



CGL
沿海綠色家園®

沿海綠色家園有限公司

COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

Interim Report



The Board of Directors of Coastal Greenland Limited (the “Company”) herein present the unaudited consolidated profit and loss account, condensed cash flow statement and condensed statement of changes in equity of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2003 together with the unaudited comparative figures for the last corresponding period and the unaudited consolidated balance sheet of the Group as at 30th September, 2003 together with the audited comparative figures as at 31st March, 2003. The interim report for the six months ended 30th September, 2003 has been reviewed by the Company’s Audit Committee on 27th December, 2003.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Unaudited)	
		Six months ended	
		30th September,	
		2003	2002
	Notes	HK\$'000	HK\$'000
Turnover	2	534,436	278,325
Cost of sales		(456,959)	(237,644)
Gross profit		77,477	40,681
Other revenue and gains		9,873	9,648
Marketing and selling costs		(114)	(163)
Administrative expenses		(17,708)	(16,528)
Other operating expenses, net		(6,001)	(5,305)
Profit from operating activities	2, 3	63,527	28,333
Finance costs	4	(5,729)	(7,701)
Share of profits and losses of jointly-controlled entities		-	(8)
Profit before tax		57,798	20,624
Tax	5	(26,502)	(8,734)
Profit before minority interests		31,296	11,890
Minority interests		44	(395)
Net profit from ordinary activities attributable to shareholders		31,340	11,495
Earnings per share			
– Basic	6	2.00 cents	1.12 cents
– Diluted	6	not applicable	not applicable



CONSOLIDATED BALANCE SHEET

	(Unaudited) 30th September, 2003 HK\$'000	(Audited) 31st March, 2003 HK\$'000 (As restated)
Notes		
NON-CURRENT ASSETS		
Fixed assets	414,863	416,337
Properties under development	84,459	94,560
Properties held for development	1,175,945	1,183,263
Goodwill	20,668	-
Interests in jointly-controlled entities	148,097	12,901
Long term investment	560	560
Pledged deposits	50,363	36,237
	<u>1,894,955</u>	<u>1,743,858</u>
CURRENT ASSETS		
Properties under development for sale	323,239	505,830
Completed properties for sale	241,259	204,648
Trade receivables	7 48,918	49,480
Prepayments, deposits and other receivables	69,159	50,146
Pledged deposits	101,150	16,623
Time deposits	5,140	571
Cash and bank balances	107,591	100,414
	<u>896,456</u>	<u>927,712</u>
CURRENT LIABILITIES		
Due to the ultimate holding company	39,350	42,143
Trade payables	8 78,620	96,413
Tax payable	47,736	26,328
Deposits received	23,316	41,349
Other payables and accruals	208,934	207,188
Interest-bearing bank and other borrowings	345,457	465,644
	<u>743,413</u>	<u>879,065</u>
NET CURRENT ASSETS	<u>153,043</u>	<u>48,647</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,047,998</u>	<u>1,792,505</u>



	(Unaudited) 30th September, 2003 HK\$'000	(Audited) 31st March, 2003 HK\$'000 (As restated)
NON-CURRENT LIABILITIES		
Deposit received	18,042	7,470
Interest-bearing bank and other borrowings	271,763	150,602
Long term payables	72,148	111,475
Deferred tax	422,607	422,962
Provision for long service payments	1,665	1,658
	<u>786,225</u>	<u>694,167</u>
MINORITY INTERESTS		
	<u>21,728</u>	<u>8,733</u>
	<u>1,240,045</u>	<u>1,089,605</u>
CAPITAL AND RESERVES		
Issued capital	9 202,400	102,400
Reserves	1,037,645	987,205
	<u>1,240,045</u>	<u>1,089,605</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	Six months ended	
	30th September,	
	2003	2002
	HK\$'000	HK\$'000
		(As reclassified)
Net cash inflow from operating activities	124,268	34,675
Net cash outflow from investing activities	(128,311)	(7,549)
Net cash inflow/(outflow) from financing activities	11,220	(26,781)
Increase in cash and cash equivalents	7,177	345
Cash and cash equivalents at beginning of period	100,414	76,394
Cash and cash equivalents at end of period	107,591	76,739
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	107,591	76,739



