



**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)

Stock Code : 1124

Creating **Artistic Dimensions**  
Providing **Healthy Living Space**

Interim Report  
**2007**

## 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

Tricor Tengis Limited  
26 Floor, Tesbury Centre  
28 Queen's Road East  
Wan Chai  
Hong Kong

### Company Website

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

### Investor Relations Website

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

### Executive Directors

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

### Non-executive Directors

Mr. ZHENG Hong Qing  
Mr. Oliver P. WEISBERG  
Mr. HU Aimin  
Mr. ZHANG Yijun  
Mr. ZHANG Huaqiao

### Independent Non-executive Directors

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

### Company Secretary

Mr. CHENG Wing Bor

### Qualified Accountant

Mr. FUNG See Man

### Auditor

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

### Stock Code

1124

The Board of Directors of Coastal Greenland Limited (the “Company”) herein present the unaudited consolidated income statement, 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 30 September 2007 together with the unaudited comparative figures for the last corresponding period and the unaudited consolidated balance sheet of the Group as at 30 September 2007 together with the audited comparative figures as at 31 March 2007. The interim report for the six months ended 30 September 2007 has been reviewed by the Company’s Audit Committee and the Company’s external auditors, Deloitte Touche Tohmatsu.

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

**Deloitte.**  
**德勤**

**TO THE BOARD OF DIRECTORS OF COASTAL GREENLAND LIMITED**  
*(Incorporated in Bermuda with limited liability)*

**Introduction**

We have reviewed the interim financial information set out on pages 5 to 22 which comprises the consolidated balance sheet of Coastal Greenland Limited as of 30 September 2007 and the related consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without modifying our review conclusion, we draw to your attention that the comparative consolidated income statement, condensed consolidated cash flow statement and consolidated statement of changes in equity for the six months ended 30 September 2006 disclosed in the interim financial information have not been reviewed in accordance with standards applicable to review engagements issued by the HKICPA.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
27 December 2007

**CONSOLIDATED INCOME STATEMENT**

For the six months ended 30 September 2007

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2007</b>	2006
		<b>(Unaudited)</b>	(Unaudited)
			(Restated)
	Notes	<b>HK\$'000</b>	HK\$'000
Revenue	3	<b>1,503,071</b>	192,116
Cost of sales		<b>(1,078,826)</b>	(154,006)
Gross profit		<b>424,245</b>	38,110
Increase in fair value of investment properties		<b>14,745</b>	–
Gain on disposal of property based subsidiaries	18	<b>38,962</b>	–
Other income	4	<b>28,076</b>	13,234
Marketing and selling costs		<b>(32,666)</b>	(1,239)
Administrative expenses		<b>(61,296)</b>	(42,773)
Fair value loss on derivative liability component of convertible bonds	14	<b>(222,503)</b>	(6,550)
Fair value loss on currency swap contract	15	<b>(30,973)</b>	–
Other expenses		<b>(30,089)</b>	(8,245)
Finance costs	5	<b>(17,747)</b>	(22,350)
Share of loss of associates		<b>(1,246)</b>	–
Profit (loss) before taxation		<b>109,508</b>	(29,813)
Taxation	6	<b>(119,959)</b>	(27)
Loss for the period	7	<b>(10,451)</b>	(29,840)
Attributable to:			
Equity holders of the Company		<b>(13,541)</b>	(29,202)
Minority interests		<b>3,090</b>	(638)
		<b>(10,451)</b>	(29,840)
Dividends			
Final dividend paid		<b>27,906</b>	22,129
Interim dividend proposed	8	–	23,155
Loss per share		<b>HK cents</b>	HK cents
Basic	9	<b>(0.54)</b>	(1.38)

