



CGI
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 2005

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

New address effective 3th January, 2006
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong
(Opposite Three Pacific Place)

Company Website

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

Investor Relations Website

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

Executive Directors

Mr. CHAN Boon Teong (*Chairman*)
Mr. JIANG Ming (*Vice Chairman & 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, consolidated statement of changes in equity and condensed consolidated cash flow statement of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2005 together with the unaudited comparative figures (as restated) for the last corresponding period and the unaudited consolidated balance sheet of the Group as at 30th September, 2005 together with the audited comparative figures (as restated) as at 31st March, 2005. The interim report for the six months ended 30th September, 2005 has been reviewed by the Company’s Audit Committee on 23rd December, 2005.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September, 2005

	Notes	For the six months ended 30th September,	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) (As restated) HK\$'000
REVENUE			
Turnover	3	537,964	427,165
Cost of sales		<u>(412,643)</u>	<u>(361,968)</u>
Gross profit		125,321	65,197
Other income and gains	4	48,211	46,788
Marketing and selling costs		(1,551)	(1,734)
Administrative expenses		(24,310)	(22,323)
Other operating expenses, net		(7,266)	(8,790)
Finance costs	5	(6,754)	(8,111)
Share of losses of associates:			
Associate		–	(432)
Amortisation of goodwill on acquisition of an associate		–	(162)
PROFIT BEFORE TAX	6	133,651	70,433
Tax	7	<u>(57,182)</u>	<u>(30,926)</u>
PROFIT FOR THE PERIOD		<u>76,469</u>	<u>39,507</u>
Attributable to:			
Equity holders of the Company		75,905	39,942
Minority interests		564	(435)
		<u>76,469</u>	<u>39,507</u>
EARNINGS PER SHARE	8		
Basic		<u>HK3.75 cents</u>	<u>HK1.97 cents</u>
Diluted		<u>HK3.64 cents</u>	<u>not applicable</u>
		HK\$'000	HK\$'000
INTERIM DIVIDEND	9	<u>21,053</u>	<u>Nil</u>

CONSOLIDATED BALANCE SHEET

30th September, 2005

	Notes	30th September, 2005 (Unaudited) HK\$'000	31st March, 2005 (Audited) (As restated) HK\$'000
NON-CURRENT ASSETS			
Fixed assets:			
Properties and equipment		19,338	29,604
Investment properties		294,050	458,184
Leasehold land and land use rights		1,009,214	1,038,829
Properties under development		663,146	999,249
Goodwill:			
Goodwill		65,239	66,238
Negative goodwill		–	(119,706)
Available-for-sale investments		19,240	–
Long term investments		–	19,240
Pledged deposits		89,701	88,170
Prepayments and deposits		108,662	114,959
Total non-current assets		<u>2,268,590</u>	<u>2,694,767</u>
CURRENT ASSETS			
Properties under development for sale		1,243,344	738,467
Completed properties for sale		298,800	125,875
Leasehold land and land use rights		187,891	167,228
Trade receivables	10	86,827	30,590
Prepayments, deposits and other receivables		105,303	125,345
Short term investment		–	61,604
Tax recoverable		6,421	4,254
Cash and bank balances		183,181	260,283
Total current assets		<u>2,111,767</u>	<u>1,513,646</u>
CURRENT LIABILITIES			
Due to ultimate holding company	15	23,747	27,265
Due to jointly-controlled entities		42,933	79,556
Trade payables	11	145,957	130,144
Tax payable		52,552	64,742
Deposit received		322	50,820
Other payables and accruals		313,871	373,128
Convertible bonds	12	50,425	–
Interest-bearing bank and other borrowings		733,979	782,212
Total current liabilities		<u>1,363,786</u>	<u>1,507,867</u>
NET CURRENT ASSETS		747,981	5,779
TOTAL ASSETS LESS CURRENT LIABILITIES		3,016,571	2,700,546