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Six months ended	
		2003	2002
		HK\$'000	HK\$'000
			(As restated)
Total shareholders' fund at 1st April (Audited)			
– as stated previously		1,481,047	1,475,136
– prior period adjustment in respect of deferred tax	1	(391,442)	(391,442)
– as restated		1,089,605	1,083,694
Consideration shares issued for acquisition of interests in a joint venture company	9	100,000	–
Share premium, net of related expenses, arose from issue of the consideration shares for acquisition of interests in a joint venture company		19,100	–
Net profit for the period		31,340	11,495
Total shareholders' fund at 30th September (Unaudited)		1,240,045	1,095,189



NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited interim condensed financial statements of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practices (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”). The accounting policies and basis of preparation adopted are the same as those used in the annual financial statements for the year ended 31st March, 2003, except that the Group has newly adopted SSAP 12 (revised) “Income Taxes” (“SSAP12 (revised)”) issued by the HKSA.

The principal effect of the implementation of SSA12 (revised) is as follows:

In prior years, deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred asset is not recognised until its realisation is assured beyond reasonable doubt.

SSA12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts used as basis for the purpose of the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP12 (revised), the new accounting policy has been applied retrospectively. Comparative amounts for prior period have been restated accordingly.



2. Segmental information

The Group's turnover and contribution to profit/(loss) from operating activities analysed by principal activity are as follows:

	Property development		Property investment		(Unaudited) Property management		Corporate and others		Consolidated	
					Six months ended 30th September,					
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	<u>520,593</u>	<u>262,323</u>	<u>12,299</u>	<u>15,435</u>	<u>1,544</u>	<u>567</u>	<u>-</u>	<u>-</u>	<u>534,436</u>	<u>278,325</u>
Segment results	<u>66,935</u>	<u>28,069</u>	<u>6,696</u>	<u>11,433</u>	<u>(253)</u>	<u>(322)</u>	<u>(10,015)</u>	<u>(10,882)</u>	<u>63,363</u>	<u>28,298</u>
Interest income									<u>164</u>	<u>35</u>
Profit from operating activities									<u>63,527</u>	<u>28,333</u>

The Group's turnover and contribution to profit from operating activities for the periods were substantially derived from operations in the mainland of the People's Republic of China.

3. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:

	(Unaudited)	
	Six months ended 30th September, 2003	2002
	HK\$'000	HK\$'000
Depreciation	<u>3,853</u>	<u>2,298</u>
Less: Amounts capitalised in properties under development	<u>(758)</u>	<u>(739)</u>
	<u>3,095</u>	<u>1,559</u>



4. Finance costs

	(Unaudited)	
	Six months ended	
	30th September,	
	2003	2002
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	17,422	18,836
Less: Amounts capitalised in properties under development	<u>(11,693)</u>	<u>(11,135)</u>
	<u>5,729</u>	<u>7,701</u>

5. Tax

	(Unaudited)	
	Six months ended	
	30th September,	
	2003	2002
	HK\$'000	HK\$'000
Group:		
Elsewhere	<u>26,502</u>	<u>8,734</u>

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2002: Nil).

The Group's profits tax represents tax charges on assessable profits of subsidiaries operating in the People's Republic of China ("PRC") calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's subsidiaries enjoy income tax reductions.



6. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$31,340,000 (2002: HK\$11,495,000) and the weighted average number of 1,570,448,087 (2002: 1,024,000,000) shares in issue during the period.

As the exercise price of the outstanding share options was higher than the average market price of the Company's shares during the periods ended 30th September, 2003 and 2002, they exerted no dilution effect on the basic earnings per share for the periods ended 30th September, 2003 and 2002.

