residential properties;
- the potential growth opportunities for the residential property market in Huizhou in the next few years, in particular the Huicheng District where the Huizhou Project is situated;
- the Disposal represents the best available option for the Company to raise additional funds in light of the current market conditions;
- the Transactions provide additional working capital for the Group;
- the bases of (i) the valuation of the Huizhou Assets and the Suzhou Assets; (ii) the Acquisition Consideration; and (iii) the Disposal Consideration are fair and reasonable;
- the Suzhou Open Tender is favourable to the Company because the Company would be better off if a potential buyer is willing to bid for the Suzhou Sale Shares and the Suzhou Sale Loan at a price which is higher than the Disposal Consideration; and

- the working capital and gearing position of the Group would improve as a result of the Transactions,

we consider that the terms of the Acquisition Agreement and the Disposal Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and that the Transactions are in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the SGM to approve the Acquisition Agreement, the Disposal Agreement and the respective transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Robert Siu
Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 March 2010, 2011 and 2012 are disclosed in the annual reports of the Company for the years ended 31 March 2010, 2011 and 2012 respectively. These annual reports are published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.coastal.com.cn).

2. INDEBTEDNESS

Borrowings

At the close of business on 30 September 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$6,549,381,000 comprising secured senior notes of approximately HK$990,939,000, secured bank loans of approximately HK$2,884,229,000, other secured loans of approximately HK$2,616,346,000, unsecured loan from a substantial shareholder of the Company of approximately HK$43,863,000 and other unsecured loan of approximately HK$14,004,000. The Group's banking facilities and other loans were secured by charges over its assets, including bank deposits, property, plant and equipment, land use rights, properties under development, inventories of completed properties, investment properties and share charges over the issued share capital of certain subsidiaries of the Group.

Contingent liabilities

As at 30 September 2012, the Group had contingent liabilities of approximately HK$4,211,083,000 in respect of guarantees given to banks for mortgage loan facilities granted to property purchasers.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, or other material contingent liabilities or guarantees at the close of business of 30 September 2012.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 30 September 2012. The Directors are not aware of any material changes in the Group's indebtedness and contingent liabilities since the close of business on 30 September 2012.

3. MATERIAL ADVERSE CHANGE

The Directors have confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2012, being the date to which the latest published audited accounts of the Company were made up to.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the Group's internal resources, cash flow from operations, banking facilities available to the Group and net proceeds from the Disposal, the Group will have sufficient working capital to satisfy its present requirements that is, for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon the completion of the Transactions, the Group will continue to focus on the development of its geographically well diversified quality property portfolio, optimise its land reserve and strengthen its product competitiveness. The Group will also leverage on its well-recognised corporate brand and its long experience in the PRC property market. The Group in recent years is looking for co-investment opportunities in property projects so that on the one hand it can expand its property development portfolio and on the other hand it does not cause too much debt burden.

The Directors believe there would be no adverse impact on the Group's operation as a result of the Disposal. Further, the net proceeds from the Transactions would improve the Group's financial position. Besides, under the tight credit environment, the Group will actively seek funding alternatives so as to broaden its financial resources and support the sustainable development of the Group.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below is the management discussion and analysis on the Remaining Group for the three years ended 31 March 2012:

(i) For the year ended 31 March 2010

Business Review

For the financial year ended 31 March 2010, the Remaining Group has recorded a revenue of HK$3,914 million, an increase of about 32% as compared to the HK$2,955 million for last year. Profit before taxation for the year was HK$291.3 million, a decrease of about 47% as compared to the HK$522.1 million for last year. Loss attributable to owners of the Company decreased by about 136% to HK$77.6 million (2009: Profit attributable to owners of the Company approximately HK$218.4 million).

Segment Results

Property Development

The Remaining Group recorded the revenue from the sale of properties amounting to approximately HK$3,900 million (2009: HK$2,943 million). The Remaining Group completed development projects delivered with a total GFA of approximately 484,700 sq.m. (2009: 368,900 sq.m.) during the year ended 31 March 2010. The property development segment recorded a profit of approximately HK$432 million, represented a decrease of about 27% compared with profit of HK$592 million in last year.

Property Investment

Revenue from property rental increased by about 24% to HK$9.7 million from last year's HK$7.8 million. The profit contribution from property investment segment increased to HK$12.2 million as compared to last year's loss of HK$61.7 million because of a revaluation surplus of investment properties of HK$10.8 million for the year (2009: deficit of HK$63.4 million).

Property Management

The Remaining Group's property management operations recorded a profit of about HK$0.2 million for the year as compared to last year's loss of HK$0.1 million. The Remaining Group is committed to providing integrated and value-added property management services to foster good relations with tenants and owners and strengthen its brand image.

Gross Profit Margin

The gross profit margin for the year was about 21% which was lower than last year's 29%. The decrease was mainly due to the lower level of selling price attained for the properties completed and delivered to purchasers during the year as significant amounts of the contracted sales of those properties were concluded in late 2008 and early 2009 when the market prices of properties were low amid a tight credit environment.

Material Acquisitions

During the year under review, the Remaining Group completed the acquisition of (i) 85% equity interest of Shenyang Wood Factory Project, which was principally engaged in residential development and (ii) 90% equity interest of Wuhan Tushu Dashijie Project, which was principally engaged in offices and serviced apartments development. In addition, during the year the Remaining Group completed the acquisition of the 50% and 20% equity interests respectively in Dalian Coastal International Centre and Shenyang Hunnan Commercial Project from the joint venture partner and since then the Remaining Group owns 100% equity interests in both developments.

Financial Resources and Liquidity

As at 31 March 2010, the Remaining Group had current assets of approximately HK$12,238 million (2009: approximately HK$12,002 million) while the current liabilities amounted to approximately HK$6,441 million (2009: approximately HK$6,394 million). There was cash and bank balances and pledged bank deposits of approximately HK$2,897 million (2009: approximately HK$1,834 million) and borrowings, bank loan and long term liabilities of approximately HK$5,284 million (2009: approximately HK$4,402 million).

Current ratio, which is calculated on the basis of the total current assets over total current liabilities of the Remaining Group at 31 March 2010 was 1.9 (2009: 1.9) and the gearing ratio, which is calculated on the basis of the total liabilities over total equity of the Remaining Group as at 31 March 2010, was 1.8 (2009: 1.3).

Capital Structure

During the year under review, the Company did not have any changes in its capital structure. The Remaining Group's principal source of fund is the cashflow generated from property sales and leasings, supplemented by bank and other borrowings.

Exposure to Fluctuations in Exchange Rates

The Remaining Group's operations are principally in the PRC and accordingly a majority part of its income and expenditure is denominated in Renminbi. The exchange rates of Renminbi against Hong Kong dollars and United States dollars have been on an overall rising trend, which is in favour of the Remaining Group's operations as all the major assets, mainly property development projects, of the Remaining Group are located in the PRC and will generate Renminbi revenue to the Remaining Group. Except the senior notes and certain bank loans which are denominated in United States dollars or Hong Kong dollars, most of the Remaining Group's liabilities are denominated in Renminbi. Therefore, the Directors do not foresee that movement in the exchange rates of foreign currencies against Renminbi in the foreseeable future will cause a material adverse impact on the Remaining Group's operations.

Charge on Assets

At 31 March 2010, certain of the Remaining Group's bank and other loans were secured by (i) certain land and buildings, investment properties, leasehold lands, bank deposits, properties under development and properties for sale with an aggregate carrying value of approximately RMB6,734,915,000, (ii) the Remaining Group's 90% equity interest in a property-based subsidiary; and (iii) corporate guarantees from the Company and certain of its subsidiaries.

The senior notes (included in other borrowings) as at 31 March 2010 were secured by certain bank deposits of the Remaining Group amounting to approximately HK$62 million and share charges over the entire issued share capital of certain wholly-owned subsidiaries of the Remaining Group.

Contingent Liabilities

At 31 March 2010, the Remaining Group had given guarantees to the extent of approximately HK$3,611 million (2009: HK$2,131 million) to banks in respect of mortgage loan facilities granted to the property purchasers. The Remaining Group had also given guarantees amounting to approximately HK$171 million (2009: HK$283 million) to banks in connection with banking facilities granted to associates. The guarantee given to a financial institution in connection with a loan granted to a target company in relation to acquisition of property-based subsidiaries amounted to approximately HK$345 million (2009: nil).

Employees and Remuneration Policy

The Remaining Group employs a total of about 1,784 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, housing allowances and share options.

Future plans for material investments or capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2010. The management would continue to seek any investment opportunities available in order to bring return to our shareholders.

(ii) For the year ended 31 March 2011

Business Review

For the financial year ended 31 March 2011, the Remaining Group has recorded a revenue of HK$3,748 million, a decrease of about 4% as compared to the HK$3,914 million for last year. Profit before taxation for the year was HK$881.7 million, an increase of about 20.3% as compared to the HK$291.3 million for last year. Profit attributable to owners of the Company was increased by about 440% to HK$263.5 million (2010: Loss attributable to owners of the Company approximately HK$77.6 million).

Segment Results

Property Development

During the year under review, the recognised sales revenue from property development segment was HK$3,735 million, representing a decrease of about 4% from last year's HK$3,900 million, which corresponds to a decrease by 38% in the total GFA delivered by the Group to 298,600 sq.m. (2010: 484,700 sq.m.) with the offset effect of higher level of selling price attained in general. The property development segment recorded a profit of approximately HK$1,023 million, represented an increase of about 137% compared with profit of HK$432 million in last year.

Property Investment

Revenue from property rental decreased by about 29% to HK$6.9 million from last year's HK$9.7 million. The profit contribution from property investment segment increased to HK$53.7 million as compared to last year's HK$12.2 million which was due to a higher amount of revaluation surplus of investment properties for the year of HK$47.9 million as compared to HK$10.8 million for last year.

Property Management

The Remaining Group's property management operations recorded a profit of about HK$2.8 million for the year as compared to last year's profit of HK$0.2 million. The Remaining Group is committed to providing integrated and value-added property management services to foster good relations with tenants and owners and strengthen its brand image.

Gross Profit Margin

The gross profit margin for the year was about 28% which was higher than last year's 21%. The improvement was mainly due to higher level of selling price attained for the properties completed and delivered to the purchasers during the year.

Material Acquisitions

During the year, the Remaining Group completed the acquisition of (i) 100% equity interest of Dalian Jianzhu Project, which was principally engaged in residential development and (ii) 100% equity interest of Shenyang Sujiatun Project, which was principally engaged in residential and commercial development. Upon the completion of acquisition of the above development projects, the deposits paid in prior years for the acquisition of these development projects, which were included in deposits, prepayments and other receivables as at 31 March 2010, were transferred to properties under development during the year.

Financial Resource and Liquidity

As at 31 March 2011, the Remaining Group had current assets of approximately HK$14,856 million (2010: approximately HK$12,238 million) while the current liabilities amounted to approximately HK$9,215 million (2010: approximately HK$6,441 million). There was cash and bank balances and pledged bank deposits of approximately HK$2,452 million (2010: approximately HK$2,897 million) and borrowings, bank loan and long term liabilities of approximately HK$4,937 million (2010: approximately HK$5,284 million).

Current ratio, which is calculated on the basis of the total current assets over total current liabilities of the Remaining Group at 31 March 2011 was 1.6 (2010: 1.9) and the gearing ratio, which is calculated on the basis of the total liabilities over total equity of the Remaining Group as at 31 March 2011, was 1.5 (2010: 1.8).

Capital Structure

During the year under review, the Company did not have any changes in its capital structure. The Remaining Group's principal source of fund is the cashflow generated from property sales and leasings, supplemented by bank and other borrowings.

Exposure to Fluctuations in Exchange Rates

The Remaining Group's operations are principally in the PRC and accordingly a majority part of its income and expenditure is denominated in Renminbi. The exchange rates of Renminbi against Hong Kong dollars and United States dollars have been on an overall rising trend, which is in favour of the Remaining Group's operations as all the major assets, mainly property development projects, of the Remaining Group are located in the PRC and will generate Renminbi revenue to the Remaining Group. Except the senior notes and certain bank loans which are denominated in United States dollars or Hong Kong dollars, most of the Remaining Group's liabilities are denominated in Renminbi. Therefore, the Directors do not foresee that movement in the exchange rates of foreign currencies against Renminbi in the foreseeable future will cause a material adverse impact on the Remaining Group's operations.

Charge on Assets

At 31 March 2011, certain of the Remaining Group's bank and other loans were secured by (i) certain land and buildings, investment properties, leasehold lands, bank deposits, properties under development and properties for sale with an aggregate carrying value of approximately RMB6,442,877,000, (ii) the Remaining Group's 90% and 100% equity interests in two property-based subsidiaries; and (iii) corporate guarantees from the Company and certain of its subsidiaries.

The senior notes (included in other borrowings) as at 31 March 2011 were secured by certain bank deposits of the Remaining Group amounting to approximately HK$62 million and share charges over the entire issued share capital of certain wholly-owned subsidiaries of the Remaining Group.

Contingent Liabilities

At 31 March 2011, the Remaining Group had given guarantees to the extent of approximately HK$4,419 million (2010: HK$3,611 million) to banks in respect of mortgage loan facilities granted to the property purchasers. The Remaining Group had also given guarantees amounting to approximately HK$59 million (2010: HK$171 million) to banks in connection with banking facility granted to an associate. As at 31 March 2010, the guarantee given to a financial institution in connection with a loan granted to a target company in relation to acquisition of property-based subsidiaries amounted to approximately HK$345 million.

Employees and Remuneration Policy

The Remaining Group employs a total of about 1,750 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, housing allowances and share options.

Future plans for material investments or capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2011. The management would continue to seek any investment opportunities available in order to bring return to our shareholders.

(iii) For the year ended 31 March 2012

Business Review

For the financial year ended 31 March 2012, the Remaining Group has recorded a revenue of HK$7,716 million, an increase of about 91% as compared to the HK$3,748 million for last year. Profit before taxation for the year was HK$1,660.4 million, an increase of about 88% as compared to HK$881.7 million for last year. Profit attributable to owners of the Company increase by about 158% to HK$478.6 million.

Segment Results

Property Development

During the year under review, the recognised sales revenue from property development segment was HK$7,163 million, representing an increase of about 92% from last year's HK$3,735 million, which corresponds to an increase by 80% in the total GFA delivered by the Group to 536,000 sq.m. (2011: 298,600 sq.m.). The property development segment recorded a profit of approximately HK$2,054 million, represented an increase of about 101% compared with profit of HK$1,023 million in last year.

Property Investment

Revenue from property rental increased by about 3% to HK$7.1 million from last year's HK$6.9 million. The contribution from property investment segment for the year has turned into a loss of HK$57.5 million comparing to a profit of HK$53.7

million for last year as there was a revaluation deficit of investment properties of HK$56.3 million recorded for the year whereas a revaluation surplus of HK$47.9 million was recorded for last year.