CONSOLIDATED BALANCE SHEET (continued)
30th September, 2005

		30th September, 2005 (Unaudited)	31st March, 2005 (Audited) (As restated)
	Notes	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Deposit received		–	19,173
Interest-bearing bank and other borrowings		554,214	612,355
Long term payables		67,342	8,695
Convertible bonds	12	44,328	–
Senior notes	13	136,500	–
Deferred tax		674,631	719,719
Provision for long service payments		1,919	1,890
		<hr/>	<hr/>
Total non-current liabilities		1,478,934	1,361,832
		<hr/>	<hr/>
		1,537,637	1,338,714
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company:			
Issued capital	14	202,400	202,400
Share premium and reserves		1,254,555	1,077,249
Interim dividend declared	9	21,053	–
		<hr/>	<hr/>
		1,478,008	1,279,649
		<hr/>	<hr/>
Minority interests		59,629	59,065
		<hr/>	<hr/>
		1,537,637	1,338,714
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Equity component of convertible bonds (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Leasehold buildings revaluation reserve (Unaudited) HK\$'000	Investment properties revaluation reserve (Unaudited) HK\$'000	Properties development revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve fund (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total reserves (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Capital and reserves (Unaudited) HK\$'000
Balance at 1st April, 2004	202,400	330,080	-	131,803	10,781	4,863	54,551	13,362	(472)	6,073	513,018	1,266,459	48,995	1,315,454
as previously reported														
Prior period adjustments:														
HKS17-Amortisation of leasehold land and land use rights	-	-	-	-	-	(637)	-	(13,362)	-	-	(22,763)	(36,762)	(4,724)	(41,486)
HKSIC-Int21-Deferred tax arising from revaluation of:														
(i) land and building	-	-	-	-	113	-	-	-	-	-	-	113	-	113
(ii) investment properties	-	-	-	-	-	-	17,938	-	-	-	(17,938)	-	-	-
Balance at 1st April, 2004 (as restated)	202,400	330,080	-	131,803	10,781	4,339	72,489	-	(472)	6,073	472,317	1,229,810	44,271	1,274,081
Revaluation reserve released on disposal of investment properties	-	-	-	-	-	-	(28,518)	-	-	-	-	(28,518)	-	(28,518)
Decrease in minority interests as a result of disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(10,752)	(10,752)
Capital contribution from minority interests	-	-	-	-	-	-	-	-	-	-	-	-	928	928
Profit for the period (as restated)	-	-	-	-	-	-	-	-	-	-	39,942	39,942	(435)	39,507
Balance at 30th September, and 1st October, 2004 (as restated)	202,400	330,080	-	131,803	10,781	4,339	43,971	-	(472)	6,073	512,259	1,241,234	34,012	1,275,246
Revaluation reserve released on disposal of investment properties	-	-	-	-	-	-	(15,503)	-	-	-	-	(15,503)	-	(15,503)
Capital contribution from minority interests	-	-	-	-	-	-	-	-	-	-	-	-	25,833	25,833
Profit for the period	-	-	-	-	-	-	-	-	-	-	53,918	53,918	(780)	53,138
Transfer	-	-	-	-	-	-	-	-	-	3,624	(3,624)	-	-	-
Balance at 31st March, and 1st April, 2005 (as restated)	202,400	330,080	-	131,803	10,781	4,339	28,468	-	(472)	9,697	562,553	1,279,649	59,065	1,330,714

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to equity holders of the Company																							
		Equity component of convertible bonds		Contributed surplus		Capital reserve		Leasehold buildings revaluation reserve		Investment properties revaluation reserve		Properties held for development revaluation reserve		Exchange fluctuation reserve		PRC fund reserve		Retained profits		Total		Minority interests		Capital and reserves	
		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
Balance at 1st April, 2005 as previously reported		202,400	330,080	-	131,803	10,781	4,863	18,979	-	(472)	9,697	613,716	1,321,847	59,315	1,381,162										
Prior period adjustments:																									
HKAS17-Amortisation of leasehold land and land use rights		-	-	-	-	-	(637)	-	-	-	-	(41,674)	(42,311)	(250)	(42,561)										
HK(SIC)-Int 21-Deferred tax arising from arising from revaluation of:																									
(i) land and building		-	-	-	-	113	-	-	-	-	-	-	113	-	113										
(ii) investment properties		-	-	-	-	-	-	9,489	-	-	-	(9,489)	-	-	-										
Balance at 1st April, 2005 (as restated)		202,400	330,080	-	131,803	10,781	4,339	28,468	-	(472)	9,697	562,553	1,279,649	59,065	1,338,714										
Opening adjustments:																									
HKAS40-In respect of investment properties		-	-	-	-	-	-	(28,468)	-	-	-	28,468	-	-	-										
HKFRS 3-In respect of negative goodwill		-	-	-	-	(9,835)	-	-	-	-	-	129,541	119,706	-	119,706										
Balance at 1st April, 2005, after opening adjustments		202,400	330,080	-	131,803	946	4,339	-	-	(472)	9,697	720,562	1,399,355	59,065	1,458,420										
Convertible bonds issued		-	-	2,748	-	-	-	-	-	-	-	-	-	-	2,748										
Profit for the period		-	-	-	-	-	-	-	-	-	-	75,905	75,905	564	76,469										
Balance at 30th September, 2005		202,400	330,080	2,748	131,803	946	4,339	-	-	(472)	9,697	796,467	1,478,008	59,629	1,537,637										
Representing																									
2005 interim dividend declared															21,053										
Others															775,414										
															796,467										

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2005

	For the six months ended 30th September,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(431,770)	164,240
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	182,447	(88,636)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	172,221	(66,838)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(77,102)	8,766
Cash and cash equivalents at beginning of period	260,283	269,925
CASH AND CASH EQUIVALENTS AT END OF PERIOD	183,181	278,691
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	183,181	278,691

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st March, 2005, except in relation to the following new and revised Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) that affect the Group and are adopted for the first time for the current period’s condensed interim financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

1. ACCOUNTING POLICIES (continued)

The adoption of HKASs 1, 2, 7, 8, 10, 12, 16, 18, 19, 21, 23, 24, 27, 28, 33, 37, 38, HKFRS 2 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKASs and HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to leasehold land and land use rights, while leasehold buildings continue to be classified as part of properties and equipment.