7. Trade receivables

The Group's credit policy is set on a project-by-project basis taking into account the prevailing market situation for each project. An aged analysis of the trade receivables, net of provisions for bad and doubtful debts, is as follows:

	(Unaudited) 30th September, 2003 HK\$'000	(Audited) 31st March, 2003 HK\$'000
0-30 days	7,221	3,334
31-60 days	6,034	-
61-90 days	-	-
Over 90 days	35,663	46,146
	48,918	49,480



8. Trade payables

An aged analysis of the trade payables is as follows:

	(Unaudited) 30th September, 2003 HK\$'000	(Audited) 31st March, 2003 HK\$'000
0-30 days	1,514	4
31-60 days	7,462	387
61-90 days	13,999	230
Over 90 days	<u>55,645</u>	<u>95,792</u>
	<u>78,620</u>	<u>96,413</u>

9. Share capital

	(Unaudited) 30th September, 2003 HK\$'000	(Audited) 31st March, 2003 HK\$'000
<i>Authorised:</i>		
3,000,000,000 (31st March, 2003: 1,500,000,000) ordinary shares of HK\$0.10 each	<u>300,000</u>	<u>150,000</u>
<i>Issued and fully paid:</i>		
2,024,000,000 (31st March, 2003: 1,024,000,000) ordinary shares of HK\$0.10 each	<u>202,400</u>	<u>102,400</u>

On 17th April, 2003, the Company entered into various acquisition agreements with Coastal Enterprise Group Limited, a wholly-owned subsidiary of Coastal International Holdings Limited (the Company's ultimate holding company) and three independent third parties in relation to the acquisition of an aggregate 47.5% indirect interest in Tangshan New Island Tourism Development Company Limited, a Sino-foreign joint venture company established in the PRC (the "Acquisitions"). The aggregate consideration for the Acquisitions is HK\$100,000,000, which was satisfied by the allotment and issue of 1,000,000,000 new shares of the Company (the "Consideration Shares") at an issue price of HK\$0.10 per share.



In order to accommodate the allotment and issue of the Consideration Shares, the authorised share capital of the Company was increased from HK\$150,000,000 to HK\$300,000,000 by the creation of an additional 1,500,000,000 unissued shares.

The Acquisitions and the allotment and issue of the Consideration Shares were approved by the independent shareholders of the Company and the increase in the authorised share capital of the Company was approved by the shareholders of the Company at a special general meeting held on 9th June, 2003.

10. Contingent liabilities

At 30th September, 2003, the Group had given guarantees to the extent of approximately HK\$439,159,000 (31st March, 2003: HK\$342,103,000) to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group and a property of which the sales were underwritten by the Group.

At 30th September, 2003, the Company had given guarantees to the extent of approximately HK\$26,000,000 (31st March, 2003: HK\$142,006,000) to banks for facilities granted to its subsidiaries.

11. Commitments

The Group had the following capital commitments at the balance sheet date:

Capital commitments:

	(Unaudited) 30th September, 2003 HK\$'000	(Audited) 31st March, 2003 HK\$'000
Property development expenditure:		
Contracted for	154,526	261,685
Authorised, but not contracted for	468,739	339,432
	623,265	601,117

At 30th September, 2003 the Group's share of capital commitment in respect of jointly controlled entities was approximately HK\$108,759,000 (31st March, 2003: HK\$6,759,000).



12. Related party transaction

The Group had the following transactions with a related party during the period:

- (a) Under a licence contract dated 20th September, 1997 between Coastal International Holdings Limited (the Company's ultimate holding company) and the Company, Coastal International Holdings Limited agreed to grant to the Company, for an annual fee of HK\$10 payable by the Company under the agreement, a non-exclusive licence to use its trademark for an initial term of ten years.

The independent non-executive directors of the Company have reviewed and confirmed that the above transaction was conducted in the ordinary and usual course of the Group's business, is in accordance with the terms of the agreement governing the transaction, and is fair and reasonable so far as the shareholders of the Company are concerned.