Property Management

The Remaining Group's property management operations recorded a profit of about HK$1.9 million for the year as compared to last year's profit of HK$2.8 million. The Remaining Group is committed to providing integrated and value-added property management services to foster good relations with tenants and owners and strengthen its brand image.

Gross Profit Margin

The gross profit margin for the year was about 33% which marked an improvement from last year's 28%. The improvement was mainly due to a higher level of selling price attained in general for the properties completed and delivered to the purchasers during the year.

Impairment loss on goodwill

During the year, the Remaining Group has fully impaired the amount of goodwill of HK$90.2 million (2011: nil) as the properties developed by the cash generating unit in property development segment to which the goodwill had been allocated were substantially sold at 31 March 2012.

Material Acquisitions and Disposals

During the year ended 31 March 2012, the Remaining Group acquired (i) 100% equity interest in Coastal Greenland Development (Anshan) Ltd. from an associate of the Remaining Group, which was principally engaged in residential development and (ii) 100% equity interest in Shenyang Zhong Guang Bei Fang Ying Shi Cheng Co., Ltd, an entity which held a parcel of land for property development in the PRC.

During the year ended 31 March 2012, the Remaining Group disposed of 80% equity interest in Foshan Harmonious Realty Development Co., Ltd. which is engaged in property development in the PRC to an independent third party for a consideration of HK$113,395,000. Following completion of the disposal, the Group is able to exercise significant influence over Foshan Harmonious Realty Development Co., Ltd. which has then become an associate of the Group.

Financial Resource and Liquidity

As at 31 March 2012, the Remaining Group had current assets of approximately HK$13,217 million (2011: approximately HK$14,856 million) while the current liabilities amounted to approximately HK$9,311 million (2011:

approximately HK$9,215 million). There was cash and bank balances and pledged bank deposits of approximately HK$2,506 million (2011: approximately HK$2,452 million) and borrowings, bank loan and long term liabilities of approximately HK$5,619 million (2011: approximately HK$4,937 million).

Current ratio, which is calculated on the basis of the total current assets over total current liabilities of the Remaining Group at 31 March 2012 was 1.4 (2011: 1.6) and the gearing ratio, which is calculated on the basis of the total liabilities over total equity of the Remaining Group as at 31 March 2012, was 1.4 (2011: 1.5).

Capital Structure

During the year under review, the Company did not have any changes in its capital structure. The Remaining Group's principal source of fund is the cashflow generated from property sales and leasings, supplemented by bank and other borrowings.

Exposure to Fluctuations in Exchange Rates

The Remaining Group's operations are principally in the PRC and accordingly a majority part of its income and expenditure is denominated in Renminbi. The exchange rates of Renminbi against Hong Kong dollar and United States dollar have been on an overall rising trend, which is in favour of the Remaining Group's operations as all the major assets, mainly property development projects, of the Remaining Group are located in the PRC and will generate Renminbi revenue to the Remaining Group. Except the senior notes and certain bank loans which are denominated in United States dollar or Hong Kong dollar, most of the Remaining Group's liabilities are denominated in Renminbi. Therefore, the Directors do not foresee that movement in the exchange rates of foreign currencies against Renminbi in the foreseeable future will cause a material adverse impact on the Remaining Group's operations.

Charge on Assets

At 31 March 2012, certain of the Remaining Group's bank and other loans were secured by (i) certain land and buildings, investment properties, leasehold lands, bank deposits, properties under development and properties for sale with an aggregate carrying value of approximately RMB4,090,714,000, (ii) the Remaining Group's 90% and 100% equity interests in two property-based subsidiaries; and (iii) corporate guarantees from the Company and certain of its subsidiaries.

The senior notes (included in other borrowings) as at 31 March 2011 were secured by certain bank deposits of the Remaining Group amounting to approximately HK$62 million and share charges over the entire issued share capital of certain wholly-owned subsidiaries of the Remaining Group.

Contingent Liabilities

At 31 March 2012, the Remaining Group had given guarantees to the extent of approximately HK$4,001 million (2011: HK$4,419 million) to banks in respect of mortgage loan facilities granted to the property purchasers. The Remaining Group had also given guarantees amounting to approximately HK$123 million (2011: HK$59 million) to banks in connection with banking facility granted to an associate.

Employees and Remuneration Policy

The Remaining Group employs a total of about 2,450 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, housing allowances and share options.

Future plans for material investments or capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2012. The management would continue to seek any investment opportunities available in order to bring return to our shareholders.

7. MANAGEMENT DISCUSSION AND ANALYSIS OF THE HUIZHOU TARGET COMPANY

Business review

The Huizhou Target Company is engaged in the property development business and construction. The Huizhou Project is in progress and the first phase of the Huizhou Project is expected to be available for pre-sale in 2013 and the whole development is expected to be completed in 2016. Besides, the Huizhou Target Company has signed an agreement to construct affordable houses on behalf of the Huizhou government. The whole affordable houses development is expected to be completed in 2013.

Financial review

During the year ended 31 December 2011 and six months ended 30 June 2012, the revenue recorded was RMB18.5 million and RMB76.9 million respectively and was generated from the construction activity for the Huizhou government. Based on the Group's revenue recognition policy, the revenue and costs are recognised by reference to the stage of completion of the construction activity, measured based on the proportion that contract costs incurred for work performed to date related to the estimated total contract costs.

Administrative expenses for each of the three years ended 31 December 2009, 2010 and 2011 were about RMB1.1 million, RMB4.4 million and RMB4.6 million respectively. Administrative expenses for the six months ended 30 June 2011 and 2012 were RMB2.3 million and RMB2.5 million respectively. The increase in administrative expenses was in line with the increase in the stage of completion of construction activity.

Finance costs of the Huizhou Target Company is attributed to the interest bearing loans from shareholders amounted to RMB460 million. Finance costs charged to profit or loss for each of the three years ended 31 December 2009, 2010 and 2011 were nil, RMB7.0 million and RMB31.5 million respectively. Finance costs incurred for the six months ended 30 June 2011 and 2012 were RMB15.8 million and RMB16.0 million respectively. The increase was mainly due to the finance costs were not qualified for capitalisation since October 2010.

No PRC enterprise income tax or land value-added tax was recorded as the Huizhou Target Company has no assessable profits for each of the three years ended 31 December 2009, 2010 and 2011 and the two periods ended 30 June 2011 and 2012.

Borrowings and charges

The borrowings of the Huizhou Target Company are solely the shareholders' loans amounted to RMB460.0 million. The loans are denominated in Renminbi.

The loans are unsecured, carrying interest at the lending rate quoted by the People's Bank of China and repayable on 11 December 2012.

As at 31 December 2009, 2010, 2011 and 30 June 2012, the total current assets of the Huizhou Target Company were approximately RMB559.2 million, RMB604.0 million, RMB632.0 million and RMB621.0 million respectively, while the total current liabilities amounted to approximately RMB513.0 million, RMB569.7 million, RMB633.5 million and RMB644.7 million respectively.

Current ratio, which is calculated on the basis of the total current assets over total current liabilities of the Huizhou Target Company, as at 31 December 2009, 2010, 2011 and 30 June 2012 were 1.1, 1.1, 1.0 and 1.0 respectively.

Exposure to fluctuations in exchange rates

The functional currency of the Huizhou Target Company is Renminbi. Its operations are in the PRC and accordingly its income and a majority part of its expenditure are denominated in Renminbi. All of its assets, mainly properties under development, are in the PRC and its borrowings are denominated in Renminbi. Therefore, any fluctuations in the exchange rates of foreign currencies against Renminbi will have no material impact on the operations of the Huizhou Target Company.

Charges of assets and contingent liabilities

At 31 December 2009, 2010, 2011 and 30 June 2012, assets of the Huizhou Target Company were free from any form of legal charge. In addition, the Huizhou Target Company did not have any contingent liabilities.

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2 November 2012

The Directors
Coastal Greenland Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding 惠州深業南方地產有限公司 Huizhou Shum Yip Southern Land Company Limited ("Huizhou Shum Yip") for each of the three years ended 31 December 2011 and the six months ended 30 June 2012 (the "Relevant Periods") for inclusion in a circular issued by Coastal Greenland Limited (the "Company") dated 2 November 2012 (the "Circular") in connection with the proposed acquisition of the 30% registered capital of Huizhou Shum Yip and 30% of the aggregate shareholder's loan due by Huizhou Shum Yip.

Huizhou Shum Yip was established with limited liability in the People's Republic of China (the "PRC") on 5 April 2007 and has adopted 31 December as its financial year end date.

The statutory financial statements of Huizhou Shum Yip were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. The statutory financial statements of Huizhou Shum Yip for each of the three years ended 31 December 2011 were audited by the following Certified Public Accountants registered in the PRC.

Financial year	Name of auditor
Year ended 2009	惠州市正大會計師事務所有限公司
Year ended 2010	惠州市正大會計師事務所有限公司
Year ended 2011	大華會計師事務所有限公司

For the purpose of this report, the directors of Huizhou Shum Yip have prepared the financial statements of Huizhou Shum Yip for the Relevant Periods in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of Huizhou Shum Yip for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Huizhou Shum Yip who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Huizhou Shum Yip as at 31 December 2009, 2010 and 2011 and 30 June 2012 and of the results and cash flows of Huizhou Shum Yip for the Relevant Periods.

The comparative statement of comprehensive income, statement of changes in equity and statement of cash flows of Huizhou Shum Yip for the six months ended 30 June 2011, together with the notes thereon have been extracted from Huizhou Shum Yip's unaudited financial information for the same period (the "June 2011 Financial Information") which was prepared by the directors of Huizhou Shum Yip solely for the purpose of this report. We have reviewed the June 2011 Financial Information in accordance with the Hong Kong Standard on Review Engagement 2400 "Engagements to Review Financial Statements" issued by the HKICPA. Our review of the June 2011 Financial Information consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the June 2011 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2011 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with the Hong Kong Financial Reporting Standards.

A. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	NOTES	**2009**	**2010**	**2011**	**2011**	**2012**
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
					(unaudited)	
Turnover	*9*	–	–	18,472,289	–	76,886,672
Cost of sales		–	–	(18,472,289)	–	(71,625,915)
Gross profit		–	–	–	–	5,206,757
Interest income		2,527	3,760	8,755	4,378	27,944
Administrative expenses		(1,125,834)	(4,423,617)	(4,635,568)	(2,316,633)	(2,472,393)
Finance costs	*10*	–	(6,971,811)	(31,527,863)	(15,762,055)	(16,046,333)
Loss before taxation		(1,123,307)	(11,391,668)	(36,154,676)	(18,074,310)	(13,230,025)
Income tax expense	*11*	–	–	–	–	–
Loss and total comprehensive expense for the year/period	*12*	(1,123,307)	(11,391,668)	(36,154,676)	(18,074,310)	(13,230,025)

STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December 2009	2010	2011	As at 30 June 2012
		RMB	RMB	RMB	RMB
NON-CURRENT ASSET					
Property, plant and equipment	15	2,053,455	2,503,721	2,260,659	2,167,114
CURRENT ASSETS					
Properties under development	16	48,434,937	598,442,075	605,589,924	606,657,172
Other receivables, deposits and prepayments	17	510,772,558	5,176,517	5,468,817	13,559,277
Amount due from a customer for contract work	18	–	–	–	4,116,579
Bank balances and cash	19	10,522	408,108	20,902,683	5,677,834
		559,218,017	604,026,700	631,961,424	630,010,862
CURRENT LIABILITIES					
Trade payable	20	–	–	3,810,000	–
Other payables and accrued expenses	21	2,000	2,090,726	2,779,700	10,216,102
Loans from shareholders	22	460,000,000	460,000,000	460,000,000	460,000,000
Amounts due to shareholders	23	53,006,326	107,568,217	153,387,870	174,475,097
Amount due to a customer for contract work	18	–	–	13,527,711	–
		513,008,326	569,658,943	633,505,281	644,691,199
NET CURRENT ASSETS (LIABILITIES)		46,209,691	34,367,757	(1,543,857)	(14,680,337)
TOTAL ASSETS LESS LIABILITIES		48,263,146	36,871,478	716,802	(12,513,223)
CAPITAL AND RESERVE					
Registered capital	24	50,000,000	50,000,000	50,000,000	50,000,000
Accumulated losses		(1,736,854)	(13,128,522)	(49,283,198)	(62,513,223)
TOTAL EQUITY		48,263,146	36,871,478	716,802	(12,513,223)

STATEMENTS OF CHANGES IN EQUITY

	Registered capital *RMB*	Accumulated losses *RMB*	Total *RMB*
At 1 January 2009	50,000,000	(613,547)	49,386,453
Loss and total comprehensive expense for the year	–	(1,123,307)	(1,123,307)
At 31 December 2009	50,000,000	(1,736,854)	48,263,146
Loss and total comprehensive expense for the year	–	(11,391,668)	(11,391,668)
At 31 December 2010	50,000,000	(13,128,522)	36,871,478
Loss and total comprehensive expense for the year	–	(36,154,676)	(36,154,676)
At 31 December 2011	50,000,000	(49,283,198)	716,802
Loss and total comprehensive expense for the period	–	(13,230,025)	(13,230,025)
At 30 June 2012	50,000,000	(62,513,223)	(12,513,223)
Unaudited			
At 1 January 2011	50,000,000	(13,128,522)	36,871,478
Loss and total comprehensive expense for the period	–	(18,074,310)	(18,074,310)
At 30 June 2011	50,000,000	(31,202,832)	18,797,168

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
OPERATING ACTIVITIES					
Loss before taxation	(1,123,307)	(11,391,668)	(36,154,676)	(18,074,310)	(13,230,025)
Adjustments for:					
Interest income	(2,527)	(3,760)	(8,755)	(4,378)	(27,944)
Finance costs	–	6,971,811	31,527,863	15,762,055	16,046,333
Depreciation of property, plant and equipment	6,857	153,009	253,956	126,978	93,545
Operating cash flows before movements in working capital	(1,118,977)	(4,270,608)	(4,381,612)	(2,189,655)	2,881,909
Increase in properties under development	(26,496,000)	(529,914,338)	(7,147,849)	(6,729,393)	(1,067,248)
(Increase) decrease in other receivables, deposits and prepayments	(495,758)	505,596,041	(292,300)	(266,696)	(8,090,460)
(Decrease) increase in other payables and accrued expenses	(15,395)	2,088,726	688,974	2,432,948	7,436,402
Increase (decrease) in trade payable	–	–	3,810,000	–	(3,810,000)
Changes in amount due from/to a customer for contract work	–	–	13,527,711	–	(17,644,290)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(28,126,130)	(26,500,179)	6,204,924	(6,752,796)	(20,293,687)
INVESTING ACTIVITIES					
Interest received	2,527	3,760	8,755	4,378	27,944
Purchase of property, plant and equipment	(222,750)	(603,275)	(10,894)	–	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(220,223)	(599,515)	(2,139)	4,378	27,944
CASH FROM A FINANCING ACTIVITY					
Advances from shareholders	28,355,437	27,497,280	14,291,790	7,147,772	5,040,894
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,084	397,586	20,494,575	399,354	(15,224,849)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	1,438	10,522	408,108	408,108	20,902,683
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	10,522	408,108	20,902,683	807,462	5,677,834

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Huizhou Shum Yip was established in the PRC on 5 April 2007 with limited liability and is principally engaged in property development and construction. The address of the registered office and principal place of business of Huizhou Shum Yip is Jin Cui Ge 803, Hujing Garden, Ehu Road, Hui Zhou, Guangdong Province, the PRC. Since the establishment of Huizhou Shum Yip and throughout the Relevant Periods, its immediate holding company is 深業地產(集團)有限公司, a company established in the PRC, and its substantial shareholder is 深業集團有限公司, a state-owned company established in Shenzhen, the PRC which is ultimately controlled by the government of the PRC.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of Huizhou Shum Yip.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information has been prepared on a going concern basis because an intermediate holding company of Huizhou Shum Yip has agreed to provide adequate funds to enable Huizhou Shum Yip to meet in full its financial obligations as they fall due for the foreseeable future.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Huizhou Shum Yip has consistently applied Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("HK(IFRIC)-Int") issued by the HKICPA which are effective for annual accounting periods beginning on 1 January 2012 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments and interpretation that are not yet effective. Huizhou Shum Yip has not early applied these standards, amendments or interpretations.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2015.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2014.