In addition, the adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of properties held for development to leasehold land and land use rights. The cost of land use rights basically comprises payments to government authorities for obtaining the right to occupy, use and develop land, certain fees for altering the intended use of land and resettlement costs.

Leasehold land and land use rights under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease properties and equipment.

The effects of the above changes are summarised in note 2 to the condensed interim financial statements. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

(b) HKAS 31 – Investments in Joint Ventures

The Group adopted the proportionate consolidation method under HKAS 31 to account for its interests in jointly-controlled entities. In prior years, the Group's interests in jointly-controlled entities were accounted for by the equity method. The adoption of the proportionate consolidation approach under HKAS 31 represents a change in accounting policy.

The effects of the above changes are summarised in note 2 to the condensed interim financial statements.

1. ACCOUNTING POLICIES (continued)

(c) HKAS 32 and HKAS 39 – Financial Instruments

(i) Equity securities

In prior periods, the Group classified its investments in equity securities as long term investments which were held for non-trading purposes and were stated at cost less any impairment losses.

Upon the adoption of HKASs 32 and 39, these securities are classified as available-for-sale investments. Available-for-sale investments are those non-derivative investments in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and option pricing models.

When the fair value of unlisted equity securities cannot be reliably measured because (1) the variability in the range of reasonable fair value estimates is significant for that investment, or (2) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost.

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated.

1. ACCOUNTING POLICIES (continued)

(c) HKAS 32 and HKAS 39 – Financial Instruments (continued)

(i) Equity securities (continued)

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the profit and loss account. The amount of the loss recognised in the profit and loss account shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale investment previously recognised in the profit and loss account.

The effects of the above changes are summarised in note 2 to the condensed interim financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(ii) Convertible bonds

Upon the adoption of HKASs 32 and 39, convertible bonds issued are split into liability and equity components.

On the issue of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

The effects of the above changes are summarised in note 2 to the condensed interim financial statements.

1. ACCOUNTING POLICIES (continued)

(d) HKAS 40 – Investment Property

In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the profit and loss account in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the year of the retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained earnings rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed interim financial statements. The effects of the above changes are summarised in note 2 to the condensed interim financial statements.

(e) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1st April, 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the profit and loss account until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1st April, 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated profit and loss account when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

1. ACCOUNTING POLICIES (continued)

(e) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets
(continued)

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the profit and loss account.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1st April, 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained earnings. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the profit and loss account when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 2 to the condensed interim financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(f) HK(SIC)-Int 21 – Income Taxes – Recovery of Revalued Non-depreciable Assets

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The effects of the above changes are summarised in note 2 to the condensed interim financial statements. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

The effects of the adoption of the HKASs and the HKFRSs as set out in note 1 to the condensed interim financial statements on the profit for the periods and earnings per share for the six months ended 30th September, 2004 and 2005, assets and liabilities and equity and minority interests as at 31st March, 2005 and equity as at 1st April, 2005 are summarised as follows:

	For the six months ended 30th September,	
	2005	2004
	HK\$'000	HK\$'000
(a) On the profit for the period:		
Increase in amortisation of leasehold land and land use rights charged to profit and loss account	(8,962)	(8,183)
Reclassification of investment properties revaluation reserve to retained profits instead of crediting to profit and loss account upon disposal of investment properties	(18,569)	–
Reversal of deferred tax from investment properties reserve upon disposal of investment properties	–	7,075
	<u>–</u>	<u>7,075</u>
Total reduction effect on the profit for the period	(27,531)	(1,108)
Attributable to:		
Equity holders of the Company	(27,520)	(1,097)
Minority interests	(11)	(11)
	<u>(27,531)</u>	<u>(1,108)</u>
	For the six months ended 30th September,	
	2005	2004
	HK cents	HK cents
(b) On earnings per share:		
Reduction effect		
– Basic	(1.36)	(0.05)
	<u>(1.36)</u>	<u>(0.05)</u>
– Diluted	(1.30)	not applicable
	<u>(1.30)</u>	<u>not applicable</u>

