



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)

COASTAL GREENLAND

04

Interim Report

CORPORATE INFORMATION

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Suite 1708, 17th Floor
One Exchange Square
8 Connaught Place
Central
Hong Kong

Tel: (852) 2877-9772
Fax: (852) 2524-0931

Principal Registrars

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Registrars in Hong Kong

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Hong Kong

Company Website

<http://www.coastal.com.cn>

Executive Directors

Mr. CHAN Boon Teong (*Chairman*)
Mr. JIANG Ming (*Vice Chairman & Managing Director*)
Mr. TAO Lin
Mr. CHENG Wing Bor
Mr. LIN Chen Hsin

Non-executive Director

Mr. ZHENG Hong Qing

Independent Non-executive Directors

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

Company Secretary

Mr. CHENG Wing Bor

Auditors

Ernst & Young
Certified Public Accountants

Stock Code

1124

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, 2004 together with the unaudited comparative figures for the last corresponding period and the unaudited consolidated balance sheet of the Group as at 30th September, 2004 together with the audited comparative figures as at 31st March, 2004. The interim report for the six months ended 30th September, 2004 has been reviewed by the Company’s Audit Committee on 23rd December, 2004.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | | (Unaudited) | |
|---|-------|-------------------------|-----------------|
| | | Six months ended | |
| | | 30th September, | |
| | | 2004 | 2003 |
| | Notes | HK\$'000 | HK\$'000 |
| Turnover | 2 | 427,165 | 534,436 |
| Cost of sales | | (353,842) | (456,959) |
| Gross profit | | 73,323 | 77,477 |
| Other revenue and gains | | 39,713 | 9,873 |
| Marketing and selling costs | | (1,734) | (114) |
| Administrative expenses | | (21,780) | (17,708) |
| Other operating expenses, net | | (6,846) | (6,001) |
| Profit from operating activities | 2, 3 | 82,676 | 63,527 |
| Finance costs | 4 | (8,111) | (5,729) |
| Share of profits and losses of: | | | |
| Jointly-controlled entities | | (2,430) | – |
| Associate | | (432) | – |
| Amortisation of goodwill on acquisition of an associate | | (162) | – |
| Profit before tax | | 71,541 | 57,798 |
| Tax | 5 | (30,926) | (26,502) |
| Profit before minority interests | | 40,615 | 31,296 |
| Minority interests | | 424 | 44 |
| Net profit from ordinary activities attributable to shareholders | | 41,039 | 31,340 |
| Earnings per share | | | |
| – Basic | 6 | 2.03 cents | 2.00 cents |
| – Diluted | 6 | not applicable | not applicable |

CONSOLIDATED BALANCE SHEET

| | (Unaudited) 30th September, 2004 | (Audited) 31st March, 2004 |
|--|---|-------------------------------------|
| Notes | HK\$'000 | HK\$'000 |
| NON-CURRENT ASSETS | | |
| Fixed assets | 329,566 | 434,497 |
| Properties under development | 110,957 | 135,800 |
| Properties held for development | 1,167,493 | 1,162,752 |
| Goodwill | 9,022 | 21,757 |
| Interests in jointly-controlled entities | 9,234 | 80,813 |
| Interest in an associate | – | 20,309 |
| Long term investments | 19,240 | 19,240 |
| Pledged deposits | 32,863 | 22,775 |
| Prepayments and deposits | 456,214 | 173,748 |
| | <u>2,134,589</u> | <u>2,071,691</u> |
| CURRENT ASSETS | | |
| Properties under development for sale | 436,284 | 392,282 |
| Completed properties for sale | 152,689 | 163,939 |
| Trade receivables | 197,616 | 38,633 |
| Prepayments, deposits and other receivables | 114,033 | 83,409 |
| Tax recoverable | 4,123 | 4,311 |
| Pledged deposits | – | 6,319 |
| Cash and bank balances | 278,691 | 269,925 |
| | <u>1,183,436</u> | <u>958,818</u> |
| CURRENT LIABILITIES | | |
| Due to the ultimate holding company | 27,411 | 88,231 |
| Trade payables | 233,648 | 112,679 |
| Tax payable | 9,724 | 13,163 |
| Deposits received | 95,933 | 21,282 |
| Other payables and accruals | 262,433 | 188,856 |
| Due to a minority shareholder | – | 1,449 |
| Interest-bearing bank and other borrowings | 455,452 | 425,283 |
| | <u>1,084,601</u> | <u>850,943</u> |
| NET CURRENT ASSETS | <u>98,835</u> | <u>107,875</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>2,233,424</u> | <u>2,179,566</u> |