- (b) On 17th April, 2003, the Company entered into various acquisition agreements with Coastal Enterprise Group Limited, a wholly-owned subsidiary of Coastal International Holdings Limited, and three independent third parties in relation to the acquisition of an aggregate 47.5% indirect interest in Tanghshan New Island Tourism Development Company Limited, a Sino-foreign joint venture company established in the PRC (the "Joint Venture Company") (the "Acquisitions"). The Joint Venture Company is principally engaged in the development of the Da Wang Gang Island, which is situated at Lao Ting County, Tang Shan City, Hebei Province, the PRC, into a tourist resort with ancillary real estate development. The aggregate consideration for the Acquisitions is HK\$100,000,000, which was satisfied by the allotment and issue of 1,000,000,000 new shares of the Company (the "Consideration Shares") at an issue price of HK\$0.10 per share.

Coastal Enterprise Group Limited is a wholly-owned subsidiary of Coastal International Holdings Limited, which in turn is the controlling shareholder of the Company. By virtue of the Listing Rules, the Acquisitions constituted a major and connected transaction of the Company.

The Acquisitions and the allotment and issue of the Consideration Shares were approved by the independent shareholders of the Company at a special general meeting held on 9th June, 2003.

Further details in respect of the Acquisitions are set out in the Company's announcement dated 23rd April, 2003 and the Company's circular to shareholders dated 13th May, 2003. The Acquisitions were completed in June 2003.



13. Comparative figures

Due to the adoption of revised SSAPs for the period, certain comparative figures have been reclassified/restated to conform with the current period's presentation and the requirements of revised SSAPs

INTERIM DIVIDEND

The directors have decided not to declare any interim dividend for the six months ended 30th September, 2003.

FINANCIAL RESOURCES AND LIQUIDITY

The Group's principal source of fund comes from the cashflow generated from property sales and leasings, supplemented by bank and other borrowings.

As at 30th September, 2003, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and bank deposits, amounted to about HK\$353 million. The net debt to equity ratio as at 30th September, 2003 is about 28.47%, which is expressed as a percentage of the net borrowings over the total net assets of the Group of about HK\$1,240 million, an decrease of about 13.91% from that of about 42.38% (restated due to adoption of SSAP 12 (revised)) as at 31st March, 2003.



BORROWINGS AND CHARGES

As at 30th September, 2003, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	HK\$'000
Bank overdraft repayable:	
Within one year or on demand	<u>9,226</u>
Bank loans repayable:	
Within one year or on demand	333,101
In the second year	181,725
In the third to fifth years, inclusive	<u>44,294</u>
	<u>559,120</u>
Other loans repayable:	
Within one year or on demand	3,130
In the second year	3,265
In the third to fifth years, inclusive	31,083
Beyond five years	<u>11,396</u>
	<u>48,874</u>
	<u>617,220</u>



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

	HK\$'000
Renmibi	542,845
Hong Kong dollars	60,964
United States dollars	13,411
	<hr/>
	617,220
	<hr/>

The bank and other borrowings bear interest rates based on normal commercial terms.

Certain of the Group's bank and other borrowings are secured by:

- (i) Certain investment properties of the Group with aggregate carrying value at 30th September, 2003 of approximately HK\$379 million;
- (ii) Certain properties under development of the Group with aggregate carrying value at 30th September, 2003 of approximately HK\$182 million;
- (iii) Certain properties held for development of the Group with aggregate carrying value at 30th September, 2003 of approximately HK\$570 million;
- (iv) Certain completed properties for sale of the Group with aggregate carrying value at 30th September, 2003 of approximately HK\$127 million;
- (v) Certain bank deposits of the Group totalling approximately HK\$76 million;
and
- (vi) Corporate guarantees from the Company and its subsidiaries.



EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's operations are principally in the People's Republic of China. Majority part of the Group's income and expenditure is in Renmibi. The exchange rate for Renmibi has been stable over the past few years and the directors do not foresee any circumstances that will lead to erratic fluctuation in the exchange rate for Renmibi in the foreseeable future. Therefore, the directors consider the Group does not have undue exposure to fluctuation in exchange rates.

CONTINGENT LIABILITIES

At 30th September, 2003, the Group had given guarantees to the extent of approximately HK\$439,159,000 (31st March, 2003: HK\$342,103,000) to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group and a property of which the sales were underwritten by the Group.