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

	Effect on adoption of HKAS 17 HK\$'000	Effect on adoption of HKAS 31 HK\$'000	Effect on adoption of HK(SIC)-Int 21 HK\$'000	Net effect HK\$'000
(c) On assets and liabilities as at 31st March, 2005: (Increase/(decrease))				
Assets				
Properties and equipment	(5,587)	605	-	(4,982)
Leasehold land and land use rights	1,038,829	-	-	1,038,829
Properties under development	(965,469)	410,912	-	(554,557)
Properties held for development	(108,377)	-	-	(108,377)
Goodwill	-	57,685	-	57,685
Interest in jointly-controlled entities	-	(207,855)	-	(207,855)
Prepayments and deposits	-	76,382	-	76,382
Properties under development for sale	(169,184)	-	-	(169,184)
Leasehold land and land use rights	167,227	-	-	167,227
Prepayments, deposits and other receivable	-	5,672	-	5,672
Cash and bank balances	-	23,600	-	23,600
	(42,561)	367,001	-	324,440
Liabilities				
Due to jointly-controlled entities	-	79,556	-	79,556
Trade payables	-	26,004	-	26,004
Other payables and accruals	-	69,825	-	69,825
Interest-bearing bank and other borrowings	-	152,579	-	152,579
Deferred tax	-	39,037	(113)	38,924
	-	367,001	(113)	366,888
	(42,561)	-	113	(42,448)
(d) Net effect reflected in the equity and minority interests as at 31st March, 2005 as follows:				
Net adjustment on:				
Reserves	(42,311)	-	113	(42,198)
Minority interests	(250)	-	-	(250)
	(42,561)	-	113	(42,448)

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

**Effect of adoption
of HKFRS 3**
HK\$'000

<p>(e) On equity as at 1st April, 2005: Increase in equity by derecognition of negative goodwill carried as at 31st March, 2005 against reserve (retained earnings) as at 1st April, 2005</p>	119,706
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3. SEGMENT INFORMATION

The Group's turnover and contribution to profit before tax analysed by principal activity are as follows:

	Property development		Property investment		Property management		Corporate and others		Consolidated	
	Six months ended 30th September, 2005		Six months ended 30th September, 2005		Six months ended 30th September, 2005		Six months ended 30th September, 2005		Six months ended 30th September, 2005	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(As restated)	(As restated)	(As restated)	(As restated)	(As restated)	(As restated)	(As restated)	(As restated)	(As restated)	(As restated)
	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	526,504	412,236	9,712	13,329	1,748	1,600	-	-	537,964	427,165
Segment results	93,003	87,849	62,591	4,193	(417)	(559)	(15,027)	(12,619)	140,150	78,864
Interest income									255	274
Finance costs									(6,754)	(8,111)
Share of losses of associates									-	(594)
Profit before tax									133,651	70,433

The Group's turnover and contribution to profit before tax were substantially derived from operations in the mainland of the People's Republic of China.

4. OTHER INCOME AND GAINS

	For the six months ended 30th September,	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) (As restated) HK\$'000
Interest income	255	274
Gain on disposal of investment properties	16,826	33,832
Gain on disposal of a subsidiary	24,353	–
Gain on disposal of an associate	–	3,060
Income from leasing of facilities	1,434	1,038
Refund of sales tax	2,420	–
Waiver of bank loan interest	–	8,584
Bad debt recovered	2,923	–
	<u>48,211</u>	<u>46,788</u>

5. FINANCE COSTS

	For the six months ended 30th September,	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest on convertible bonds	1,232	–
Interest on senior notes	1,456	–
Interest on bank loans, overdrafts and other loans wholly repayable within five years	36,947	26,689
	<u>39,635</u>	<u>26,689</u>
Less: Amounts capitalised in properties under development	(32,881)	(18,578)
	<u>6,754</u>	<u>8,111</u>

6. PROFIT BEFORE TAX

The Group's profit before tax was arrived at after charging the following:

	For the six months ended	
	30th September,	
	2005	2004
	(Unaudited)	(Unaudited)
		(As restated)
	HK\$'000	HK\$'000
Depreciation	2,087	3,991
Less: Amounts capitalised in properties under development	<u>(571)</u>	<u>(386)</u>
	1,516	3,605
Amortisation of goodwill	–	892
Impairment loss of goodwill	999	–
Amortisation of leasehold land and land use rights	<u>8,962</u>	<u>8,183</u>

7. TAX

	For the six months ended	
	30th September,	
	2005	2004
	(Unaudited)	(Unaudited)
		HK\$'000
	HK\$'000	HK\$'000
Group:		
Current – Elsewhere		
Charge for the period	54,960	9,279
Deferred tax	<u>2,222</u>	<u>21,647</u>
Total tax charge for the period	57,182	30,926

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2004: Nil).

The Group's profits tax represents tax charges on the 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 reductions and preferential tax rates.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the period of HK\$75,905,000 (2004: HK\$39,942,000 (as restated)) and the number of 2,024,000,000 shares (2004: 2,024,000,000 shares) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company for the period of HK\$77,137,000, after adjusting for the interest saved upon the deemed conversion of all convertible bonds at the date of issue and the weighted average number of 2,120,138,813 shares in issue during the period. The weighted average number of shares used in the calculation is the number of 2,024,000,000 shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 96,138,813 shares assumed to have been issued at no consideration on the deemed exercise of all share options and the deemed conversion of all convertible bonds 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 period ended 30th September, 2004, they exerted no dilution effect on the basic earnings per share for the period ended 30th September, 2004. There were no convertible bonds in issue during the period ended 30th September, 2004.