| | Notes | (Unaudited) 30th September, 2004 HK\$'000 | (Audited) 31st March, 2004 HK\$'000 |
|--|-------|---|---|
| NON-CURRENT LIABILITIES | | | |
| Deposits received | | 47,600 | 12,578 |
| Interest-bearing bank and other borrowings | | 333,084 | 357,996 |
| Long term payables | | 64,862 | 41,642 |
| Deferred tax | | 461,150 | 450,063 |
| Provision for long service payments | | 1,920 | 1,833 |
| | | <u>908,616</u> | <u>864,112</u> |
| MINORITY INTERESTS | | | |
| | | <u>38,749</u> | <u>48,995</u> |
| | | <u>1,286,059</u> | <u>1,266,459</u> |
| CAPITAL AND RESERVES | | | |
| Issued capital | 9 | 202,400 | 202,400 |
| Reserves | | <u>1,083,659</u> | <u>1,064,059</u> |
| | | <u>1,286,059</u> | <u>1,266,459</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | (Unaudited) | |
|--|-------------------------|-----------------|
| | Six months ended | |
| | 30th September, | |
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Net cash inflow from operating activities | 164,240 | 124,268 |
| Net cash outflow from investing activities | (88,636) | (128,311) |
| Net cash inflow/(outflow) from financing activities | (66,838) | 11,220 |
| Net increase in cash and cash equivalents | 8,766 | 7,177 |
| Cash and cash equivalents at beginning of period | 269,925 | 100,414 |
| Cash and cash equivalents at end of period | 278,691 | 107,591 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 278,691 | 107,591 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Six months ended | |
|---|-------------------------|------------------|
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Total equity at 1st April (Audited) | 1,266,459 | 1,089,996 (Note) |
| Issue of shares, including share premium | – | 120,000 |
| Share issue expenses | – | (900) |
| Revaluation reserve released on disposal of investment properties | (21,439) | – |
| Net profit for the period | <u>41,039</u> | <u>31,340</u> |
| Total equity at 30th September (Unaudited) | <u>1,286,059</u> | <u>1,240,436</u> |

Note: The amount has been restated to agree to the audited balance at 31st March, 2003 whereas the amount previously presented in last year was not an audited balance as an unaudited prior period adjustment in respect of deferred tax was made to the balance of total equity at 1st April 2003 in last year's report.

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 Institute of Certified Public Accountants (formerly the Hong Kong Society of Accountants). 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, 2004.

2. Segmental information

The Group’s turnover and contribution to profit 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, | | | | | | | | | |
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | 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>412,236</u> | <u>520,593</u> | <u>13,329</u> | <u>12,299</u> | <u>1,600</u> | <u>1,544</u> | <u>-</u> | <u>-</u> | <u>427,165</u> | <u>534,436</u> |
| Segment results | <u>91,387</u> | <u>66,935</u> | <u>4,193</u> | <u>6,696</u> | <u>(559)</u> | <u>(253)</u> | <u>(12,619)</u> | <u>(10,015)</u> | <u>82,402</u> | <u>63,363</u> |
| Interest income | | | | | | | | | <u>274</u> | <u>164</u> |
| Profit from operating activities | | | | | | | | | <u>82,676</u> | <u>63,527</u> |

The Group’s turnover and contribution to profit from operating activities were substantially derived from operations in the mainland of the People’s Republic of China (the “PRC”).

3. Profit from operating activities

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

| | (Unaudited) | |
|--|------------------|--------------|
| | Six months ended | |
| | 30th September, | |
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Depreciation | 3,991 | 3,853 |
| Less: Amounts capitalised in properties under development | <u>(386)</u> | <u>(758)</u> |
| | <u>3,605</u> | <u>3,095</u> |

4. Finance costs

| | (Unaudited) | |
|--|------------------|-----------------|
| | Six months ended | |
| | 30th September, | |
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Interest on bank loans, overdrafts and other loans wholly repayable within five years | 26,689 | 17,422 |
| Less: Amounts capitalised in properties under development | <u>(18,578)</u> | <u>(11,693)</u> |
| | <u>8,111</u> | <u>5,729</u> |

5. Tax

| | (Unaudited) | |
|---------------------------------|------------------|---------------|
| | Six months ended | |
| | 30th September, | |
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Group: | | |
| Current – Elsewhere | | |
| Charge for the period | 9,279 | 13,242 |
| Deferred tax | <u>21,647</u> | <u>13,260</u> |
| Total tax charge for the period | <u>30,926</u> | <u>26,502</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 (2003: Nil).