At 30th September, 2003, the Company had given guarantees to the extent of approximately HK\$26,000,000 (31st March, 2003: HK\$142,006,000) to banks for facilities granted to its subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 1,126 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 and share options.



REVIEW OF OPERATIONS

The performance of the Group for the first half financial year has been encouraging. The turnover for the six months ended 30th September, 2003 has reached a record high of about HK\$534 million, representing an increase of about 92% over that of the last corresponding period. The net profit attributable to shareholders for the period has increased by about 173% to about HK\$31.34 million from last corresponding period's HK\$11.50 million.

The turnover for sale of properties increased substantially by about HK\$259 million, from last corresponding period's HK\$262 million to about HK\$521 million for the period. The increase was mainly due to the advancement in the pre-sales and sales of Phase I and Phase II of Shanghai Riviera Villa, Fuzhou Mansion, Phase I and Phase II of Wuhan Lakeside Apartment and Phase IV of Xiamen Lu Jiang New City. The revenue for the period contributed from sales and pre-sales of Phase I and Phase II of Shanghai Riviera Villa, Phase I and Phase II of Wuhan Lakeside Apartment, Fuzhou Mansion, Phase III and Phase IV of Xiamen Lu Jiang New City, Phase III and IV of Anshan Greenland IT City and Phase II of Shenzhen Dragon Court respectively accounted for 42.83%, 13.02%, 12.74%, 12.39%, 8.87% and 4.88% of the turnover for sale of properties. The balance of 5.27% was contributed from sales of certain commercial areas in Wuhan Wah Zhong Trade Plaza and the pre-sales of the Group's new developments, namely Phase I of Beijing Sunvilla Realhouse (formerly known as Beijing Ritz Garden Villa) and Anshan Riviera Garden, both of which were launched for pre-sales towards the end of the period.

For property rental, the Group recorded a drop in turnover of about 20% from last corresponding period. The decline was mainly due to the sales of certain commercial areas in Wuhan Wah Zhong Trade Plaza during the period resulting in lesser area available for leasing. The leasing performance of the remaining commercial area in Wuhan Wah Zhong Trade Plaza held by the Group has been satisfactory during the period. The leasing performance of the commercial/office area held in Shanghai Golden Bridge Mansion remained weak due to continued keen competition for commercial/office floor area in the rental market.



For property management operations, the Group has entered into a number of service contracts for properties developed by other developers during the period. As a result, a growth of about 172% in the turnover of property management from last corresponding period was recorded.

Alongside with the business growth of the Group, administrative expenses increased by 7.14% as compared to that of the last corresponding period.

The improvement in the performance of the Group for the period was mainly due to the following factors:

- (1) Satisfactory results were achieved from sales and pre-sales of Phase I and Phase II of Shanghai Riviera Villa, Phase I and Phase II of Wuhan Lakeside Apartment, Phase IV of Xiamen Lu Jiang New City and sales of certain commercial areas in Wuhan Wah Zhong Trade Plaza; and
- (2) A compensation of HK\$4.31 million was received by the Group from a buyer of certain properties in Wuhan Wah Zhong Trade Plaza for breaching of a sale agreement.

Despite of the satisfactory overall performance for the period, the following factors had caused a negative impact on the Group's profit for the period:

- (1) Certain properties in Phase I of Shenzhen Dragon Court surrendered by certain buyers were resold at a loss of HK\$3.03 million due to decline in selling price; and
- (2) Losses in the amount totalling HK\$14.84 million resulted from realization of properties in two old aged development projects namely, Phase II of Shenzhen Dragon Court and Fuzhou Mansion, as additional marketing expenses were incurred in the sales promotion of these two developments and their selling prices were lower than that expected.



PROSPECTS

The positive performance of the Group is expected to extend into the second half financial year as the ongoing development projects of the Group have been progressing satisfactorily. The general economic climate in the PRC is expected to remain thriving. The real estate market in the PRC is also expected to remain stable although the effect of the land auction and tender requisite policy newly introduced in the PRC on the real estate market and the business of the Group is yet to be seen. The Group has been actively looking for addition of new development projects to its property portfolio which is the base for the Group's future business development.