9. INTERIM DIVIDEND

At a meeting of the Board of Directors held on 23rd December, 2005, the Directors resolved to pay an interim dividend of HK1 cent per share to shareholders (2004: Nil). The amount of interim dividend for the six months ended 30th September, 2005 is calculated based on 2,105,250,000 shares expected to be in issue as at 16th January, 2006, being the book close date for entitlement of interim dividend, comprising 2,024,000,000 shares in issue as at 30th September, 2005 and an additional 81,250,000 shares issued on 16th December, 2005 upon conversion of the tranche 1 of the convertible bonds as set out in note 18 to the condensed interim financial statements.

10. 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 as at the balance sheet date, based on invoice date, net of provision for impairment, is as follows:

	30th September, 2005 (Unaudited)	31st March, 2005 (Audited) (As restated)
	HK\$'000	HK\$'000
0 – 30 days	19,558	3,465
31 – 60 days	6,815	637
61 – 90 days	4,941	2,558
Over 90 days	55,513	23,930
	<hr/>	<hr/>
Total	86,827	30,590

11. TRADE PAYABLES

An aged analysis of the trade payables is as follows:

	30th September, 2005 (Unaudited)	31st March, 2005 (Audited) (As restated)
	HK\$'000	HK\$'000
0 – 30 days	663	8,152
31 – 60 days	3,152	131
61 – 90 days	213	5,126
Over 90 days	141,929	116,735
	<hr/>	<hr/>
Total	145,957	130,144

12. CONVERTIBLE BONDS

Pursuant to a subscription agreement dated 7th July, 2005, the Company issued convertible bonds of an amount of US\$12.5 million (equivalent to approximately HK\$97.5 million) on 5th August, 2005, in four tranches as subsequently amended on 10th November, 2005, each in the amount of US\$3,125,000 (equivalent to approximately HK\$24,375,000). The conversion price for tranches 1 and 2 is HK\$0.3 per share and for tranches 3 and 4 is HK\$0.5 per share. The conversion period of tranches 1, 2, 3 and 4 shall expire up to and including the 11th business day prior to 31st December, 2005, 30th June, 2006, 31st December, 2006 and 31st December, 2006 respectively. The convertible bonds bear interest at LIBOR plus 1.5% per annum. The convertible bonds are secured by a share charge over the 100% of the entire share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.

The fair value of the liability component of the convertible bonds was determined, upon issuance, using the prevailing market interest rate for similar debt without a conversion option of 9% per annum and is carried as a liability. The remainder of the proceeds was allocated to the conversion option that is recognised and included in shareholders' equity.

13. SENIOR NOTES

Pursuant to a subscription agreement dated 7th July, 2005, the Company issued senior notes of an amount of US\$17.5 million (equivalent to approximately HK\$136.5 million) on 5th August, 2005. The senior notes bear interest at 9% per annum and is wholly repayable on 4th August, 2008. The senior notes are secured by a share charge over the 100% of the entire share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.

14. SHARE CAPITAL

Shares

	30th September, 2005 (Unaudited) HK\$'000	31st March, 2005 (Audited) HK\$'000
Authorised:		
3,000,000,000 (31st March, 2005: 3,000,000,000) ordinary shares of HK\$0.10 each	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:		
2,024,000,000 (31st March, 2005: 2,024,000,000) ordinary shares of HK\$0.10 each	<u>202,400</u>	<u>202,400</u>

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 on page 34 of this report.

15. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

	30th September, 2005 (Unaudited) HK\$'000	31st March, 2005 (Audited) HK\$'000
Amount due to ultimate holding company	<u>23,747</u>	<u>27,265</u>

The amount due to the ultimate holding company is unsecured, interest-free and is repayable on demand.

(b) Compensation of key management personnel of the Group

	For the six months ended 30th September,	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Salaries and allowance	5,213	4,979
Retirement contributions	<u>81</u>	<u>61</u>
Total compensation for key management personnel	<u>5,294</u>	<u>5,040</u>