The directors of Huizhou Shum Yip anticipate that the application of the new and revised standards, amendments and interpretation will have no material impact on the results and the financial position of Huizhou Shum Yip.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. These policies have been consistently applied throughout the Relevant Periods.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Revenue recognition

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

Huizhou Shum Yip's policy for recognition of revenue from construction contract is described at the accounting policy below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to Huizhou Shum Yip and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the statements of financial position under trade receivables.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for administrative purpose are stated in the statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

When a lease includes both land and building elements, Huizhou Shum Yip assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to Huizhou Shum Yip, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Impairment losses on tangible assets

At the end of the reporting period, Huizhou Shum Yip reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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 loss is recognised as an expense immediately.

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.

Properties under development

Properties under development for sale purpose are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised, and other attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when Huizhou Shum Yip 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Huizhou Shum Yip's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, deposits, retention receivable, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contacts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by Huizhou Shum Yip are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of Huizhou Shum Yip after deducting all of its liabilities. Equity instruments issued by Huizhou Shum Yip are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade payable, other payables, accrued expenses, retention payable, loans from shareholders and amounts due to shareholders) are subsequently measured at amortised cost using effective interest method.

Derecognition

Huizhou Shum Yip derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

Huizhou Shum Yip derecognises financial liabilities when, and only when, Huizhou Shum Yip's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

The employees of Huizhou Shum Yip, which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. Huizhou Shum Yip is required to contribute certain percentage of its payroll costs to the central pension scheme.

Payments to central pension scheme are charged as an expense when employees have rendered service entitling them to the contributions.

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/period. Taxable profit differs from profit as reported in the statements of comprehensive income 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. Huizhou Shum Yip's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Huizhou Shum Yip expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

5. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of Huizhou Shum Yip's accounting policies, which are described in note 4, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Write down of properties under development

The management of Huizhou Shum Yip writes down properties under development to net realisable value based on assessment of the realisability of properties under development, taking into account current market price of properties of a comparable stand and location. 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 to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realisable. The identification of write-downs requires the use of estimates. If the expectation is different, it will impact the carrying value and write-downs of properties under development in the period in which such estimate is changed. The carrying amounts of properties under development at 31 December 2009, 2010, 2011 and 30 June 2012 were RMB48,434,937, RMB598,442,075, RMB605,589,924 and RMB606,657,172 respectively.

(b) Percentage of completion of construction works

Huizhou Shum Yip recognises the revenue according to the percentage of completion of the individual contract of construction works. The percentage of completion is determined by the aggregated cost for the individual contract incurred at the end of the reporting period compared with the estimated budgeted cost. Management's estimation of the budgeted cost and the cost incurred to date is primarily based on construction budget and actual cost report prepared by internal quantity surveyors, where applicable. Corresponding revenue from contract work is also estimated by management based on the percentage of completion and estimated revenue. Because of the nature of the activities undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different reporting periods. Huizhou Shum Yip regularly reviews and revises the estimation of both contract revenue and contract cost in the budget prepared for each construction contract as the contract progresses.

6. CAPITAL RISK MANAGEMENT

The management of Huizhou Shum Yip manages its capital to ensure that Huizhou Shum Yip will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance.

The capital structure of Huizhou Shum Yip consists of net debts, which includes the loans from shareholders and amounts due to shareholders as disclosed in notes 22 and 23 respectively, net of cash and cash equivalents and equity attributable to owners of Huizhou Shum Yip, comprising registered capital, and accumulated losses.

The management of Huizhou Shum Yip reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through raising new registered capital as well as the issue of new debts or the redemption of existing debts.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	RMB	*RMB*	*RMB*	*RMB*
Financial assets				
Loans and receivables (including cash and cash equivalents)	10,522	5,540,063	26,343,638	19,209,249
Financial liabilities				
Amortised cost	513,008,326	568,049,917	618,368,544	643,082,173

(b) Financial risk management objectives and policies

Huizhou Shum Yip's major financial instruments include other receivables, deposits, retention receivable, bank balances and cash, trade payable, other payables, accrued expenses, retention payable, loans from shareholders and amounts due to shareholders. Detail of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Huizhou Shum Yip does not enter into derivative financial instruments for hedging purpose. There has been no significant change to Huizhou Shum Yip's exposure to market risks or the manner in which it manages and measures during the Relevant Periods.

(i) Market risk

Interest rate risk

Huizhou Shum Yip is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and loans from shareholders which carry interest at prevailing market interest rates.

Huizhou Shum Yip's cash flow interest rate risk is mainly concentrated on the fluctuation of the lending rate quoted by the People's Bank of China arising from Huizhou Shum Yip's loans from shareholders.

Huizhou Shum Yip currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Interest rate sensitivity analysis

The sensitivity analysis below has been prepared based on the exposure to interest rates for loans from shareholders at the end of the reporting period and the stipulated change taking place at the beginning of the financial years/period and held constant throughout the respective reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rate had been of 100 basis points higher/lower and all other variables held constant, Huizhou Shum Yip's loss for the year/period would increase/decrease by nil, RMB1,150,000, RMB4,600,000 and RMB2,300,000 for the years ended 31 December 2009, 2010 and 2011 and for the six months ended 30 June 2012, respectively after capitalisation of certain interest expenses in properties under development.

(ii) Credit risk

As at the end of each reporting period, Huizhou Shum Yip's maximum exposure to credit risk which would cause a financial loss to Huizhou Shum Yip due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk, the management of Huizhou Shum Yip has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of Huizhou Shum Yip reviews the recoverable amount of each debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of Huizhou Shum Yip considers that the credit risk is significantly reduced.

Huizhou Shum Yip has no significant concentration of credit risk, with exposure spread over a number of counterparties having similar characteristics.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

(iii) Liquidity risk

Huizhou Shum Yip has net current liabilities of RMB1,543,857 and RMB14,680,337 as at 31 December 2011 and 30 June 2012 respectively. Huizhou Shum Yip has sufficient funds to finance its current working capital requirement as its intermediate holding company has agreed to provide adequate funds to Huizhou Shum Yip to maintain its liquidity position.

In the management of the liquidity risk, Huizhou Shum Yip monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Huizhou Shum Yip's operations and mitigate the effects of fluctuations in cash flows.

Ultimate responsibility for liquidity risk management rests with the management of Huizhou Shum Yip which has built an appropriate liquidity risk management framework for the management of Huizhou Shum Yip's short, medium and long-term funding and liquidity management requirements. Huizhou Shum Yip continuously monitors the forecast and actual cash flows.

The following tables detail Huizhou Shum Yip's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Huizhou Shum Yip can be required to pay. Specifically, loans from shareholders which are repayable on demand are included in the earliest time band regardless of the probability of the shareholders choosing to exercise their rights to demand early repayment. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

	On demand or within 1 year	**1-2 years**	**Total undiscounted cash flows**	**Carrying amount at 31 December 2009**
	RMB	*RMB*	*RMB*	*RMB*
Other payables and accrued expenses	2,000	–	2,000	2,000
Loans from shareholders	460,000,000	–	460,000,000	460,000,000
Amounts due to shareholders	53,006,326	–	53,006,326	53,006,326
	513,008,326	–	513,008,326	513,008,326

	On demand or within 1 year *RMB*	1-2 years *RMB*	Total undiscounted cash flows *RMB*	Carrying amount at 31 December 2010 *RMB*
Other payables and accrued expenses	481,700	–	481,700	481,700
Loans from shareholders	460,000,000	–	460,000,000	460,000,000
Amounts due to shareholders	107,568,217	–	107,568,217	107,568,217
	568,049,917	–	568,049,917	568,049,917

	On demand or within 1 year *RMB*	1-2 years *RMB*	Total undiscounted cash flows *RMB*	Carrying amount at 31 December 2011 *RMB*
Trade payables	3,810,000	–	3,810,000	3,810,000
Other payables and accrued expenses	1,170,674	–	1,170,674	1,170,674
Loans from shareholders	460,000,000	–	460,000,000	460,000,000
Amounts due to shareholders	153,387,870	–	153,387,870	153,387,870
	618,368,544	–	618,368,544	618,368,544

	On demand or within 1 year *RMB*	1-2 years *RMB*	Total undiscounted cash flows *RMB*	Carrying amount at 30 June 2012 *RMB*
Other payables and accrued expenses	621,616	7,985,460	8,607,076	8,607,076
Loans from shareholders	460,000,000	–	460,000,000	460,000,000
Amounts due to shareholders	174,475,097	–	174,475,097	174,475,097
	635,096,713	7,985,460	643,082,173	643,082,173

The table below summarises the maturity analysis of loans from shareholders which are repayable on demand based on the agreed scheduled repayments set out in the loan agreements. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the maturity analysis above. Taking into account Huizhou Shum Yip's financial position, the directors do not consider that it is probable that the shareholders will exercise their discretion to demand immediate repayment. The directors believe that such loans from shareholders will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity Analysis – Loans subject to a repayment on demand clause based on scheduled repayments

	0-60 days *RMB*	61-90 days *RMB*	91-180 days *RMB*	181-365 days *RMB*	1-2 years *RMB*	2-5 years *RMB*	Total undiscounted cash flows *RMB*
As at 30.6.2012	5,290,000	2,645,000	467,935,000	–	–	–	475,870,000
As at 31.12.2011	5,290,000	2,645,000	7,935,000	475,870,000	–	–	491,740,000
As at 31.12.2010	4,768,667	2,384,333	7,153,000	14,306,000	488,612,000	–	517,224,000
As at 31.12.2009	4,416,000	2,208,000	6,624,000	13,248,000	26,496,000	486,496,000	539,488,000

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of Huizhou Shum Yip considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

8. SEGMENT INFORMATION

Huizhou Shum Yip is principally engaged in property development and construction in the PRC. For the purposes of assessing performance and allocating resources, Huizhou Shum Yip's operation is regarded as one reportable and operating segment which is property development and construction. The chief operating decision makers, being directors of Huizhou Shum Yip, review the loss for the year/period of Huizhou Shum Yip as a whole. Accordingly, no segmental analysis is presented.

During the Relevant Periods, revenue of Huizhou Shum Yip was generated from one single customer, which is a local government authority in Huizhou, Guangdong Province.

All the non-current assets of Huizhou Shum Yip are located in the PRC.

9. REVENUE

The amount represents revenue arising on a construction contract.

10. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2009 *RMB*	2010 *RMB*	2011 *RMB*	2011 *RMB* (unaudited)	2012 *RMB*
Interest on loans from shareholders	26,496,000	27,064,611	31,527,863	15,762,055	16,046,333
Less: Capitalised in properties under development	(26,496,000)	(20,092,800)	–	–	–
	–	6,971,811	31,527,863	15,762,055	16,046,333

11. INCOME TAX EXPENSE

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory tax rate of Huizhou Shum Yip is 25% from 1 January 2008 onwards.

No provision for Enterprise Income Tax has been made as Huizhou Shum Yip has no assessable profits during the Relevant Periods.

The tax charge for the year/period can be reconciled to the loss before taxation as follows:

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Loss before taxation	(1,123,307)	(11,391,668)	(36,154,676)	(18,074,310)	(13,230,025)
PRC Enterprise Income Tax at 25%	(280,827)	(2,847,917)	(9,038,669)	(4,518,578)	(3,307,506)
Tax effect of deductible temporary differences not recognised	278,001	2,145,209	9,038,669	4,247,944	2,902,522
Tax effect of tax losses not recognised	2,826	702,708	–	270,634	404,984
Tax charge for the year/period	–	–	–	–	–

At 31 December 2009, 2010, 2011 and 30 June 2012, Huizhou Shum Yip has deductible temporary differences of approximately RMB1,112,000, RMB9,693,000, RMB45,848,000 and RMB57,458,000 respectively. No deferred tax asset has been recognised in relation to such deductible temporary differences due to unpredictability of future taxable profit against which the deductible temporary differences can be utilised.

At 31 December 2009, 2010, 2011 and 30 June 2012, Huizhou Shum Yip has unused tax losses of approximately RMB11,000, RMB2,822,000, RMB2,822,000 and RMB4,442,000 respectively available for offset against future profits. No deferred tax assets has been recognised in respect of all tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will gradually expire until 2014.

12. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Loss and total comprehensive expense for the year/period has been arrived at after charging:					
Auditors' remuneration	12,000	12,000	12,000	6,000	6,108
Depreciation of property, plant and equipment	6,857	153,009	253,956	126,978	93,545
Minimum lease payments under operating lease for land and buildings	–	68,563	159,480	79,740	77,719
Staff costs excluding retirement benefit costs	466,172	379,923	295,329	147,664	75,975
Retirement benefit costs	–	3,892	17,914	8,957	11,033
Total staff costs	466,172	383,815	313,243	156,621	87,008
Contract costs recognised as an expense	–	–	18,472,289	–	71,625,915

13. DIRECTORS' EMOLUMENTS

During the Relevant Periods, no emoluments were paid or payable by Huizhou Shum Yip to its directors.