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

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\$41,039,000 (2003: HK\$31,340,000) and the number of 2,024,000,000 shares (2003: weighted average number of 1,570,448,087 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, 2004 and 2003, they exerted no dilution effect on the basic earnings per share for the periods ended 30th September, 2004 and 2003.

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, 2004 HK\$'000 | (Audited) 31st March, 2004 HK\$'000 |
|--------------|--|--|
| 0-30 days | 163,755 | 2,520 |
| 31-60 days | 3,061 | 727 |
| 61-90 days | 4,189 | 280 |
| Over 90 days | 26,611 | 35,106 |
| | <u>197,616</u> | <u>38,633</u> |

Included in the 0-30 days trade receivables, the following amounts are disclosed pursuant to Rule 13.20 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"):

| Identity of debtor | Relationship with the Company | Nature of transaction | Outstanding balance at 30th September, 2004 HK\$'000 | Repayment terms |
|-------------------------------|----------------------------------|--|---|---|
| 武漢京都房地產有限公司 | Independent third party | Sale of properties | 63,383 | To be settled in whole by 20th March, 2005 |
| Way Way Investment Limited | Independent third party | Sale of interests in a development project | 100,372 | To be settled in whole by 15th March, 2005 |

These two debtors are not connected persons of the Company (as defined in the Listing Rules) and are independent of and not connected with the Company or any of its connected persons (as defined in the Listing Rules). The transactions were in the ordinary course of business of the Group. These outstanding trade receivables were unsecured and non-interest bearing.

8. Trade payables

An aged analysis of the trade payables is as follows:

| | (Unaudited) 30th September, 2004 HK\$'000 | (Audited) 31st March, 2004 HK\$'000 |
|--------------|--|--|
| 0-30 days | 70,376 | 397 |
| 31-60 days | 39,734 | – |
| 61-90 days | 11,755 | – |
| Over 90 days | <u>111,783</u> | <u>112,282</u> |
| | <u>233,648</u> | <u>112,679</u> |

9. Share capital

(i) Shares

| | (Unaudited) 30th September, 2004 HK\$'000 | (Audited) 31st March, 2004 HK\$'000 |
|--|--|--|
| <i>Authorised:</i> | | |
| 3,000,000,000 (31st March, 2004: 3,000,000,000) ordinary shares of HK\$0.10 each | <u>300,000</u> | <u>300,000</u> |
| <i>Issued and fully paid:</i> | | |
| 2,024,000,000 (31st March, 2004: 2,024,000,000) ordinary shares of HK\$0.10 each | <u>202,400</u> | <u>202,400</u> |

(ii) Share options

Details of the Company's share option schemes and the share options issued under the schemes are stated in the "Share option schemes" section below.

10. Contingent liabilities

At 30th September, 2004, the Group had given guarantees to the extent of approximately HK\$378,220,000 (31st March, 2004: HK\$339,921,000) 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.

11. Commitments

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

Capital commitments:

| | (Unaudited) 30th September, 2004 HK\$'000 | (Audited) 31st March, 2004 HK\$'000 |
|------------------------------------|--|--|
| Property development expenditure: | | |
| Contracted, but not provided for | 108,550 | 278,930 |
| Authorised, but not contracted for | <u>1,741,363</u> | <u>750,032</u> |
| | <u>1,849,913</u> | <u>1,028,962</u> |

12. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The directors have decided not to declare any interim dividend for the six months ended 30th September, 2004.

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, 2004, 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\$477 million. The net debt to equity ratio as at 30th September, 2004 is about 37.10%, which is expressed as a percentage of the net borrowings over the total net assets of the Group of about HK\$1,286 million, a decrease of about 1.13% from that of about 38.23% as at 31st March, 2004.

BORROWINGS AND CHARGES

As at 30th September, 2004, the level of bank and other borrowings of the Group and their maturity profile are as follows:

| | HK\$'000 |
|--|----------------|
| Bank overdrafts repayable: | |
| Within one year or on demand | 8,895 |
| Bank loans repayable: | |
| Within one year or on demand | 394,713 |
| In the second year | 195,474 |
| In the third to fifth years, inclusive | 107,807 |
| | <u>697,994</u> |
| Other loans repayable: | |
| Within one year or on demand | 51,844 |
| In the second year | 2,934 |
| In the third to fifth years, inclusive | 8,802 |
| Beyond five years | 18,067 |
| | <u>81,647</u> |
| | <u>788,536</u> |