- (c) In the prior period, the Group obtained the refinancing of a loan in respect of certain completed properties for sale situated in the PRC (the "Properties") through the arrangement of individual mortgage loans aggregating HK\$35.9 million (the "Loans") taken out by certain senior management personnel of the Company's subsidiaries (the "Senior Management Personnel"). Under the refinancing arrangement, the Group disposed of the Properties to the Senior Management Personnel for their arrangement of the individual mortgage loans with a bank, the proceeds of which were used to settle the consideration payable to the Group. The Group is responsible for the interest and principal payments of the Loans and the Group retains the beneficial ownership of the Properties and the associated benefits through certain trust deeds and other arrangements. In the opinion of the directors, the Group retains the significant risks and rewards associated with the Properties and the Loans. As such, the Group continued to recognize the Properties and recorded the proceeds received from the Senior Management Personnel as an other loan in the consolidated financial statements to reflect the commercial substance of the aforesaid refinancing arrangement. As at 30th September, 2005, the aggregate carrying value of the Properties and the balance of the Loans carried in the consolidated balance sheet amounted to HK\$41.9 million (31st March, 2005: HK\$41.9 million) and HK\$29.6 million (31st March, 2005: HK\$31.1 million), respectively.
- (d) During the period, the Group had given corporate guarantees for certain borrowings of a jointly-controlled entity amounting to approximately HK\$193 million, which was net of the amount of the guarantees concerning the Group as the Group has proportionately consolidated the accounts of the jointly-controlled entity for the period (31st March, 2005: HK\$368 million).
- (e) In the current period, the Group incurred interest expense of approximately HK\$13,941,000 (2004: nil) in relation to an advance of approximately HK\$139 million (2004: nil), which is unsecured, interest bearing at 10% per annum and repayable within one year, from a jointly-controlled entity.

16. CONTINGENT LIABILITIES

At 30th September, 2005, the Group had given guarantees to the extent of approximately HK\$796,800,000 (31st March, 2005: HK\$584,846,000) to banks in respect of mortgage loan facilities granted by the banks to buyers of certain properties developed by the Group and a property of which the sales were underwritten by the Group.

At 30th September, 2005, the Group had given corporate guarantees for certain borrowings of a jointly-controlled entity amounting to approximately HK\$193 million, which was net of the amount of the guarantees concerning the Group as the Group has proportionately consolidated the accounts of the jointly-controlled entity for the period (31st March, 2005: HK\$368 million) .

17. COMMITMENTS

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

	30th September, 2005 (Unaudited) HK\$'000	31st March, 2005 (Audited) HK\$'000
Property development expenditure:		
Contracted, but not provided for	482,224	516,524
Authorised, but not contracted for	233,463	83,463
	715,687	599,987
Acquisition of additional interest in subsidiary	–	24,164
Capital contribution payable to an investment	10,919	10,919
	726,606	635,070

18. POST BALANCE SHEET EVENT

Subsequent to 30th September, 2005, on 16th December, 2005, the holder of the tranche 1 convertible bonds had exercised the conversion right in respect of the tranche 1 convertible bonds whereby 81,250,000 shares of HK\$0.1 each were allotted and issued upon conversion at a conversion price of HK\$0.3 per share. The 81,250,000 shares represent approximately 3.86% of the enlarged issued share capital of the Company and rank pari passu in all respects with the existing issued shares of the Company. Details of the convertible bonds are set out in note 12 to the condensed interim financial statements.

19. COMPARATIVE AMOUNTS

As further explained in note 1 to the condensed interim financial statements, following the first time adoption in the current period of the new and revised HKASs and HKFRSs which are effective for accounting periods commencing on or after 1st January, 2005, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior period adjustments have been made and certain comparative amounts have been reclassified to conform with the current period's presentation.

20. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed interim financial statements were approved and authorised for issue by the board of directors on 23rd December, 2005.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent (2004: nil) per share for the six months ended 30th September, 2005 payable to shareholders whose names appear in the Register of Members of the Company at the close of business on Monday, 16th January, 2006. The dividend is expected to be paid on or around Tuesday, 7th February, 2006.

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, 2005, the net borrowings of the Group, being interest-bearing bank and other loans, senior notes and convertible bonds less cash and bank balances and bank deposits, amounted to about HK\$1,247 million. The net debt to equity ratio as at 30th September, 2005 is about 84.37%, which is expressed as a percentage of the net borrowings over the total net assets of the Group of about HK\$1,478 million, an increase of about 2.62% from that of about 81.75% (as restated) as at 31st March, 2005.

On 7th July 2005, the Company entered into a subscription agreement with Mellon HBV Alternative Strategies LLC, an independent third party, in relation to the issue and subscription of the senior notes, the additional notes and the convertible bonds of an amount of US\$17.5 million (equivalent to approximately HK\$136.5 million), US\$30 million (equivalent to approximately HK\$234 million) and US\$12.5 million (equivalent to approximately HK\$97.5 million) respectively which are secured by a share charge over the 100% of the entire share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the company. On 5th August, 2005, all the senior notes and the convertible bonds with a total amount of US\$30 million (equivalent to approximately HK\$234 million) were subscribed. As at 30th September, 2005, none of the additional notes were subscribed.

The senior notes bear interest at 9% per annum and is wholly repayable on 4th August 2008. The convertible bonds, as subsequently amended on 10th November, 2005, were issued in four tranches each in the amount of US\$3,125,000 (equivalent to approximately HK\$24,375,000). The conversion price for tranches 1 and 2 is HK\$0.3 per share and for tranches 3 and 4 is HK\$0.5 per share. The conversion period of tranches 1, 2, 3 and 4 shall expire up to and including the 11th business day prior to 31st December, 2005, 30th June, 2006, 31st December, 2006 and 31st December, 2006 respectively. The convertible bonds bear interest at LIBOR plus 1.5% per annum.