14. LOSS PER SHARE

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *RMB*	**Motor vehicles** *RMB*	**Equipment and furniture** *RMB*	**Total** *RMB*
COST				
At 1 January 2009	–	–	38,100	38,100
Additions	2,029,525	–	–	2,029,525
At 31 December 2009	2,029,525	–	38,100	2,067,625
Additions	60,973	259,841	282,461	603,275
At 31 December 2010	2,090,498	259,841	320,561	2,670,900
Additions	–	–	10,894	10,894
At 31 December 2011 and at 30 June 2012	2,090,498	259,841	331,455	2,681,794
ACCUMULATED DEPRECIATION				
At 1 January 2009	–	–	7,313	7,313
Charge for the year	–	–	6,857	6,857
At 31 December 2009	–	–	14,170	14,170
Charge for the year	81,305	38,976	32,728	153,009
At 31 December 2010	81,305	38,976	46,898	167,179
Charge for the year	150,004	46,771	57,181	253,956
At 31 December 2011	231,309	85,747	104,079	421,135
Charge for the period	40,652	23,387	29,506	93,545
At 30 June 2012	271,961	109,134	133,585	514,680
CARRYING VALUES				
At 31 December 2009	2,029,525	–	23,930	2,053,455
At 31 December 2010	2,009,193	220,865	273,663	2,503,721
At 31 December 2011	1,859,189	174,094	227,376	2,260,659
At 30 June 2012	1,818,537	150,707	197,870	2,167,114

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

Leasehold land and buildings	20 years, being shorter of the estimated useful lives or the term of land lease of 50 years
Motor vehicles	20%
Equipment and furniture	20%

The buildings are all situated on land in the PRC held under medium-term leases.

The allocation of leasehold land and buildings elements of properties located in the PRC cannot be made reliably, thus the entire amount is classified as a finance lease and is accounted for as a property, plant and equipment.

16. PROPERTIES UNDER DEVELOPMENT

The properties under development for sale purpose are situated in the PRC and are under medium and long term leases.

The properties under development are expected to be completed and sold after twelve months from the end of the respective reporting period.

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	RMB	*RMB*	*RMB*	*RMB*
Other receivables	–	131,955	440,955	545,955
Deposits and prepayments	5,804	5,044,562	5,027,862	5,027,862
Deposits paid for acquisition of land use rights	510,766,754	–	–	–
Retention receivable	–	–	–	7,985,460
	510,772,558	5,176,517	5,468,817	13,559,277

At 30 June 2012, retention held by the customer for contract works amounting to approximately RMB7,985,000 was included in other receivables which is expected to be paid or settled after more than twelve months from the end of the reporting period.

18. AMOUNT DUE FROM (TO) A CUSTOMER FOR CONTRACT WORK

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	RMB	*RMB*	*RMB*	*RMB*
Contract in progress at the end of the reporting period				
Contract costs incurred plus recognised profits less recognised losses	–	–	18,472,289	95,358,961
Less: progress billings	–	–	(32,000,000)	(91,242,382)
	–	–	(13,527,711)	4,116,579

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	RMB	*RMB*	*RMB*	*RMB*
Analysed for reporting purposes as:				
Amount due from a customer for contract work	–	–	–	4,116,579
Amount due to a customer for contract work	–	–	(13,527,711)	–
	–	–	(13,527,711)	4,116,579

19. BANK BALANCES AND CASH

Bank balances as at 31 December 2009, 2010 and 2011 and 30 June 2012 carried interests at market rates at 0.36%, 0.36%, range from 0.36% to 0.50% and range from 0.44% to 0.50% per annum respectively.

20. TRADE PAYABLE

Trade payable as at 31 December 2011 was aged less than 30 days based on the invoice date at the end of the reporting period.

21. OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	RMB	*RMB*	*RMB*	*RMB*
Other payables	2,000	44,000	8,500	8,500
Accrued expenses	–	437,700	1,162,174	613,116
Other tax accrual	–	1,609,026	1,609,026	1,609,026
Retention payable	–	–	–	7,985,460
	2,000	2,090,726	2,779,700	10,216,102

At 30 June 2012, retentions held by the Company for contract works amounting to approximately RMB7,985,000 was included in other payables which is expected to be paid or settled after more than twelve months from the end of the reporting period.

22. LOANS FROM SHAREHOLDERS

The loans are unsecured, carrying interest at the lending rate quoted by the People's Bank of China of 5.31%, 5.78%, 6.83% and 6.90% per annum at 31 December 2009, 2010, 2011 and 30 June 2012, respectively and repayable on 11 December 2012.

The loans though mature in December 2012, is due for immediate repayment upon request by the lender. Accordingly, they are classified under current liabilities as at 31 December 2009 and 2010.

23. AMOUNTS DUE TO SHAREHOLDERS

The amounts including interest payable to shareholders are unsecured, interest-free and repayable on demand.

24. REGISTERED CAPITAL

	RMB
Registered and fully paid at 31 December 2009, 2010, 2011 and 30 June 2012	50,000,000

Huizhou Shum Yip was established with registered capital of RMB50,000,000 on 5 April 2007. The registered capital was fully paid at the date of establishment.

25. OPERATING LEASE COMMITMENTS

At the end of the reporting period, Huizhou Shum Yip had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	RMB	*RMB*	*RMB*	*RMB*
Within one year	–	39,300	42,000	33,250
In the second to fifth years inclusive	–	–	12,250	–
	–	39,300	54,250	33,250

Leases for properties are negotiated for terms ranging from 1 to 2 years with fixed rentals.

26. RELATED PARTY TRANSACTIONS AND BALANCES

During the Relevant Periods, Huizhou Shum Yip has no other transactions with related parties except for those disclosed in the statements of financial position and notes 8, 10, 22 and 23.

The key management of Huizhou Shum Yip comprises all the directors and their remunerations, part of which is in respect of their services to Huizhou Shum Yip were borne by 深業控股(深圳)有限公司, an intermediate holding company of Huizhou Shum Yip. No apportionment has been made as the directors do not believe that it is practicable to apportion the remunerations between their services to Huizhou Shum Yip and other subsidiaries of 深業控股(深圳)有限公司.

Huizhou Shum Yip is significantly influenced by the PRC government and operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

Apart from transactions and balances as disclosed in note 8, 10, 22 and 23, the Group has entered into various transactions, including deposits placements, with banks which are government-related entities in the ordinary course of business.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Huizhou Shum Yip have been prepared in respect of any period subsequent to 30 June 2012.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

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REPORT ON REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF COASTAL GREENLAND LIMITED

Introduction

We have reviewed the consolidated financial information set out on pages 85 to 91 which comprises the consolidated statements of financial position of Suzhou New Development Investment Co., Ltd. and its subsidiaries (collectively referred to as the "Disposal Group") as of 31 March 2010, 2011 and 2012 and 30 June 2012 and the related consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the three years ended 31 March 2012 and three months ended 30 June 2011 and 2012 (the "Relevant Periods"), and certain explanatory notes (the "Financial Information"). The directors of Coastal Greenland Limited are responsible for the preparation and presentation of this Financial Information in accordance with Rule 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the basis of preparation set out in note 2 to the Financial Information. The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements" nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Financial Information is free of material misstatement. A review is limited primarily to inquiries of the Disposal Group's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Financial Information is not prepared, in all material respects, in accordance with the basis of preparation and principal accounting policies set out in note 2 to the Financial Information.

Emphasis of Matter

Without qualifying our review conclusion, we draw attention to note 2 to the Financial Information which indicates that the Disposal Group had net current liabilities of HK$492,193,000 as at 30 June 2012. The Disposal Group's ability to continue as a going concern is dependent on the ongoing availability of finance being made to the Disposal Group from its existing ultimate holding company and the new owner as the case may be. If in future the financing arrangements from these parties are no longer available, the Disposal Group may be unable to meet its obligation as and when they fall due in the foreseeable future. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Disposal Group's ability to continue as a going concern.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
2 November 2012

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 March			Three months ended 30 June	
	2010	2011	2012	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	17,481	63,053	91,724	18,127	26,475
Cost of services	(19,366)	(125,172)	(131,700)	(28,980)	(27,485)
	(1,885)	(62,119)	(39,976)	(10,853)	(1,010)
Other income	510	721	2,467	614	6
Increase (decrease) in fair value of investment properties	494,105	7,778	–	–	(161,211)
Administrative expenses	(12,766)	(18,929)	(15,748)	(3,600)	(2,947)
Marketing and selling expenses	(4,710)	(3,838)	(5,811)	(829)	(651)
Other expenses	(29,654)	(184)	(783)	(957)	(3)
Finance cost	(16,166)	(57,667)	(53,561)	(13,407)	(18,351)
Profit (loss) before taxation	429,434	(134,238)	(113,412)	(29,032)	(184,167)
Taxation	(192,999)	29,296	26,307	6,762	85,416
Profit (loss) for the year/period	236,435	(104,942)	(87,105)	(22,270)	(98,751)
Other comprehensive income					
Exchange differences arising on translation to presentation currency	1,294	21,133	18,551	5,724	(3,466)
Surplus on revaluation of buildings	11,912	15,968	–	–	–
Deferred tax liability arising on revaluation of buildings	(2,978)	(3,992)	–	–	–
Other comprehensive income (expense) for the year/period	10,228	33,109	18,551	5,724	(3,466)
Total comprehensive income (expense) for the year/period	246,663	(71,833)	(68,554)	(16,546)	(102,217)

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 March			As at 30 June
	2010	2011	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Investment properties	929,558	978,332	1,016,493	845,122
Property, plant and equipment	745,300	748,416	730,827	720,047
Pledged bank deposits	34,121	–	–	–
Total non-current assets	1,708,979	1,726,748	1,747,320	1,565,169
CURRENT ASSETS				
Completed properties for sale	212,631	218,546	227,070	224,476
Trade receivables	1,277	1,517	5,565	8,871
Prepayments, deposits and other receivables	8,505	18,328	18,613	18,842
Amounts due from fellow subsidiaries	109,208	–	108	–
Amount due from a related company	21,610	–	–	–
Pledged bank deposits	59,143	35,619	–	–
Bank balances and cash	193,206	15,247	8,394	9,360
Total current assets	605,580	289,257	259,750	261,549
CURRENT LIABILITIES				
Trade payables	4,250	5,406	8,035	9,881
Other payables and accruals	387,707	188,676	253,786	255,973
Amount due to an intermediate holding company	233	–	–	–
Amount due to immediate holding company	179,687	187,544	194,847	–
Amounts due to fellow subsidiaries	417,129	126,136	270,264	478,132
Interest-bearing bank and other borrowings	9,099	106,857	9,869	9,756
Total current liabilities	998,105	614,619	736,801	753,742
NET CURRENT LIABILITIES	(392,525)	(325,362)	(477,051)	(492,193)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,316,454	1,401,386	1,270,269	1,072,976
CAPITAL AND RESERVES				
Registered capital	363,165	363,165	363,165	363,165
Reserves	167,229	95,396	26,842	(75,375)
TOTAL EQUITY	530,394	458,561	390,007	287,790
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	588,021	702,879	717,960	709,756
Long term payable	–	59,365	–	–
Deferred tax liabilities	198,039	180,581	162,302	75,430
Total non-current liabilities	786,060	942,825	880,262	785,186
	1,316,454	1,401,386	1,270,269	1,072,976

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Registered capital *HK$'000*	Capital reserve *HK$'000*	Leasehold property revaluation reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	PRC reserve funds *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2009	363,165	218,302	5,073	24,040	103,485	(430,334)	283,731
Exchange differences arising on translation to presentation currency	–	–	–	1,294	–	–	1,294
Surplus on revaluation	–	–	11,912	–	–	–	11,912
Deferred tax charge on revaluation of buildings	–	–	(2,978)	–	–	–	(2,978)
Other comprehensive income for the year	–	–	8,934	1,294	–	–	10,228
Profit for the year	–	–	–	–	–	236,435	236,435
Total comprehensive income for the year	–	–	8,934	1,294	–	236,435	246,663
At 31 March 2010	363,165	218,302	14,007	25,334	103,485	(193,899)	530,394
Exchange differences arising on translation to presentation currency	–	–	–	21,133	–	–	21,133
Surplus on revaluation	–	–	15,968	–	–	–	15,968
Deferred tax charge on revaluation of buildings	–	–	(3,992)	–	–	–	(3,992)
Other comprehensive income for the year	–	–	11,976	21,133	–	–	33,109
Loss for the year	–	–	–	–	–	(104,942)	(104,942)
Total comprehensive income (expense) for the year	–	–	11,976	21,133	–	(104,942)	(71,833)
At 31 March 2011	363,165	218,302	25,983	46,467	103,485	(298,841)	458,561
Exchange differences arising on translation to presentation currency	–	–	–	18,551	–	–	18,551
Other comprehensive income for the year	–	–	–	18,551	–	–	18,551
Loss for the year	–	–	–	–	–	(87,105)	(87,105)
Total comprehensive income (expense) for the year	–	–	–	18,551	–	(87,105)	(68,554)

	Registered capital *HK$'000*	Capital reserve *HK$'000*	Leasehold property revaluation reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	PRC reserve funds *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 31 March 2012	363,165	218,302	25,983	65,018	103,485	(385,946)	390,007
Exchange differences arising on translation to presentation currency	–	–	–	(3,466)	–	–	(3,466)
Other comprehensive expense for the period	–	–	–	(3,466)	–	–	(3,466)
Loss for the period	–	–	–	–	–	(98,751)	(98,751)
Total comprehensive expense for the period	–	–	–	(3,466)	–	(98,751)	(102,217)
At 30 June 2012	363,165	218,302	25,983	61,552	103,485	(484,697)	287,790
At 31 March 2011	363,165	218,302	25,983	46,467	103,485	(298,841)	458,561
Exchange differences arising on translation to presentation currency	–	–	–	5,724	–	–	5,724
Other comprehensive income for the period	–	–	–	5,724	–	–	5,724
Loss for the period	–	–	–	–	–	(22,270)	(22,270)
Total comprehensive income (expense) for the period	–	–	–	5,724	–	(22,270)	(16,546)
At 30 June 2011	363,165	218,302	25,983	52,191	103,485	(321,111)	442,015