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

| | HK\$'000 |
|-----------------------|----------|
| Renminbi | 718,543 |
| Hong Kong dollars | 57,545 |
| United States dollars | 12,448 |
| | <hr/> |
| | 788,536 |
| | <hr/> |

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

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

- (i) Certain investment properties of the Group with aggregate carrying value at 30th September, 2004 of approximately HK\$293 million;
- (ii) Certain properties under development of the Group with aggregate carrying value at 30th September, 2004 of approximately HK\$282 million;
- (iii) Certain properties held for development of the Group with aggregate carrying value at 30th September, 2004 of approximately HK\$470 million;
- (iv) Certain completed properties for sale of the Group with aggregate carrying value at 30th September, 2004 of approximately HK\$27 million;
- (v) Corporate guarantees from the Company and certain of its subsidiaries.

(b) Certain other loans are secured by certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$42 million at 30th September, 2004 and a 50% equity interest in Shanghai Golden Bridge Real Estate Ltd., a wholly owned subsidiary of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's operations are principally in the People's Republic of China. Majority part of the Group's income and expenditure is in Renminbi. The exchange rate for Renminbi 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 Renminbi in the foreseeable future which will cause a material adverse impact on the Group's operations. Therefore, the directors consider the Group does not have undue exposure to fluctuation in exchange rates.

CONTINGENT LIABILITIES

At 30th September, 2004, the Group had given guarantees to the extent of approximately HK\$378,220,000 (31st March, 2004: HK\$339,921,000) 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.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 1,424 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 continues to be encouraging. The net profit attributable to shareholders for the period has increased by about 31% to about HK\$41.04 million from last corresponding period's HK\$31.34 million, although the turnover has decreased from last period's HK\$534 million to HK\$427 million in current period as last period's amount was affected by the clear up sales of inventory units in Phase III of Anshan Greenland IT City, Fuzhou Mansion and Phase II of Shenzhen Dragon Court in last period.

For sale of properties, turnover decreased from last corresponding period's HK\$521 million to about HK\$412 million for the period. The reason for the decrease is stated in the preceding paragraph. The turnover for the period was mainly attributable to the sales and pre-sales of Phase III of Shanghai Riviera Villa and Phase II and Phase III of Wuhan Lakeside Apartment, Anshan Riviera Garden, Phase I of Beijing Sunvilla Realhouse and Phase VI and Phase V of Anshan Greenland IT City which respectively accounted for 52.42%, 12.88%, 12.22%, 12.19% and 7.23% of the turnover for sale of properties. The balance of 3.06% was contributed from sales of the remaining inventory commercial area in Phase IV of Xiamen Lu Jiang New City and certain commercial area in Wuhan Wah Zhong Trade Plaza.

During the period, rental income from leasing of properties increase by about 8.37% as compared to last corresponding period to about HK\$13 million. The increase in rental revenue was mainly attributable to the improvement in the rental rate per square meter attained in the leasing of Wuhan Wah Zhong Trade Plaza. 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. Towards the period end, the Group disposed of certain commercial area in Wuhan Wah Zhong Trade Plaza so as to generate working capital for new development projects. The disposal did not affect the rental income for the period under review although the rental income from this property will be reduced correspondingly in the second half of the year.

For property management operations, the turnover for the period has improved slightly. A growth of about 3.63% in the turnover of property management was recorded.

To strengthen the management team in anticipation of business expansion, the Group has added certain new recruits to its management team and has revised its human resources policy so as to attract and retain high-calibre employees which involves increase in the remuneration level for employees in terms of basic salary, benefits in kind and performance related bonus. As a result administrative expenses increased by about 23% as compared to that of the last corresponding period.

Comparing to last corresponding period, the amount of finance costs (mainly interest for bank and other borrowings) before capitalisation increased by about 53% to about HK\$26.69 million. The increase was mainly due to an overall increase in the total amount of bank and other borrowings for financing the development of ongoing projects and acquisition of new development projects.

The net profit attributable to shareholders for the period registered a growth of about 31% over that of last corresponding period. The improvement in the results of the Group was mainly attributable to higher profit margin attained in the sale of properties amid a thriving property market in the PRC and higher other revenue and gains which was mainly generated from the disposal of certain investment properties in Wuhan Wah Zhong Trade Plaza.