FINANCIAL RESOURCES AND LIQUIDITY (continued)

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

BORROWINGS AND CHARGES

As at 30th September, 2005, 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	<u>3,082</u>
Bank loans repayable:	
Within one year or on demand	391,208
In the second year	189,591
In the third to fifth years, inclusive	<u>8,250</u>
	<u>589,049</u>
Senior notes, convertible bonds and other loans repayable:	
Within one year or on demand	387,804
In the second year	379,762
In the third to fifth years, inclusive	147,308
Beyond five years	<u>12,441</u>
	<u>927,315</u>
Total	<u>1,519,446</u>

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

	HK\$'000
Renminbi	1,276,861
Hong Kong dollars	11,332
United States dollars	<u>231,253</u>
Total	<u>1,519,446</u>

BORROWINGS AND CHARGES (continued)

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, 2005 of approximately HK\$20 million;
 - (ii) Certain land use rights of the Group with aggregate carrying value at 30th September, 2005 of approximately HK\$1,197 million;
 - (iii) Certain properties under development of the Group with aggregate carrying value at 30th September, 2005 of approximately HK\$422 million;
 - (iv) Certain completed properties for sale of the Group with aggregate carrying value at 30th September, 2005 of approximately HK\$59 million;
 - (v) Corporate guarantees from the Company and certain of its subsidiaries.
- (b) Certain other loans are secured by the 100% equity interest in Shanghai Xinhongda Real Estate Ltd., a wholly owned subsidiary of the Company as at 30th September, 2005.
- (c) The convertible bonds and the senior notes are secured by a share charge over the 100% of the entire share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's operations are principally in the People's Republic of China. 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 with a slight appreciation of about 2% announced in July 2005 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, 2005, the Group had given guarantees to the extent of approximately HK\$796,800,000 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, 2005, the Group had given corporate guarantees for certain borrowings of a jointly-controlled entity amounting to approximately HK\$193 million, which was net of the amount of the guarantees concerning the Group as the Group has proportionately consolidated the accounts of the jointly-controlled entity for the period.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 1,725 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 Group has achieved a satisfactory result for the first half financial year. The net profit attributable to shareholders for the period has increased by about 90% to about HK\$75.91 million from last corresponding period's HK\$39.94 million (as restated). Turnover for the period amounted to about HK\$538 million, representing an increase of about 26% from last period's HK\$427 million.

For sale of properties, turnover increased by about 28% to about HK\$527 million from last corresponding period's HK\$412 million. The turnover for the period was mainly attributable to the sales of Phase III of Wuhan Lakeside Apartment, Phase V of Anshan Greenland IT City, Anshan Riviera Garden, Phase I of Beijing Sunvilla Realhouse and the land parcel of Phase V of Wuhan Lakeside Apartment which respectively accounted for 46.69%, 13.86%, 12.51%, 8.60% and 18.03% of the turnover for sale of properties. The balance of 0.31% was contributed from sales of certain remaining commercial area in Phase IV of Xiamen Lu Jiang New City and Xiamen Xiang Jiang Garden.

REVIEW OF OPERATIONS (continued)

For leasing business, turnover for property rental decreased by about 27% as compared to last corresponding period to about HK\$9.7 million. The decrease was mainly due to the disposals of the commercial area in Wuhan Wah Zhong Trade Plaza in the past year and the current period. The disposals of the properties during the period has generated significant cashflow and has also contributed a significant profit to the Group for the period. The leasing performance of the commercial/office area held in Shanghai Golden Bridge Mansion has improved and started to make a positive contribution to the Group. The preparation works for setting up an automobile and related accessories market for Shenyang Dongbei Furniture and Ornaments Plaza were still in process. The rental income generated from this property was not significant for the period.

Performance of property management operations has improved slightly that the turnover has increased by about 9% as compared to last corresponding period and the negative result was narrowed down to about HK\$417,000 from last period's HK\$559,000.

To cater for the business expansion, the Group has continued to recruit high-calibre staff to join the management team. As a result of higher level of business activities which include increased intensity in corporate brand building campaigns, administrative expenses increased by about 8.9% to HK\$24.3 million as compared to last corresponding period. Coastal Greenland, the corporate brand, has been ranked as amongst the top ten most valuable Chinese real estate company brand by authoritative PRC real estate research team formed by the Ministry Corporate Research Center, the Tsinghua University Real Estate Research Center and the China Index Research Center.

Comparing to last corresponding period, the amount of finance costs (mainly interest for bank and other borrowings) before capitalisation increased by about 49% to about HK\$39.6 million. The increase is 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.

During the period, the Company has issued certain senior notes and convertible bonds to an independent third party for a total amount of US\$30 million (equivalent to approximately HK\$234 million) which provide additional working capital to the Group for its operations. The details of the transaction are set out in the section headed "Financial Resources and Liquidity".