Note: Capital reserve represented additional capital contributed by the owners which exceeded the registered capital of the Company.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Three months ended 30 June	
	2010	2011	2012	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES					
Profit (loss) before taxation	429,434	(134,238)	(113,412)	(29,032)	(184,167)
Adjustments for:					
Interest income	(378)	(694)	(2,093)	(26)	(6)
Finance costs	16,166	57,667	53,561	13,407	18,351
(Increase) decrease in fair value of investment properties	(494,105)	(7,778)	–	–	161,211
Depreciation of property, plant and equipment	11,779	47,482	49,270	11,942	12,176
Operating cash flows before movements in working capital	(37,104)	(37,561)	(12,674)	(3,709)	7,565
Decrease in properties under development	117,648	–	–	–	–
Increase in completed properties for sale	(212,631)	(19,400)	–	–	–
Increase in trade receivables	(1,277)	(184)	(3,989)	(4,061)	(3,370)
(Increase) decrease in prepayments, deposits and other receivables	(3,104)	(9,450)	430	(31,140)	(442)
(Decrease) increase in trade payables	(3,524)	969	2,418	(5,086)	1,938
Increase (decrease) in other payables and accruals	218,643	(261,888)	(1,521)	9,363	1,697
Cash generated from (used in) operations	78,651	(327,514)	(15,336)	(34,633)	7,388
Interest received	378	694	2,093	26	6
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	79,029	(326,820)	(13,243)	(34,607)	7,394
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(367,926)	(2,915)	(14)	–	–
Repayment from a related company	–	22,559	–	–	–
Repayment form (advance to) fellow subsidiaries	71,101	114,002	(108)	(38)	108
Placement of pledged bank deposits	(59,250)	–	–	–	–
Withdrawal of pledged bank deposits	–	57,645	37,008	–	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(356,075)	191,291	36,886	(38)	108

	Year ended 31 March			Three months ended 30 June	
	2010	2011	2012	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
FINANCING ACTIVITIES					
Repayment of bank and other borrowings	(590,773)	(834,669)	(112,759)	–	–
New bank and other borrowings raised	597,120	1,041,297	–	–	–
Advance from (repayment to) an intermediate holding company	58	(243)	–	–	–
Advance from (repayment to) immediate holding company	179,864	(30)	(12)	(1)	–
Advance from (repayment to) fellow subsidiaries	300,994	(309,303)	135,343	46,788	11,921
Increase in long term payable	–	180,887	–	–	–
Repayment of long term payable		(66,658)	–	–	–
Interest paid	(57,162)	(57,667)	(53,561)	(13,407)	(18,351)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	430,101	(46,386)	(30,989)	33,380	(6,430)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	153,055	(181,915)	(7,346)	(1,265)	1,072
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	35,430	193,206	15,247	15,247	8,394
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	4,721	3,956	493	866	(106)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	193,206	15,247	8,394	14,848	9,360

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL

On 28 September 2012, the ultimate holding company of Suzhou New Development Investment Co., Ltd. ("Suzhou Target Company") and its subsidiaries (hereinafter collectively referred to as the "Disposal Group"), Coastal Greenland Limited (the "Company"), has entered into an agreement with Shenzhen Investment Limited, a substantial shareholder of the Company (the "Purchaser"), pursuant to which if there being no third party bade successfully in the open tender for the entire equity interest of Suzhou Target Company (the "Suzhou Sale Shares") and the amounts due to subsidiaries of the Company by Suzhou Target Company (the "Suzhou Sale Loan"), the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Suzhou Sale Shares and the Suzhou Sale Loan at a total cash consideration of RMB550,000,000 (the "Disposal"). Upon completion of the Disposal, the Disposal Group will cease to be subsidiaries of the Company.

The Disposal Group is principally engaged in property development, property investments, property management and hotel operation in the PRC.

The functional currency of the Suzhou Target Company is Renminbi. The Financial Information (as defined below) is presented in Hong Kong dollar for the convenience of its users.

2. BASIS OF PREPARATION OF THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

The financial information of the Disposal Group for each of the three years ended 31 March 2012 and the three months ended 30 June 2011 and 2012 (the "Financial Information") has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular issued by the Company in connection with the Disposal.

The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements" or a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The amounts included in the Financial Information have been recognised and measured in accordance with the relevant accounting policies of the Company and its subsidiaries (the "Group") adopted in the preparation of its consolidated financial statements for each of the three years ended 31 March 2012 which conform with Hong Kong Financial Reporting Standards issued by the HKICPA and adjusted retrospectively for the effect of the adoption of the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" which became effective on the Group's financial year commencing on 1 April 2012. Effect of the adoption of the amendment to HKAS 12 is set out in note 3.

In preparing the Financial information, the directors of Suzhou Target Company (the "Directors") have given careful consideration to the future liquidity of the Disposal Group. While recognising that the Disposal Group had net current liabilities of HK$492,193,000 as at 30 June 2012 which were primarily attributable to the Suzhou Sale Loan, the Directors are satisfied that the Disposal Group will be able to meet in full its financial obligations as they fall due in the foreseeable future as the ultimate holding company of the Disposal Group has agreed to provide adequate funds to the Disposal Group until the date of Disposal. In addition, upon completion of the Disposal, the Suzhou Sale Loan will be transferred to the new shareholder of Suzhou Target Company as an amount due to the new shareholder. The Directors believe that the new shareholder of the Disposal Group will provide continued financial support to the Disposal Group to ensure the Disposal Group to meet its financial obligations as and when they fall due after the date of Disposal.

3. CHANGES IN ACCOUNTING POLICIES

Under the amendments to HKAS 12, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purpose of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The management of the Disposal Group considered that the investment properties situated in the PRC are not held under a business model whose objective is the consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted. On the presumption that the investment properties are recovered through sale, the Disposal Group recognised deferred taxes on changes in fair value of the investment properties taking into account the land appreciation tax and enterprise income tax payable upon sales of the investment properties.

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ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF COASTAL GREENLAND LIMITED

We report on the unaudited pro forma financial information of Coastal Greenland Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how (i) the proposed disposal of the entire registered capital of Suzhou New Development Investment Co., Ltd. ("Suzhou Target Company") and the entire shareholder's loan due by Suzhou Target Company and (ii) the proposed acquisition of 30% registered capital of Huizhou Shum Yip Southern Land Company Limited ("Huizhou Target Company") and 30% of the aggregate shareholder's loan due by Huizhou Target Company by the Group might have affected the financial information presented, for inclusion in Appendix IV of the circular dated 2 November 2012 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages 108 to 110 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 31 March 2012 or any future date; or
- the results and cash flows of the Group for the year ended 31 March 2012 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group so far as such policies relate to the transaction; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
2 November 2012

INTRODUCTION

1. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

On 28 September 2012, Coastal Greenland Limited (the "Company", together with its subsidiaries are referred to as the "Group") entered into a master agreement ("Master Agreement") with a substantial shareholder, Shenzhen Investment Limited ("SIL", together with its subsidiaries collectively referred to as the "SIL Group") pursuant to which

(i) the Group will dispose of and SIL Group will acquire the entire registered capital of Suzhou New Development Investment Co., Ltd. ("Suzhou Target Company") and its shareholder's loan at a cash consideration of RMB550,000,000 (equivalent to approximately HK$670,732,000) (collectively referred to as the "Suzhou Sale Shares and Suzhou Sale Loan") by entering into a conditional sale and purchase agreement with SIL Group on 16 October 2012 ("Disposal Agreement") (collectively referred to as the "Disposal"); and

(ii) the Group will acquire and SIL Group will dispose of 30% registered capital of Huizhou Shum Yip Southern Land Company Limited ("Huizhou Target Company") and its shareholder's loan at a cash consideration of RMB214,780,300 (equivalent to approximately HK$261,927,000) (collectively referred to as the "Huizhou Sale Shares and Huizhou Sale Loan") by entering into another conditional sale and purchase agreement with SIL Group on 16 October 2012 ("Acquisition Agreement") (collectively referred to as the "Acquisition").

The sale and purchase of each of the Suzhou Sale Shares and Suzhou Sale Loan as well as Huizhou Sale Shares and Huizhou Sale Loan, will need to be put on an open tender in the Shenzhen United Property and Share Rights Exchange. Pursuant to the Master Agreement, the completion of the Disposal is conditional upon, among other precedent conditions set out in the Disposal Agreement, there being no third party bade successfully in the open tender in respect of Suzhou Sale Shares and Suzhou Sale Loan.

On the other hand, the completion of the Acquisition is conditional upon, among other precedent conditions set out in the Acquisition Agreement, there being no third party bade successfully in the open tenders in respect of Suzhou Sale Shares and Suzhou Sale Loan as well as Huizhou Sale Shares and Huizhou Sale Loan.

The unaudited pro forma financial information of the Group has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules to illustrate the possible outcomes relating to the Disposal and Acquisition. Scenario 1 illustrates the outcome whereby the Group completed the Disposal and Acquisition (hereinafter referred to as the "Enlarged Group"), assuming that no third party bade successfully in the open tenders in respect of Suzhou Sale Shares and Suzhou Sale Loan as well as Huizhou Sale Shares and Huizhou Sale

Loan. Scenario 2 illustrates the outcome whereby the Group only completed the Disposal of Suzhou Sale Shares and Suzhou Sale Loan (hereinafter referred to as the "Remaining Group"), assuming that a third party bade successfully the open tender in respect of Huizhou Sale Shares and Huizhou Sale Loan. In the event that a third party bade successfully Suzhou Sale Shares and Suzhou Sale Loan, the Acquisition Agreement and the Disposal Agreement will lapse with effect from the date of such successful bid made by the third party.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Group for the year ended 31 March 2012 are prepared based on the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2012, respectively, as extracted from the annual report of the Company for the year ended 31 March 2012 and as if the Disposal and Acquisition, where applicable, had been completed on 1 April 2011 after giving effect to the pro forma adjustments that are (i) directly attributable to the transactions and (ii) factually supportable, as described in the accompanying notes.

The unaudited pro forma consolidated statement of financial position of the Group as at 31 March 2012 is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2012 as extracted from the annual report of the Company for the year ended 31 March 2012 and as if the Disposal and the Acquisition, where applicable, had been completed on 31 March 2012 after giving effect to the pro forma adjustments that are (i) directly attributable to the transactions and (ii) factually supportable, as described in the accompanying notes.

The unaudited pro forma financial information is prepared to provide information on the Group as a result of the completion of the Disposal with or without the Completion of the Acquisition. It is prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the results and cash flows of the Group for the year ended 31 March 2012 or any future period, and financial position of the Group as at 31 March 2012 or any future date would have been had the Disposal and Acquisition been completed, where applicable.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2012

Scenario 1

	The Group for the year ended 31 March 2012 (Audited)	Pro forma adjustments				The Remaining Group for the year ended 31 March 2012	Pro forma adjustment	The Enlarged Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (a)	*Note (b)*	*Note (f)*	*Note (l)*		*Note (i)*	
Revenue	7,177,603		(1,824)			7,175,779		7,175,779
Cost of sales	(4,835,907)		327			(4,835,580)		(4,835,580)
Gross profit	2,341,696					2,340,199		2,340,199
(Decrease) increase in fair value of investment properties	(56,291)					(56,291)		(56,291)
Fair value gain on warrants	960					960		960
Impairment loss on goodwill	(90,205)					(90,205)		(90,205)
Other income and gains	357,267	(24,148)	(92,367)			240,752	11,508	252,260
Marketing and selling expenses	(106,380)		5,811			(100,569)		(100,569)
Administrative expenses	(246,856)		15,748	(825)		(231,933)		(231,933)
Other losses	–	(34,107)		(248,810)		(282,917)		(282,917)
Other expenses	(245,260)		132,156			(113,104)		(113,104)
Finance costs	(394,677)	93,350	53,561			(247,766)		(247,766)
Share of loss of associates	(14,330)					(14,330)	(4,322)	(18,652)
Profit before taxation	1,545,924					1,444,796		1,451,982
Taxation	(960,464)		(26,307)			(986,771)		(986,771)
Profit for the year	585,460					458,025		465,211

	The Group for the year ended 31 March 2012 (Audited)	Pro forma adjustments				The Remaining Group for the year ended 31 March 2012	Pro forma adjustment	The Enlarged Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (a)	*Note (b)*	*Note (f)*	*Note (l)*		*Note (i)*	
Other comprehensive income (expense)								
Exchange differences arising on translation to presentation currency	173,737				(1,772)	171,965	100	172,065
Surplus on revaluation of buildings	21,056					21,056		21,056
Deferred tax liability arising on revaluation of buildings	(4,178)					(4,178)		(4,178)
Other comprehensive income for the year	190,615					188,843		188,943
Total comprehensive income for the year	776,075					646,868		654,154
Profit (loss) for the year attributable to:								
Owners of the Company	593,431	35,095	87,105	(249,635)		465,996	7,186	473,182
Non-controlling interests	(7,971)					(7,971)		(7,971)
	585,460					458,025		465,211
Total comprehensive income (expense) attributable to:								
Owners of the Company	780,330	35,095	87,105	(249,635)	(1,772)	651,123	7,286	658,409
Non-controlling interests	(4,255)					(4,255)		(4,255)
	776,075					646,868		654,154

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2012

Scenario 1

	The Group as at 31 March 2012 (Audited)			**Pro forma adjustments**			**The Remaining Group as at 31 March 2012**	**Pro forma adjustment**	**The Enlarged Group as at 31 March 2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (a)	*Note (c)*	*Note (d)*	*Note (e)*	*Notes (g) and (j)*		*Note (h)*	
NON-CURRENT ASSETS									
Property, plant and equipment	1,005,929		(730,827)	(48,386)		23,466	250,182		250,182
Investment properties	1,645,526		(1,016,493)				629,033		629,033
Prepaid land lease payments	55,832						55,832		55,832
Goodwill	–						–		–
Interests in associates	419,887						419,887	26,410	446,297
Amount due from an associate	–						–	240,345	240,345
Available-for-sale investments	2,960						2,960		2,960
Total non-current assets	3,130,134						1,357,894		1,624,649
CURRENT ASSETS									
Properties under development	6,059,972						6,059,972		6,059,972
Completed properties for sale	2,668,152		(227,070)	(15,567)			2,425,515		2,425,515
Trade receivables	265,619		(5,565)				260,054		260,054
Prepayments, deposits and other receivables	1,366,384		(18,613)			264,955	1,612,726	(264,955)	1,347,771
Amounts due from associates	113,324						113,324		113,324
Prepaid tax	5,913						5,913		5,913
Pledged bank deposits	601,447						601,447		601,447
Cash and bank balances	1,913,030	(616,200)	(8,394)			413,530			
						(1,800)	1,700,166	(1,800)	1,698,366
	12,993,841						12,779,117		12,512,362
Assets classified as held for sale	51,042						51,042		51,042
Total current assets	13,044,883						12,830,159		12,563,404