In response to the newly introduced rules regarding the grant of land by way of tender, auction and announcement and tightened bank credit policy in the PRC, the Group has reassessed its business strategy that it has taken a more aggressive approach to realise its longer term investment projects so as to generate additional working capital to enable the Group to take on new development projects with better profitability and cashflow potentials. In this regard the Group has disposed of certain investment properties in Wuhan Wah Zhong Trade Plaza and its interests in the Tangshan Tourism Project during the period. Such disposals have provided additional working capital to the Group and resulted in other revenue and gains to the Group. In respect of new development projects, the Group has acquired interests in three major developments in Beijing, Shanghai and Nanchang respectively during the period. These three developments will be developed by phases and it is expected that they will make positive contributions to the results of the Group in the coming few years.

PROSPECTS

The ongoing development projects of the Group are expected to continue to contribute positively to the operating results of the Group for the second half financial year. The Group is optimistic about the property market in the PRC and is actively seeking opportunities to add new development projects to its property development portfolio.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30th September, 2004, 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 and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 (the "Listing Rules") were as follows:

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

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

| Name of directors | Notes | Number of shares held, capacity and nature of interest | | Percentage of the Company's issued share capital |
|-------------------|------------------|--|--------------------------------|--|
| | | Directly beneficially owned | Through controlled corporation | |
| Chan Boon Teong | (a), (b) and (c) | - | 1,027,890,527 | 50.7 |
| Jiang Ming | (a), (b) and (c) | - | 1,027,890,527 | 50.7 |
| Tao Lin | (a), (b) and (c) | - | 1,027,890,527 | 50.7 |
| Cheng Wing Bor | (a), (b) and (c) | - | 1,027,890,527 | 50.7 |
| Lin Chen Hsin | (a), (b) and (c) | 480,000 | 1,027,890,527 | 50.8 |

- (ii) The interests of the directors in the share options of the Company are separately disclosed under the heading "Share option schemes" below.

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

- (i) Long positions 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, capacity and nature of interest | |
|-------------------|-------|--|--------------------------------|
| | | Directly beneficially owned | Through controlled corporation |
| 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 |

- (ii) Long positions in shares of Coastal International Holdings Limited (holding company of the Company)

| Name of directors | Number of shares held | Capacity and nature of interest | Percentage of the associated corporation's issued share capital |
|-------------------|-----------------------|---------------------------------|---|
| Chan Boon Teong | 240 | Directly beneficially owned | 24% |
| Jiang Ming | 320 | Directly beneficially owned | 32% |
| | 250 | Through controlled corporation | 25% |
| Tao Lin | 50 | Directly beneficially owned | 5% |
| Cheng Wing Bor | 10 | Directly beneficially owned | 1% |
| Lin Chen Hisn | 30 | Directly beneficially owned | 3% |

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 10% 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 24.59% 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 approximately 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 approximately 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).

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

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading “Share option schemes” 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 minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

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, 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 be 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 31 to the financial statements of the Company and the Group for the year ended 31st March, 2004 which are contained in the Company's 2003-2004 annual report.

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

| Name or category of participant | At 1st April, 2004 | Number of share options | | | At 30th September, 2004 | Date of grant of share options ⁽¹⁾ | Exercise period of share options ⁽³⁾ | Exercise price of share options ⁽²⁾ HK\$ |
|---------------------------------|--------------------|---------------------------|-----------------------------|--------------------------|-------------------------|---|---|--|
| | | Granted during the period | Exercised 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, 2004 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, 2004, 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' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Apart from the interests of CIH as disclosed in the "Directors' interests in shares and underlying shares" section, the register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th September, 2004, 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 ordinary shares | Number of underlying shares in respect of share options | Percentage of the Company's share capital |
|-------------------------------------|--------------------|---------------------------|---|---|
| Yang Sun Xin | Family (Note 1) | 1,027,890,527 | 6,400,000 | 51.10 |
| Delta Force Investments Limited | Corporate (Note 2) | 158,210,526 | – | 7.82 |
| Cheang Sin Nga | Corporate (Note 2) | 158,210,526 | – | 7.82 |
| Success Essence Investments Limited | Corporate (Note 3) | 184,210,526 | – | 9.10 |
| Huang Bin | Corporate (Note 3) | 184,210,526 | – | 9.10 |
| 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 Sun 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 CIH and its wholly owned subsidiaries, Glory View Investments Limited and Coastal Enterprise Group Limited are interested in the issued share capital of the Company as disclosed in the "Directors' interests in shares and underlying shares" section, and in the 6,400,000 outstanding share options held by Jiang Ming as disclosed in the "Share option schemes" 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 158,210,526 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, 2004.

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.

By Order of the Board
Chan Boon Teong
Chairman

Hong Kong, 23rd December, 2004