REVIEW OF OPERATIONS (continued)

The net profit attributable to shareholders for the period has registered a growth of about 90% over that of last corresponding period. The advancement in the results of the Group was mainly attributable to higher volume and profit margin attained for the sales made during the period and considerable other income and gains which was mainly generated from the disposal of certain investment properties in Wuhan Wah Zhong Trade Plaza.

For the period under review, the Group has adopted for the first time the new and revised Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) as set out in note 1 to condensed interim financial statements. The effects of such adoption are summarised in note 2 to condensed interim financial statements, amongst which a total reduction effect on the profit for the current period of HK\$27.5 million has resulted.

PROSPECTS

The austerity measures introduced by the central government to cool down the real estate market in the PRC had caused varying degree of impact on the buying sentiment of properties from city to city. Nevertheless, the Group remains cautiously optimistic about the overall real estate market development in the PRC as housing demand driven by the economic growth and urbanization in the PRC is expected to sustain. The diversification in the geographic location of the Group’s developments has enabled the Group to reduce the risk of exposing to single geographic market. Furthermore, with the Group’s corporate brand name being ranked as amongst the top ten most valuable Chinese real estate company brand and the Group’s sound business strategies and proven capabilities, the Group is confident of continuing the encouraging path in its performance.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30th September, 2005, 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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)**(B) Interests in shares of associated corporations of the Company**

Long positions in shares of Coastal International Holdings Limited (a 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 Hsin	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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

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

- (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

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.

SHARE OPTION SCHEMES (continued)

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 33 to the financial statements of the Company and the Group for the year ended 31st March, 2005 which are contained in the Company's 2004-2005 annual report.

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

Name or category of participant	At 1st April, 2005	Number of share options			At 30th September, 2005	Date of grant of share options ⁽¹⁾	Exercise period of share options ⁽²⁾	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>			

SHARE OPTION SCHEMES (continued)

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.

At 30th September, 2005, 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, 2005, 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	Number of underlying shares in respect of convertible bonds	Percentage of the Company's share capital
Yang Sun Xin	Family (Note 1)	1,027,890,527	6,400,000	–	51.10
Success Essence Investments Limited	Corporate (Note 2)	184,210,526	–	–	9.10
Huang Bin	Corporate (Note 2)	184,210,526	–	–	9.10
Mellon HBV Master Global Event Driven Fund LP	Corporate	–	–	260,000,000	12.85

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 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 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

In December 2005, the Company has established the Remuneration Committee with specific written terms of reference as set out in code provisions of B.1 of the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules. At the same time, the Company has also adopted the revised terms of reference of the Audit Committee which are in line with the code provisions of the CG Code.

The Company has complied with the applicable code provisions set out in the CG Code throughout the six months ended 30th September, 2005, except for the following deviations:

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company do not have a specific term of appointment, but subject to retirement by rotation and eligible for re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the provisions of the Bye-laws of the Company, any director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Further, at each annual general meeting, one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, who have been longest in office since their last election shall retire from office, provided that no director holding office as the chairman of the Board or as the managing director of the Company shall be subject to retirement by rotation or taken into account in determining the number of directors to retire.

Code Provision A.5.4. stipulates that the Board should establish written guidelines on no less exacting terms than the Model Code set out in Appendix 10 of the Listing Rules for relevant employees in respect of their dealings in the securities of the Company. It is the usual practice of the Company to remind all employees semi-annually not to deal in the Company’s securities if they are in possession of any unpublished price sensitive information.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE (continued)

The Company is committed to high standards of corporate governance and the Board has resolved to take the following actions at today's board meeting:

1. The appointment of all non-executive directors of the Company shall be for a specific term but subject to retirement by rotation and eligible for re-election every three years at the annual general meeting of the Company and the relevant amendments to the Bye-laws for the Company shall be proposed for approval by the shareholders of the Company at the next annual general meeting to be held in 2006.
2. The Board shall adopt the Code for Securities Transactions for Relevant Employees which is on no less exacting terms than the Model Code in respect of their dealings in the securities of the Company.

COMPLIANCE WITH THE MODEL CODE AND THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors (the "Code") on terms no less exacting than the required standard set out in the Model Code. The Company, having made specific enquiry of all directors, confirms that the directors have complied with the required standards set out in the Model Code and the Code for the period.

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, 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 17th January, 2006 to Thursday, 19th January, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend which is expected to be paid on or around Tuesday, 7th February, 2006, all transfers accompanied by the relevant share certificates and transfer forms must be lodged for registration no later than 4:00 p.m. on Monday, 16th January, 2006 with Tengis Limited, which is located at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong until 2nd January, when it will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

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.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in December 2005 in accordance with the requirement of the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules. The remuneration committee comprises three independent non-executive directors and two executive directors.

By Order of the Board
Chan Boon Teong
Chairman

Hong Kong, 23rd December, 2005