DIRECTORS' INTERESTS

At 30th September, 2003, the interests or short positions of the directors in the shares, underlying shares or debentures of the Company or its associated companies (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be maintained under Section 352 of the SFO or otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") were as follows:

(i) Interests in the ordinary shares of the Company

Name of directors	Notes	Number of shares held and nature of interest	
		Personal	Corporate
Chan Boon Teong	(a), (b) and (c)	–	1,027,890,527
Jiang Ming	(a), (b) and (c)	–	1,027,890,527
Tao Lin	(a), (b) and (c)	–	1,027,890,527
Cheng Wing Bor	(a), (b) and (c)	–	1,027,890,527
Lin Chen Hsin	(a), (b) and (c)	480,000	1,027,890,527



- (ii) Interests in the non-voting deferred shares of HK\$1 each in Coastal Realty Development Co. Limited, a subsidiary of the Company

Name of directors	Notes	Number of shares held and nature of interest	
		Personal	Corporate
Chan Boon Teong	(d)	6,000,000	5,000,000
Jiang Ming	(d)	4,000,000	5,000,000
Lin Chen Hsin	(d)	1,000,000	5,000,000
Tao Lin	(d)	–	5,000,000
Cheng Wing Bor	(d)	–	5,000,000

Notes:

- (a) 497,600,000 shares are beneficially owned by Coastal International Holdings Limited (“CIH”) of which the issued voting share capital is held as to 24% by Chan Boon Teong, 32% by Jiang Ming, 5% by Tao Lin, 1% by Cheng Wing Bor, 3% by Lin Chen Hsin, 25% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Jiang Ming) and 7.5% by Roseford Resources Limited (the entire issued voting share capital of which is held by CIH). These 497,600,000 shares represent an aggregate of approximately 24.58% of the issued share capital of the Company.
- (b) 46,080,000 shares are beneficially owned by Glory View Investments Limited of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 46,080,000 shares represent an aggregate of 2.28% 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 23.92% of the issued share capital of the Company
- (d) 5,000,000 non-voting deferred shares are held by Chunghwa Electronics Co. Ltd., which is 97% 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).

(iii) Interests in share options under share option schemes of the Company

No options under the Company's share option scheme approved at the special general meeting of the Company held on 20th September, 1997 (the "Scheme 1997" which was terminated on 30th August, 2002) and share option scheme approved at the annual general meeting of the Company held on 24th September, 2002 (the "Scheme 2002") were granted to, exercised by or held by any director during the period, apart from as disclosed under the heading "Share option scheme" below.

Save as disclosed above, at 30th September, 2003, none of the directors or their associates had any personal, family, corporate or other interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

On 20th September, 1997, the Company adopted a share option scheme (the "Scheme 1997"). Following the amendments to the Listing Rules regarding share option scheme announced by the Stock Exchange of Hong Kong Limited, the Company terminated the Scheme 1997 on 30th August, 2002 and adopted a new share option scheme (the "Scheme 2002") in compliance with the amendments to the Listing Rules on 24th September, 2002 at the Company's annual general meeting. All the outstanding share options granted under the Scheme 1997 prior to its termination shall continue to valid and exercisable in accordance with the provisions of the Scheme 1997.



The purpose of the Scheme 2002 is to provide incentives or rewards to Participants (as defined in the Scheme 2002, and include the employees and directors of the Company and its subsidiaries) thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. The principal terms of the Scheme 2002 are summarised in appendix II to the Company's circular dated 30th August, 2002 and in note 29 to the financial statements of the Company and the Group for the year ended 31st March, 2003 which is contained in the Company's 2002–2003 annual report.