	The Group as at 31 March 2012 (Audited)	Pro forma adjustments					The Remaining Group as at 31 March 2012	Pro forma adjustment	The Enlarged Group as at 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (a)	*Note (c)*	*Note (d)*	*Note (e)*	*Notes (g) and (j)*		*Note (h)*	
CURRENT LIABILITIES									
Trade payables	500,585		(8,035)				492,550		492,550
Deposits received from pre-sales of properties	864,298						864,298		864,298
Other payables and accruals	1,652,001		(253,786)				1,398,215		1,398,215
Amount due to a substantial shareholder of the Company	11,594						11,594		11,594
Amounts due to associates	67,085						67,085		67,085
Tax payable	1,545,788						1,545,788		1,545,788
Interest-bearing bank and other borrowings	5,036,936	(600,159)	(9,869)				4,426,908		4,426,908
Total current liabilities	9,678,287						8,806,438		8,806,438
NET CURRENT ASSETS	3,366,596						4,023,721		3,756,966
TOTAL ASSETS LESS CURRENT LIABILITIES	6,496,730						5,381,615		5,381,615
CAPITAL AND RESERVES									
Share capital	279,058						279,058		279,058
Reserves	4,210,292	(16,041)				(311,599)	3,882,652		3,882,652
Equity attributable to owners of the Company	4,489,350						4,161,710		4,161,710
Non-controlling interests	70,788						70,788		70,788
Total equity	4,560,138						4,232,498		4,232,498
NON-CURRENT LIABILITIES									
Interest-bearing bank and other borrowings	1,310,092		(717,960)				592,132		592,132
Deferred tax liabilities	626,500		(162,302)		92,787		556,985		556,985
Total non-current liabilities	1,936,592						1,149,117		1,149,117
	6,496,730						5,381,615		5,381,615

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2012

Scenario 1

	The Group for the year ended 31 March 2012 (Audited)	Pro forma adjustments				The Remaining Group for the year ended 31 March 2012	Pro forma adjustments	The Enlarged Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (a)	*Note (b)*	*Note (f)*	*Note (j)*		*Notes (h) and (i)*	
CASH FLOWS FROM OPERATING ACTIVITIES								
Profit before taxation	1,545,924	35,095	113,412	(249,635)		1,444,796	7,186	1,451,982
Adjustments for:								
Finance costs	394,677	(93,350)	(53,561)			247,766		247,766
Share of loss of associates	14,330					14,330	4,322	18,652
Interest income	(6,066)		2,093			(3,973)	(11,508)	(15,481)
Depreciation	58,510		(49,270)	825		10,065		10,065
Amortisation of prepaid land lease payments	1,381					1,381		1,381
Share-based payment	5,387					5,387		5,387
Gain on disposal of property, plant and equipment	(962)					(962)		(962)
Impairment loss on goodwill	90,205					90,205		90,205
Decrease in fair value of investment properties	56,291					56,291		56,291
(Gain) loss on disposal of property-based subsidiaries	(131,007)			248,810		117,803		117,803
Fair value gain on warrants	(960)					(960)		(960)
Loss (gain) on repurchase of senior notes	(1,110)	34,107				32,997		32,997
Provision for legal claims	69,500					69,500		69,500
Operating profit before working capital changes	2,096,100					2,084,626		2,084,626
Increase in properties under development	(2,247,183)					(2,247,183)		(2,247,183)
Decrease in completed properties for sale	4,914,060					4,914,060		4,914,060
Increase in trade receivables	(219,639)		3,989			(215,650)		(215,650)
Decrease in prepayments, deposits and other receivables	405,860		(430)			405,430		405,430
Increase in trade payables	165,121		(2,418)			162,703		162,703
Decrease in deposits received from pre-sales of properties	(4,628,516)					(4,628,516)		(4,628,516)
(Decrease) increase in other payables and accruals	(296)		1,521			1,225		1,225
Cash generated from operations	485,507					476,695		476,695
Interest received	6,066		(2,093)			3,973		3,973
PRC Enterprise Income Tax and PRC LAT tax paid	(684,643)					(684,643)		(684,643)
Net cash used in operating activities	(193,070)					(203,975)		(203,975)

	The Group for the year ended 31 March 2012 (Audited)	Pro forma adjustments				The Remaining Group for the year ended 31 March 2012	Pro forma adjustments	The Enlarged Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (a)	*Note (b)*	*Note (f)*	*Note (j)*		*Notes (h) and (i)*	
CASH FLOWS FROM INVESTING ACTIVITIES								
Advance of loans receivable	(61,680)					(61,680)		(61,680)
Advance to associates	(16,714)					(16,714)		(16,714)
Acquisition of property-based subsidiaries	(97,326)					(97,326)		(97,326)
Purchases of property, plant and equipment	(23,474)		14			(23,460)		(23,460)
Capital injections to associates	(22,084)					(22,084)		(22,084)
Purchases of investment properties	(2,534)					(2,534)		(2,534)
Repayment of loans receivable	172,377					172,377		172,377
Transaction cost relating to Acquisition	–					–	(1,800)	(1,800)
Disposal of property-based subsidiaries	154,347				380,958	535,305		535,305
Proceeds from disposal of investment properties	133,150					133,150		133,150
Decrease in restricted bank balances	84,372					84,372		84,372
Decrease (increase) in pledged bank deposits	24,297		(37,008)			(12,711)		(12,711)
Repayment from associates	31,475					31,475		31,475
Deposits received for disposal of assets classified as held for sale	20,035					20,035		20,035
Proceeds from disposal of property, plant and equipment	8,917					8,917		8,917
Net cash from investing activities	405,158					749,122		747,322
CASH FLOWS FROM FINANCING ACTIVITIES								
Advance from an associate	67,085					67,085		67,085
New bank and other borrowings raised	1,230,971					1,230,971		1,230,971
Repayment of bank and other borrowings	(916,647)	(616,200)	112,759			(1,420,088)		(1,420,088)
Interest paid	(529,210)	97,926	53,561			(377,723)		(377,723)
Repayment to a former shareholder of a subsidiary	(34,675)					(34,675)		(34,675)
Repayment to a substantial shareholder of the Company	(562)					(562)		(562)
Net cash used in financing activities	(183,038)					(534,992)		(534,992)
NET INCREASE IN CASH AND CASH EQUIVALENTS	29,050					10,155		8,355
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	1,405,159					1,405,159		1,405,159
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	52,870		(493)			52,377		52,377
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	1,487,079					1,467,691		1,465,891

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2012

Scenario 2

	The Group for the year ended 31 March 2012 (Audited)	Pro forma adjustments				The Remaining Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (a)	*Note (b)*	*Note (f)*	*Note (l)*	
Revenue	7,177,603		(1,824)			7,175,779
Cost of sales	(4,835,907)		327			(4,835,580)
Gross profit	2,341,696					2,340,199
(Decrease) increase in fair value of investment properties	(56,291)					(56,291)
Fair value gain on warrants	960					960
Impairment loss on goodwill	(90,205)					(90,205)
Other income and gains	357,267	(24,148)	(92,367)			240,752
Marketing and selling expenses	(106,380)		5,811			(100,569)
Administrative expenses	(246,856)		15,748	(825)		(231,933)
Other losses	–	(34,107)		(248,810)		(282,917)
Other expenses	(245,260)		132,156	(1,800)		(114,904)
Finance costs	(394,677)	93,350	53,561			(247,766)
Share of loss of associates	(14,330)					(14,330)
Profit before taxation	1,545,924					1,442,996
Taxation	(960,464)		(26,307)			(986,771)
Profit for the year	585,460					456,225
Other comprehensive income (expense)						
Exchange differences arising on translation to presentation currency	173,737				(1,797)	171,940
Surplus on revaluation of buildings	21,056					21,056
Deferred tax liability arising on revaluation of buildings	(4,178)					(4,178)
Other comprehensive income for the year	190,615					188,818
Total comprehensive income for the year	776,075					645,043

	The Group for the year ended 31 March 2012 (Audited)		Pro forma adjustments			The Remaining Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (a)	*Note (b)*	*Note (f)*	*Note (l)*	
Profit (loss) for the year attributable to:						
Owners of the Company	593,431	35,095	87,105	(251,435)		464,196
Non-controlling interests	(7,971)					(7,971)
	585,460					456,225
Total comprehensive income (expense) attributable to:						
Owners of the Company	780,330	35,095	87,105	(251,435)	(1,797)	649,298
Non-controlling interests	(4,255)					(4,255)
	776,075					645,043

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2012

Scenario 2

	The Group as at 31 March 2012 (Audited)			Pro forma adjustments			The Remaining Group as at 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (a)	*Note (c)*	*Note (d)*	*Note (e)*	*Notes (g) and (k)*	
NON-CURRENT ASSETS							
Property, plant and equipment	1,005,929		(730,827)	(48,386)		23,466	250,182
Investment properties	1,645,526		(1,016,493)				629,033
Prepaid land lease payments	55,832						55,832
Goodwill	–						–
Interests in associates	419,887						419,887
Available-for-sale investments	2,960						2,960
Total non-current assets	3,130,134						1,357,894
CURRENT ASSETS							
Properties under development	6,059,972						6,059,972
Completed properties for sale	2,668,152		(227,070)	(15,567)			2,425,515
Trade receivables	265,619		(5,565)				260,054
Prepayments, deposits and other receivables	1,366,384		(18,613)				1,347,771
Amounts due from associates	113,324						113,324
Prepaid tax	5,913						5,913
Pledged bank deposits	601,447						601,447
Cash and bank balances	1,913,030	(616,200)	(8,394)			678,485 (3,600)	1,963,321
	12,993,841						12,777,317
Assets classified as held for sale	51,042						51,042
Total current assets	13,044,883						12,828,359

	The Group as at 31 March 2012 (Audited)	**Pro forma adjustments**					**The Remaining Group as at 31 March 2012**
	HK$'000	*HK$'000 Note (a)*	*HK$'000 Note (c)*	*HK$'000 Note (d)*	*HK$'000 Note (e)*	*HK$'000 Notes (g) and (k)*	*HK$'000*
CURRENT LIABILITIES							
Trade payables	500,585		(8,035)				492,550
Deposits received from pre-sales of properties	864,298						864,298
Other payables and accruals	1,652,001		(253,786)				1,398,215
Amount due to a substantial shareholder of the Company	11,594						11,594
Amounts due to associates	67,085						67,085
Tax payable	1,545,788						1,545,788
Interest-bearing bank and other borrowings	5,036,936	(600,159)	(9,869)				4,426,908
Total current liabilities	9,678,287						8,806,438
NET CURRENT ASSETS	3,366,596						4,021,921
TOTAL ASSETS LESS CURRENT LIABILITIES	6,496,730						5,379,815
CAPITAL AND RESERVES							
Share capital	279,058						279,058
Reserves	4,210,292	(16,041)				(313,399)	3,880,852
Equity attributable to owners of the Company	4,489,350						4,159,910
Non-controlling interests	70,788						70,788
Total equity	4,560,138						4,230,698
NON-CURRENT LIABILITIES							
Interest-bearing bank and other borrowings	1,310,092		(717,960)				592,132
Deferred tax liabilities	626,500		(162,302)		92,787		556,985
Total non-current liabilities	1,936,592						1,149,117
	6,496,730						5,379,815

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2012

Scenario 2

	The Group for the year ended 31 March 2012 (Audited)	Pro forma adjustments				The Remaining Group for the year ended 31 March 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (a)	*Note (b)*	*Note (f)*	*Note (k)*	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before taxation	1,545,924	35,095	113,412	(251,435)		1,442,996
Adjustments for:						
Finance costs	394,677	(93,350)	(53,561)			247,766
Share of loss of associates	14,330					14,330
Interest income	(6,066)		2,093			(3,973)
Depreciation	58,510		(49,270)	825		10,065
Amortisation of prepaid land lease payments	1,381					1,381
Share-based payment	5,387					5,387
Gain on disposal of property, plant and equipment	(962)					(962)
Impairment loss on goodwill	90,205					90,205
Decrease in fair value of investment properties	56,291					56,291
(Gain) loss on disposal of property-based subsidiaries	(131,007)			248,810		117,803
Fair value gain on warrants	(960)					(960)
Loss (gain) on repurchase of senior notes	(1,110)	34,107				32,997
Provision for legal claims	69,500					69,500
Operating profit before working capital changes	2,096,100					2,082,826
Increase in properties under development	(2,247,183)					(2,247,183)
Decrease in completed properties for sale	4,914,060					4,914,060
Increase in trade receivables	(219,639)		3,989			(215,650)
Decrease in prepayments, deposits and other receivables	405,860		(430)			405,430
Increase in trade payables	165,121		(2,418)			162,703
Decrease in deposits received from pre-sales of properties	(4,628,516)					(4,628,516)
(Decrease) increase in other payables and accruals	(296)		1,521			1,225
Cash generated from operations	485,507					474,895
Interest received	6,066		(2,093)			3,973
PRC Enterprise Income Tax and PRC LAT tax paid	(684,643)					(684,643)
Net cash used in operating activities	(193,070)					(205,775)

	The Group for the year ended 31 March 2012 (Audited)		**Pro forma adjustments**			**The Remaining Group for the year ended 31 March 2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (a)	*Note (b)*	*Note (f)*	*Note (k)*	
CASH FLOWS FROM INVESTING ACTIVITIES						
Advance of loans receivable	(61,680)					(61,680)
Advance to associates	(16,714)					(16,714)
Acquisition of property-based subsidiaries	(97,326)					(97,326)
Purchases of property, plant and equipment	(23,474)		14			(23,460)
Capital injections to associates	(22,084)					(22,084)
Purchases of investment properties	(2,534)					(2,534)
Repayment of loans receivable	172,377					172,377
Disposal of property-based subsidiaries	154,347				635,966	790,313
Proceeds from disposal of investment properties	133,150					133,150
Decrease in restricted bank balances	84,372					84,372
Decrease in pledged bank deposits	24,297		(37,008)			(12,711)
Repayment from associates	31,475					31,475
Deposits received for disposal of assets classified as held for sale	20,035					20,035
Proceeds from disposal of property, plant and equipment	8,917					8,917
Net cash from investing activities	405,158					1,004,130
CASH FLOWS FROM FINANCING ACTIVITIES						
Advance from an associate	67,085					67,085
New bank and other borrowings raised	1,230,971					1,230,971
Repayment of bank and other borrowings	(916,647)	(616,200)	112,759			(1,420,088)
Interest paid	(529,210)	97,926	53,561			(377,723)
Repayment to a former shareholder of a subsidiary	(34,675)					(34,675)
Repayment to a substantial shareholder of the Company	(562)					(562)
Net cash used in financing activities	(183,038)					(534,992)
NET INCREASE IN CASH AND CASH EQUIVALENTS	29,050					263,363
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	1,405,159					1,405,159
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	52,870		(493)			52,377
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	1,487,079					1,720,899

Notes:

(a) The adjustment reflects the settlement of senior loan note (other than SIL) with principal amount of US$79,000,000 (equivalent to approximately HK$616,200,000), being one of the precedent conditions of the Disposal Agreement.

For the purpose of unaudited pro forma consolidated statement of comprehensive income, the settlement resulted in recognition of a loss on repurchase of senior loan note of HK$34,107,000, being the difference between the carrying amount of senior loan note of HK$582,093,000 and its principal amount, in the profit or loss for the year ended 31 March 2012 assuming that the settlement had been done at 1 April 2011. In addition, the adjustment reflects the reversal of (i) exchange gain of HK$24,148,000 on retranslating the senior loan note to functional currency of the relevant group entity as issuer; and (ii) interest expenses and interest paid relating to the senior loan note of HK$93,350,000 and HK$97,926,000 for the year ended 31 March 2012 respectively.

For the purpose of unaudited pro forma consolidated statement of financial position, the settlement resulted in recognition of a loss on repurchase of senior loan note of HK$16,041,000, being the difference between the carrying amount of senior loan note of HK$600,159,000 and its principal amount, in the profit or loss at 31 March 2012 assuming that the settlement had been done at that date.

(b) The adjustment reflects the deconsolidation of the results and cash flows of Suzhou Target Company and its subsidiaries ("Disposal Group") for the year ended 31 March 2012 as if the Disposal had completed on 1 April 2011. The financial information of the Disposal Group was extracted from its unaudited consolidated financial information for the year ended 31 March 2012 ("Unaudited Consolidated Financial Information") as set out in Appendix III to this circular, after making certain reclassification on revenue, cost of sales, other income and gains and other expenses so as to conform with the presentation and classification adopted in the Group's consolidated financial statements for the year ended 31 March 2012 ("Consolidated Financial Statements").

(c) The adjustment reflects the deconsolidation of assets and liabilities of the Disposal Group as at 31 March 2012 (other than the Suzhou Sale Loan) as if the Disposal had completed on 31 March 2012. The financial information of the Disposal Group was extracted from the Unaudited Consolidated Financial Information.

(d) The adjustment reflects the reversal of finance costs capitalised by the Group of HK$63,953,000 as of 31 March 2012 (HK$61,608,000 as of 1 April 2011) in relation to the borrowings obtained by other group entities specifically for the acquisition and construction of property, plant and equipment and completed properties for sale held by the Disposal Group.

(e) The Consolidated Financial Statements of the Group have not yet applied the amendments to HKAS 12 entitled "Deferred Tax – Recovery of Underlying Assets". This amendment is effective for the Group's financial year commencing 1 April 2012 and has already been applied retrospectively in preparing the Unaudited Consolidated Financial Information of the Disposal Group. Accordingly, for the purpose of calculating loss on Disposal for the year ended 31 March 2012, adjustment is made to reverse the increase in deferred tax liabilities recognised in the Disposal Group of HK$92,787,000 as of 31 March 2012 (HK$89,563,000 as of 1 April 2011).

(f) The adjustment reflects the pro forma loss on the Disposal, assuming the Disposal had been taken place on 1 April 2011. For the purpose of unaudited pro forma consolidated statement of comprehensive income and cash flows, the loss is estimated as follows:

	HK$'000
Carrying amount of assets and liabilities of the Disposal Group, excluding Suzhou Sale Loan (extracted from Unaudited Consolidated Financial Information)	772,241
Carrying amount of a property retained by the Group*	(23,389)
Capitalisation of finance costs in Group's Consolidated Financial Statements *(note (d))*	61,608
Reversal of increase in deferred tax liabilities due to application of HKAS 12 (Amendments) *(note (e))*	89,563
Total carrying amount of assets and liabilities to be disposed of as at 1 April 2011	900,023
Cash consideration *(notes (j) and (k))*	653,013
Transaction cost – professional fee	1,800
Loss on Disposal at 1 April 2011	248,810

* *A property located in Beijing currently held by the Disposal Group, with a carrying amount of approximately HK$23,389,000 and HK$23,466,000 as at 1 April 2011 and 31 March 2012, respectively, will be transferred out from the Disposal Group to other subsidiary of the Company at its carrying amount prior to the completion of the Disposal. Accordingly, depreciation of HK$825,000 for the year ended 31 March 2012 are added back to the unaudited pro forma consolidated statement of comprehensive income.*

The Group estimated that the professional fee directly attributable to each of the Acquisition and the Disposal is HK$1,800,000. In the event that the Group only proceeds to complete the Disposal under Scenario 2, payment of professional fee attributable to the Acquisition of HK$1,800,000 is charged to profit or loss for the year ended 31 March 2012.

(g) The adjustment reflects the pro forma loss on the Disposal assuming the Disposal had been taken place on 31 March 2012. For the purpose of unaudited pro forma consolidated statement of financial position, the loss is estimated as follows:

	HK$'000
Carrying amount of assets and liabilities of the Disposal Group, excluding Suzhou Sale Loan (extracted from Unaudited Consolidated Financial Information)	855,010
Carrying amount of a property retained by the Group *(see * in note (f))*	(23,466)
Capitalisation of finance costs in Group's Consolidated Financial Statements *(note (d))*	63,953
Reversal of increase in deferred tax liabilities due to application of HKAS 12 (Amendments) *(note (e))*	92,787
Total carrying amount of assets and liabilities to be disposed of as at 31 March 2012	988,284
Cash consideration *(notes (j) and (k)*	678,485
Transaction cost – professional fee	1,800
Loss on Disposal at 31 March 2012	311,599

The Group estimated that the professional fee directly attributable to each of the Acquisition and the Disposal is HK$1,800,000. In the event that the Group only proceeds to complete the Disposal under Scenario 2, payment of professional fee attributable to the Acquisition of HK$1,800,000 is charged to profit or loss on 31 March 2012.

(h) The adjustment reflects the acquisition of Huizhou Sale Shares and Huizhou Sale Loan, at a cash consideration of RMB214,780,300 (equivalent to approximately HK$264,955,000) and payment of the professional fee attributable to the Acquisition of HK$1,800,000. The cash consideration comprised investment cost in Huizhou Target Company of RMB19,949,400 (equivalent to approximately HK$24,610,000) and Huizhou Sale Loan of RMB194,830,900 (equivalent to approximately HK$240,345,000), which carries interest at the lending rate quoted by the People's Bank of China ("PBOC interest rate") and is due for settlement based on the original maturity date on 11 December 2012 of the Huizhou Sale Loan. The directors of the Company consider that the amount will not be repaid within the next twelve months from 31 March 2012, accordingly, the amount is classified as non-current asset.

For the purpose of this unaudited pro forma financial information, it is assumed that the fair value of Huizhou Sale Shares and Huizhou Sale Loan is RMB19,949,400 and RMB194,830,900 respectively. In addition, the aggregate fair value of Huizhou Target Company's identifiable assets and liabilities is assumed to be approximately RMB19,949,400. On completion of the Acquisition, the fair value of the identifiable assets and liabilities of Huizhou Target Company will be re-assessed and is therefore subject to change.

(i) The adjustment reflects the following for the financial year ended 31 March 2012:

- Group's share of loss of Huizhou Target Company at 30% amounting to HK$4,322,000;
- accrued interest income of HK$11,508,000 from amount from Huizhou Sale Loan, amounted to RMB138,000,000 (equivalent to approximately HK$163,847,000 at 1 April 2011) at 6.85% being average PBOC interest rate for the year ended 31 March 2012; and
- exchange difference of HK$100,000 resulting from the pro forma adjustments in respect of Huizhou Sale Shares and Huizhou Sale Loan from RMB (functional currency of Huizhou Target Company) to HK$ (presentation currency of the Group) in accordance with the requirements under HKAS 21 "The Effect of Changes in Foreign Currency Rates".

(j) Pursuant to the Disposal Agreement, in the event that there being no third party bade successfully the equity interest of Huizhou Target Company in the open tender and the Group proceeds to complete the Acquisition, part of the consideration receivable for Disposal amounting to RMB550,000,000 (equivalent to approximately HK$653,013,000 and HK$678,485,000 at 1 April 2011 and 31 March 2012 respectively) will be satisfied by way of set off against the cash consideration payable for the Acquisition amounting to RMB214,780,300 (equivalent to approximately HK$255,008,000 and HK$264,955,000 at 1 April 2011 and 31 March 2012 respectively). Accordingly, the amount of cash to be received by the Group in Scenario 1 would be RMB335,219,700 (equivalent to approximately HK$398,005,000 and HK$413,530,000 at 1 April 2011 and 31 March 2012 respectively). The adjustment on unaudited pro forma consolidated statement of cash flows reflects cash inflows from Disposal of HK$398,005,000 at 1 April 2011, less cash outflows from disposal of cash and bank balances of HK$15,247,000 held by the Disposal Group and payment of professional fee relating to the Disposal of HK$1,800,000.

(k) In the event that the Group only proceeds to complete the Disposal under Scenario 2, the amount of cash to be received by the Group is RMB550,000,000 (equivalent to approximately HK$653,013,000 and HK$678,485,000 at 1 April 2011 and 31 March 2012 respectively). The adjustment on unaudited pro forma consolidated statement of cash flows reflects cash inflows from Disposal of HK$653,013,000 at 1 April 2011, less cash outflows from disposal of cash and bank balances of HK$15,247,000 held by the Disposal Group and payment of professional fee relating to the Disposal of HK$1,800,000.

(l) The adjustment reflects the exchange difference of HK$1,772,000 and HK$1,797,000 under Scenario 1 and Scenario 2 respectively resulting from the pro forma adjustments in notes (a), (b) and (f) under Scenario 1 and Scenario respectively from RMB (functional currency of the relevant group entities) to HK$ (presentation currency of the Group) in accordance with the requirements under HKAS 21 "The Effect of Changes in Foreign Currency Rates".

(m) The adjustment in note (i) will have continuous effect on the consolidated financial statements of the Group in the subsequent financial years.

(n) The amounts denominated in US$ and RMB are translated to HK$ based on exchange rates prevailing on 1 April 2011 and 31 March 2012 as appropriate. No representation is made that the US$ and RMB amounts have been, could have or may be converted to HK$, or vice versa, at that rate.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from RHL Appraisal Limited., an independent valuer, in connection with its valuation as at 31 August 2012 of the property interests held by Coastal Greenland Limited and its subsidiaries.

永利行評值顧問有限公司
RHL Appraisal Limited
Corporate Valuation & Advisory

T +852 2730 6212
F +852 2736 9284

Room 1010, 10/F, Star House,
Tsimshatsui, Hong Kong

2 November 2012

The Board of Directors
Coastal Greenland Limited
Unit 906, 9th Floor
Wings Building
Nos.110-116 Queen's Road Central
Central
Hong Kong

Dear Sirs/Madam,

INSTRUCTIONS

We refer to your instruction for us to value the property interests intended to be acquired by **Coastal Greenland Limited** (the "**Company**") and its subsidiaries (the "**Group**") located in the People's Republic of China (the "**PRC**"). We confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 August 2012 (the "**Valuation Date**").

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the property interests is our opinion of each of their market values which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

VALUATION METHODOLOGY

We have valued the property interests by using the Direct Comparison Approach based on the principle of substitution, where comparison based on prices realized on actual sales and/or asking prices of comparable properties is made. Comparable properties of similar sizes, scales, natures, characters and locations are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at fair comparisons of market values.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

VALUATION ASSUMPTION

In undertaking our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the property interest for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have also assumed that the owner of the property interest has enforceable title to the property interest and has free and uninterrupted rights to use, occupy or assign the property interest for the whole of the respective unexpired terms as granted.

TITLE INVESTIGATION

We have been shown copies of various documents relating to the property interests. However, we have not examined the original documents to verify the existing titles to the property interests or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Group and the Company's PRC legal advisers, Jingcheng Tongda & Neal and JiangSu ZhengHuaZheng Law Firm, concerning the validity of the titles to the property interests.

LIMITING CONDITIONS

We have inspected the properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot infestation or any other defects. No tests were carried out on any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc., for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate. No on-site measurement has been taken.

We have relied to a considerable extent on information provided by the Group and accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

CURRENCY

We have valued the properties in Renminbi (RMB).

We have conducted on-site inspections to the properties in September 2012 by our Mr. Simon Siu (MSc).

Our summary of values and valuation certificates are herewith attached.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau	**Ivan S. P. Lui**
FHKIS, AAPI, MRICS, RPS(GP), MBA(HKU)	*MHKIS, RPS(GP), AAPI, CPV, MCom, MSc, BSc*
Managing Director	*Associate Director*

Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 19 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Mr. Ivan S.P. Lui is a Registered Professional Surveyor (GP) with nearly 10 years' experience gained from various international banks and surveyors firms on property valuation in HKSAR, mainland China and the Asia Pacific Region. Mr. Lui is a Professional Member of The Hong Kong Institute of Surveyors, an Associate Member of Australian Property Institute with the qualification of Certified Practicing Valuer. Mr. Lui is specialized in Plant & Machinery, Mortgage Valuation, Premium Assessment and etc. Furthermore, he also focuses on asset portfolio management covering financial budgeting/planning, coordination, controlling and operation before joining RHL.

SUMMARY OF VALUES

Group I – Property interests to be acquired by the Group in the PRC

		Market Value in existing state as at 31 August 2012
		RMB
1.	Two parcels of land located at Gaobangshan, Huicheng District, Huizhou City, Guangdong Province, the PRC	687,000,000
2.	Unit 02 & 03, Level 8, Block 2, Building 2, Jinhui Hujin Garden, No. 3 E'hu Road, Huicheng District, Huizhou City, Guangdong Province, the PRC	1,800,000
	Total:	688,800,000

Group II – Property interests held by the Group in the PRC

3.	Portions of Suzhou Coastal International Center, No. 1296 Ganjiang West Road, Jinchang District, Suzhou City, Jiangsu Province, the PRC	1,520,000,000
4.	Units A1, A2, A3, A4 on Level 4 and Unit A1 on Level 5, Jinzhou Building, No. 130 Lvxu Road, Suzhou City, Jiangsu Province, the PRC	No commercial value
	Total:	1,520,000,000

VALUATION CERTIFICATE

Group I – Property interests to be acquired by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2012 *RMB*
1.	Two parcels of land located at Gaobangshan, Huicheng District, Huizhou, Guangdong Province, the PRC	The property comprises two parcels of land with a total site area of approximately 153,240.60 sq.m. (1,649,482 sq.ft.). The total permitted gross floor area of the property is approximately 372,076.80 sq.m. (4,005,034.68 sq.ft.). The land use rights of the property were granted for terms expiring on 12 October 2047 and 12 October 2077 for commercial and residential uses respectively.	The Property is vacant and pending for development.	687,000,000

Notes:

1. Pursuant to two State-owned Land Use Rights Certificates, the land use rights of the property with a total site area of approximately 153,240.60 sq.m. were granted to Huizhou Shum Yip Southern Land Company Limited ("Huizhou Shum Yip") 惠州深業南方地產有限公司 (深業南方) for terms of 50 years for commercial use and 70 years for residential use expiring on 12 October 2047 and 12 October 2077 respectively. The details of such certificates are as follows:

Land Use Rights Certificates	Approximate Site Area *(sq.m.)*
Hui Fu Guo Yong (2010) Di No. 13020600008 (惠府國用(2010)第13020600008號)	38,993.50
Hui Fu Guo Yong (2010) Di No. 13020600009 (惠府國用(2010)第13020600009號)	114,247.10
Total	**153,240.60**

2. Pursuant to a Construction Land Use Planning Permit – DC20090133 Di Zi Di No. 441302(2009)10252 (DC20090133 地字第441302 (2009) 10252號), planned construction works of the property with a site area of approximately 153,241.00 sq.m. are permitted.

3. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, Jingcheng Tongda & Neal, regarding the legal title of the property, which contains, inter alia, the following:

   i. the property is legally held by Huizhou Shum Yip;

   ii. Huizhou Shum Yip is entitled to transfer, lease, mortgage or dispose of the property freely in the market; and

   iii. all land premium of the property has been fully settled

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2012 *RMB*
2.	Units 02 & 03, Level 8, Block 2, Building 2, Jinhui Hujin Garden, No. 3 E'hu Road, Huicheng District, Huizhou City, Guangdong Province, the PRC	The property comprises two residential units with a total gross floor area of approximately 325.66 sq.m. (3,505 sq.ft.) completed in about 2008. The land use rights of the property were granted for a term expiring on 28 June 2063 for residential uses.	The property is occupied for residential uses.	1,800,000

Notes:

1. Pursuant to two Real Estate Title Certificates, the building ownerships of the property with a total gross floor area of approximately 325.66 sq.m. were granted to Huizhou Shum Yip for a term expiring on 28 June 2063 for residential uses.

2. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, Jingcheng Tongda & Neal, regarding the legal title of the property, which contains, inter alia, the following:

   i. the property is legally held by Huizhou Shum Yip;

   ii. Huizhou Shum Yip is entitled to transfer, lease, mortgage or dispose of the property freely in the market; and

   iii. the property is free from any mortgage or third parties' encumbrance.

VALUATION CERTIFICATE

Group II – Property interests held by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2012 *RMB*
3.	Portions of Suzhou Coastal International Center, No. 1296 Ganjiang West Road, Jinchang District, Suzhou City, Jiangsu Province, the PRC	Coastal International Center is a composite development comprising a high rise building and a low rise building erected on a parcel of land with a site area of 26,819.60 sq.m. completed in about 2009. The high rise building comprises office, retail shop units, hotel and serviced apartments with underground ancillary facilities whilst the low rise building mainly comprises office and retail shop units. The property comprises portions of the development with a total gross floor area of approximately 115,693.00 sq.m. (1,245,319 sq.ft.) (with approximately 20,269.60 sq.m. for basement levels). The breakdowns of which are as follow:	The property is occupied for hotel, office, commercial and apartment uses.	1,520,000,000

Portion	Approximate Gross Floor Area *(sq.m.)*
Hotel	47,795
Apartment, Office and Commercial	52,283
Low Rise Building (Office and retail)	15,615
Total	**115,693**

The land use rights of the property were granted for a term expiring on 11 April 2046 for other commercial service uses.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate No. (2003) 04007686 issued by Suzhou Land Resources Bureau on 5 September 2003, the land use rights of the property with a total site area of approximately 26,819.60 sq.m. were granted to Suzhou New Development Investment Co., Ltd. ("Suzhou New Development") (蘇州新發展投資有限公司) for a term expiring on 11 April 2046 for other commercial service uses.

2. Pursuant to various Real Estate Title Certificates, the building ownerships of the property with a total gross floor area of approximately 95,279.44 sq.m. are vested in Suzhou New Development for non-residential uses.

3. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, JiangSu ZhengHuaZheng Law Firm, regarding the legal title of the property, which contains, inter alia, the following:

   i. the property is legally held by Suzhou New Development;

   ii. Suzhou New Development is entitled to transfer, lease, mortgage or dispose of portions of the property with Real Estate Title Certificates freely in the market and is entitled to transfer, lease, mortgage or dispose of the remaining portions of the property freely in the market after obtained relevant title documents;

   iii. all land premium of the property has been fully settled; and

   iv. portions of the property are subject to various mortgages whilst the remaining portions of the property are free from any mortgages or third parties' encumbrance.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2012 *RMB*
4.	Units A1, A2, A3, A4 on Level 4 and Unit A1 on Level 5, Jinzhou Building, No. 130 Lvxu Road, Suzhou City, Jiangsu Province, the PRC	The property comprises 5 units on levels 4-5 of a 12-storey office building completed in 1990s. The property has a total gross floor area of approximately 1,865.00 sq.m. (20,074.86 sq.ft.).	Portion of the property is subject to various tenancies at a total monthly rental of approximately RMB42,068 with the latest one expired on 14 October 2012 whist the remaining portion of the property is vacant.	No commercial value *(Please refer to Note. 3 below for details)*

Notes:

1. According to five State-owned Land Use Right Certificates all issued by Suzhou Housing and Land Administrative Bureau, the land use rights of the property with a total site area of approximately 317.20 sq.m. were allocated to Suzhou New Development Investment Co., Ltd. Details of such certificates are as follow:

Certificate No.	Premise	Approximate Site Area *(sq.m.)*
(2003)04008041	Unit A1 on Level 4	44.90
(2003)04008277	Unit A2 on Level 4	84.20
(2003)04008042	Unit A3 on Level 4	46.90
(2003)04008278	Unit A4 on Level 4	96.30
(2003)04008043	Unit A1 on Level 5	44.90
	Total	**317.20**

2. Pursuant to five Building Ownership Certificates all issued by Suzhou Housing and Land Administrative Bureau on 25 August 2003, the building ownerships of the property with total gross floor area of approximately 1,865.00 sq.m. are vested in Suzhou New Development Investment Co., Ltd. for non-residential uses. Details of such certificates are as follows:

Certificate No.	Premise	Approximate Gross Floor Area *(sq.m.)*
00174466	Unit A1 on Level 4	264.00
00174465	Unit A2 on Level 4	495.00
00174467	Unit A3 on Level 4	276.00
00174470	Unit A4 on Level 4	566.00
00174464	Unit A1 on Level 5	264.00
	Total	**1,865.00**

3. In the course of our valuation, we have attributed no commercial value to the property as the property is erected on an allocated land and the owner of the property may has restrictions on the rights of disposal. However, for reference purposes only, by assuming that the owner of the property is entitled to transfer, lease, mortgage or dispose of the property freely in the market with no additional land premium/administration charges payment, we are of the opinion that the market value of the property in its existing state as at the Valuation Date was RMB11,800,000.

4. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, JiangSu ZhengHuaZheng Law Firm regarding the legal title of the property, which contains, inter alia, the following:

   i. the property is legally held by Suzhou New Development;

   ii. Suzhou New Development is entitled to use and occupy the property, however, as the property is erected on an allocated land, there may have restrictions on the rights of disposal, lease and mortgage under the PRC's laws;

   iii. Suzhou New Development is entitled to transfer, lease, mortgage or dispose of the property freely in the market after several legal proceedings and settlement of additional land premium; and

   iv. the property is free from any mortgage or third parties' encumbrance.

5. As advised by the Company, the property is held by the Group for investment and there is no intention for the Group to dispose of the property, therefore, the restrictions on the rights of disposal would not have significant impact to the Group.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and its associates corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO), to be notified to the Company and the Stock Exchange, or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

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

Name of Directors	*Notes*	Number of shares held or short positions, capacity and nature of interest: Directly beneficially owned	Number of shares held or short positions, capacity and nature of interest: Through controlled corporation	Percentage of the Company's issued share capital
Mr. Chan Boon Teong	*(a), (b) and (c)*	6,400,000 (L)	1,020,841,319 (L)	36.81%
Mr. Jiang Ming	*(a), (b) and (c)*	–	1,020,841,319 (L)	36.58%
Mr. Tao Lin	*(a), (b) and (c)*	–	1,020,841,319 (L)	36.58%
Mr. Cheng Wing Bor	*(a), (b) and (c)*	6,400,000 (L)	1,020,841,319 (L)	36.81%
Mr. Lin Chen Hsin	*(a), (b) and (c)*	2,080,000 (L)	1,020,841,319 (L)	36.66%

L: Long Position

Notes:

(a) 484,280,792 shares are beneficially owned by Coastal International Holdings Limited ("CIH"), of which the entire issued voting share capital is held as to 21.56% by Mr. Chan Boon Teong, 37.58% by Mr. Jiang Ming, 5.38% by Mr. Tao Lin, 5.38% by Mr. Cheng Wing Bor, 3.30% by Mr. Lin Chen Hsin and 21.42% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Mr. Jiang Ming) and 5.38% by Cyberich Development Limited (the entire issued voting share capital of which is held by Ms. Wang Hongmei). These 484,280,792 shares represent an aggregate of approximately 17.35% of the issued share capital of the Company.

(b) 52,350,000 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 52,350,000 shares represent an aggregate of approximately 1.88% 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 approximately 17.35% of the issued share capital of the Company.

(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 Directors	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mr. Chan Boon Teong	2,156	Directly beneficially owned	21.56%
Mr. Jiang Ming	3,758	Directly beneficially owned	37.58%
	2,142	Through controlled corporation	21.42%
Mr. Tao Lin	538	Directly beneficially owned	5.38%
Mr. Cheng Wing Bor	538	Directly beneficially owned	5.38%
Mr. Lin Chen Hsin	330	Directly beneficially owned	3.30%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO), to be notified to the Company and the Stock Exchange, or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, to the best knowledge of the Directors and save as disclosed in paragraph headed "2. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" in this appendix, the following parties (other than Directors or chief executives of the Company), had an interest or short position in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under the provision of Divisions 2 and 3 and Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name	Nature of interest	Number of ordinary shares held or short positions	Percentage of the Company's issued share capital
Ms. Yang Sun Xin	Family *(Note)*	1,020,841,319 (L)	36.94%
Shenzhen Investment Limited	Corporate	631,092,857 (L)	22.62%

L: Long Position

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 1,020,841,319 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.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other persons (other than Directors or chief executives of the Company) who have interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 and Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

4. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group, or have or may have any other conflicts of interest with the Group.

5. DIRECTORS' SERVICE CONTRACTS

None of the Directors had entered or been proposed to enter into any service contract with the Company or any other member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group. As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 March 2012 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and are or may be material:

(i) the Acquisition Agreement;

(ii) the Disposal Agreement; and

(iii) the agreement dated 20 August 2012 and entered into between Coastal Realty Investment (China) Limited and 隆鑫控股有限公司 (for identification purposes only, Loncin Holdings Limited) in relation to the sale and purchase of 37,700,000 shares in the issued share capital of Shanghai Fenghwa Group Co., Ltd. at the consideration of RMB452,400,000 (equivalent to approximately HK$551,707,000).

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group is engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company or any of its members.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2012, the date to which the latest published audited financial statements of the Group were made up.

10. GENERAL

(a) The registered office of the Company is situated at 26 Burnaby Street, Hamilton HM 11, Bermuda.

(b) The head office and principal place of business of the Company is situated at Suite 1712-16, 17th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong.

(c) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Mr. Cheng Wing Bor, who is a member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, United Kingdom.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

11. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the professional adviser who has given opinion or advice contained in this circular:

Name	**Qualification**
Deloitte Touche Tohmatsu	Certified Public Accountants
RHL Appraisal Limited	Valuer
Messis Capital Limited	Independent Financial Adviser

Each of Deloitte Touche Tohmatsu, RHL Appraisal Limited and Messis Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of Deloitte Touche Tohmatsu, RHL Appraisal Limited and Messis Capital Limited does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Deloitte Touche Tohmatsu, RHL Appraisal Limited and Messis Capital Limited does not have any direct or indirect interest in any assets which have been, since 31 March 2012, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on Business Days at the office of the Company at Suite 1708, 17th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of three years ended 31 March 2012 respectively;

(c) the material contracts referred to in the paragraph headed "Material Contracts" of this Appendix VI;

(d) the report from Deloitte Touche Tohmatsu on the financial information of the Huizhou Target Company for each of the three years ended 31 December 2011 and the six months ended 30 June 2012, the text of which is set out in appendix II to this circular;

(e) the report from Deloitte Touche Tohmatsu on the financial information of the Suzhou Target Group for each of the three years ended 31 March 2012 and the three months ended 30 June 2012, the text of which is set out in appendix III to this circular;

(f) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix IV to this circular;

(g) the valuation report from RHL Appraisal Limited on the Huizhou Target Company and Suzhou Target Company, the text of which is set out in Appendix V to this circular;

(h) the written consent from the expert referred to in the section headed "Qualification and Consent of Expert" in this appendix;

(i) the circular of the Company dated 19 September 2012 in relation to the disposal of 37,700,000 shares in the issued share capital of Shanghai Fenghwa Group Co., Ltd.;

(j) this circular; and

(k) any other contracts referred to in this circular.

COASTAL GREENLAND LIMITED

沿海綠色家園有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 01124)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Coastal Greenland Limited (the "**Company**") will be held at Suite 1712-16, 17th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 19 November 2012 at 10:00 a.m. to consider and, if thought fit, pass with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the conditional sale and purchase agreement dated 16 October 2012 (the "**Acquisition Agreement**") (copy of which, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked "A") entered into between Shenzhen Coastal Property Investment Limited and Shum Yip Investment (Shenzhen) Co., Ltd. in relation to, among others, the acquisition of 30% equity interest of 惠州深業南方地產有限公司 (for identification purposes only, Huizhou Shum Yip Southern Land Company Limited) ("**Huizhou Target Company**") and the shareholder's loan in the principal amount of RMB194,830,900 (equivalent to approximately HK$237,599,000) due by Huizhou Target Company to Shum Yip Investment (Shenzhen) Co., Ltd. and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one or more of the directors of the Company (the "**Directors**") be and is/are hereby authorised to take all steps necessary or expedient in his/their opinion to implement and/or give effect to the Acquisition Agreement and the transactions contemplated thereunder."

2. "**THAT**:

(a) the conditional sale and purchase agreement dated 16 October 2012 (the "**Disposal Agreement**") (copy of which, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked "B") entered into between Suzhou Gaotong Information Services and Consultation Ltd., Coastal Realty Investment (China) Limited and Shum Yip

* *For identification purpose only*

Land Co., Ltd. in relation to, among others, the acquisition of the entire equity interest of 蘇州新發展投資有限公司 (for identification purposes only, Suzhou New Development Investment Co., Ltd.) ("**Suzhou Target Company**") and the entire shareholder's loan due by the Suzhou Target Company to Coastal Realty Investment (China) Limited in the principal amount of RMB392,068,100 (equivalent to approximately HK$478,132,000) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one or more of the Directors be and is/are hereby authorised to take all steps necessary or expedient in his/their opinion to implement and/or give effect to the Disposal Agreement and the transactions contemplated thereunder."

By order of the Board
Coastal Greenland Limited
Chan Boon Teong
Chairman

Hong Kong, 2 November 2012

Registered office:
26 Burnaby Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Suite 1712-16, 17th Floor
China Merchants Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more proxy or proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the SGM is enclosed with this circular. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.

3. In the case of joint holders of shares of the Company, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.