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

Name or category of participant	At 1st April, 2003	Number of share options			At 30th September, 2003	Date of grant of share options ⁽¹⁾	Exercise period of share options ⁽²⁾	Exercise price of share options ⁽²⁾ HK\$
		Grant during the period	Exercise during the period	Lapsed during the period				
Directors								
Chan Boon Teong	6,400,000	-	-	-	6,400,000	20th May, 2000	1st October, 2000 to 19th September, 2007	0.20
Jiang Ming	6,400,000	-	-	-	6,400,000	20th May, 2000	1st October, 2000 to 19th September, 2007	0.20
Tao Lin	6,400,000	-	-	-	6,400,000	20th May, 2000	1st October, 2000 to 19th September, 2007	0.20
Cheng Wing Bor	6,400,000	-	-	-	6,400,000	20th May, 2000	1st October, 2000 to 19th September, 2007	0.20
Lin Chen Hsin	1,600,000	-	-	-	1,600,000	20th May, 2000	1st October, 2000 to 19th September, 2007	0.20
Other employees								
In aggregate	35,520,000	-	-	-	35,520,000	20th May, 2000	1st October, 2000 to 19th September, 2007	0.20
	<u>62,720,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,720,000</u>			



Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (3) The share options are exercisable in tranches during the period from 1st October, 2000 to 19th September, 2007, as specified in the share option certificates.

The exercise price of the share options granted is above the market price of the Company's shares as at 30th September, 2003 and accordingly, the directors are of the view that the disclosure of the value of the share options granted is not meaningful.

At 30th September, 2003, the Company had 62,720,000 share options outstanding under the Scheme 1997. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 62,720,000 additional ordinary shares of the Company and additional share capital of HK\$6,272,000 and share premium of HK\$6,272,000 (before issue expenses).

Up to the date of this report, no options under the Scheme 2002 were granted since its adoption on 24th September, 2002.



SUBSTANTIAL SHAREHOLDERS

Apart from the interests of Coastal International Holdings Limited as disclosed in the “Directors’ interests” section, the register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th September, 2003, the Company had been notified of the following substantial shareholder’s interests, being 5% or more in the issued share capital of the Company:

Name	Nature of interest	Number of shares	Number of underlying shares in respect of share options	Percentage of issued share capital
Yang Su Xin	Family (Note 1)	1,027,890,527	6,400,000	51.1
Delta Force Investments Limited	Corporate (Note 2)	184,210,526	-	9.1
Cheang Sin Nga	Corporate (Note 2)	184,210,526	-	9.1
Success Essence Investments Limited	Corporate (Note 3)	184,210,526	-	9.1
Huang Bin	Corporate (Note 3)	184,210,526	-	9.1
Profit Channel Investments Limited	Corporate (Note 4)	147,368,421	-	7.28
Wong Fei Fu	Corporate (note 4)	147,368,421	-	7.28

Notes:

- (1) Yang Su Xin is the spouse of Jiang Ming (a director of the Company) and deemed to be interested in 1,027,890,527 shares of the Company, which is the aggregate number of shares that Coastal International Holdings Limited and its wholly owned subsidiaries, Glory View Investments Limited and Coastal Enterprise Group Limited are interested in the issued share capital of the Company as disclosed in the “Directors’ interests” section, and in 6,400,000 outstanding share options held by Jiang Ming as disclosed in the “Share option scheme” section.
- (2) The entire issued share capital of Delta Force Investments Limited is held by Cheang Sin Nga and accordingly Cheang Sin Nga is deemed to be interested in the 184,210,526 shares of the Company held by Delta Force Investments Limited.



- (3) The entire issued share capital of Success Essence Investments Limited is held by Huang Bin and accordingly Huang Bin is deemed to be interested in the 184,210,526 shares of the Company held by Success Essence Investments Limited.
- (4) The entire issued share capital of Profit Channel Investments Limited is held by Wong Fei Fu and accordingly Wong Fei Fu is deemed to be interested in the 147,368,421 shares of the company held by Profit Channel Investments Limited.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the interim report, except that the non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code of Best Practice but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws. The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2003.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the interim condensed financial statements which have not been audited.



CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the special general meeting of the Company held on 9th June, 2003 the name of the Company was changed to “Coastal Greenland Limited” with effect from 10th June, 2003.

By Order of the Board
Chan Boon Teong
Chairman

Hong Kong, 27th December, 2003