**CONSOLIDATED BALANCE SHEET**

At 30 September 2007

	Notes	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	92,908	88,327
Investment properties	10	481,339	507,321
Prepaid land lease payments		91,261	91,520
Goodwill		68,156	67,643
Interests in associates		177,369	114,027
Available-for-sale investments		2,960	3,047
Pledged bank deposits		–	152,166
Total non-current assets		<u>913,993</u>	<u>1,024,051</u>
<b>CURRENT ASSETS</b>			
Properties under development		5,542,604	6,726,632
Completed properties for sale		1,236,349	427,547
Trade receivables	11	409,345	148,249
Prepayments, deposits and other receivables		1,001,219	707,905
Amounts due from jointly-controlled entities	21(b)(ii)	21,059	10,425
Amounts due from associates	21(b)(ii)	57,010	–
Tax recoverable		2,173	4,624
Pledged bank deposits		133,431	219,339
Cash and bank balances		1,140,734	952,749
Total current assets		<u>9,543,924</u>	<u>9,197,470</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	105,172	74,122
Deposits received and deferred revenue		1,273,444	1,085,906
Other payables and accruals		1,111,094	1,211,807
Amount due to a substantial shareholder of the Company	21(b)(i)	10,798	12,070
Amounts due to jointly-controlled entities	21(b)(ii)	8,755	–
Tax payable		349,491	206,878
Interest-bearing bank and other borrowings	13	2,228,458	764,336
Derivative liability component of convertible bonds	14	–	154,839
Derivative financial liabilities	15	30,973	–
Total current liabilities		<u>5,118,185</u>	<u>3,509,958</u>
NET CURRENT ASSETS		<u>4,425,739</u>	<u>5,687,512</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,339,732</u>	<u>6,711,563</u>

**CONSOLIDATED BALANCE SHEET** (continued)

At 30 September 2007

	Notes	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	16	<b>279,058</b>	231,552
Reserves		<b>2,396,382</b>	1,721,941
Proposed dividend		–	27,594
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		<b>2,675,440</b>	1,981,087
Minority interests		<b>414,159</b>	430,929
		<hr/>	<hr/>
Total equity		<b>3,089,599</b>	2,412,016
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	13	<b>1,470,373</b>	3,359,250
Long term payables		<b>104,066</b>	230,278
Deferred tax liabilities		<b>675,694</b>	710,019
		<hr/>	<hr/>
Total non-current liabilities		<b>2,250,133</b>	4,299,547
		<hr/>	<hr/>
		<b>5,339,732</b>	6,711,563
		<hr/>	<hr/>



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 September 2007

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Leasehold property revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	PRC reserve funds HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2006 (audited)	210,525	347,771	88,621	929	3,974	55,181	9,697	-	867,271	22,129	1,606,098	40,528	1,646,726
Income recognised directly, in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange realignment on translation of foreign operations	-	-	-	-	-	25,186	-	-	(29,202)	-	25,186	97	25,283
Loss for the period	-	-	-	-	-	-	-	-	(29,202)	-	(29,202)	(638)	(29,840)
Total income and expense for the period	-	-	-	-	-	25,186	-	-	(29,202)	-	(4,016)	(541)	(4,557)
Issue of shares upon conversion of convertible bonds	8,125	26,027	-	-	-	-	-	-	-	-	34,152	-	34,152
Issue of shares upon the exercise of share options	2,640	2,640	-	-	-	-	-	-	-	-	5,280	-	5,280
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(5,778)	(5,778)
2006 final dividend paid	-	-	-	-	-	-	-	-	(22,129)	(22,129)	-	-	(22,129)
At 30 September 2006 (unaudited) (restated)	221,290	376,438	88,621	929	3,974	80,367	9,697	-	838,069	-	1,619,385	34,309	1,653,694
At 1 April 2007 (audited)	231,552	502,442	37,872	929	10,784	166,243	9,697	-	993,974	27,594	1,981,087	430,929	2,412,016
Income recognised directly, in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange realignment on translation of foreign operations	-	-	-	-	-	53,672	-	-	(13,541)	-	53,672	9,754	63,426
Loss for the period	-	-	-	-	-	-	-	-	(13,541)	-	(13,541)	3,090	(10,451)
Total income and expense for the period	-	-	-	-	-	53,672	-	-	(13,541)	-	40,131	12,844	52,975
Issue of shares upon conversion of convertible bonds	44,386	621,238	-	-	-	-	-	-	-	-	665,624	-	665,624
Issue of shares upon exercise of share options	3,120	3,120	-	-	-	-	-	-	-	-	6,240	-	6,240
Recognition of equity-settled share-based payment (note 17)	-	-	-	-	-	-	-	10,264	-	-	10,264	-	10,264
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	5,132	5,132	5,132
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(34,746)	(34,746)
2007 final dividend paid	-	-	(312)	-	-	-	-	-	(27,594)	(27,594)	(27,906)	-	(27,906)
At 30 September 2007 (unaudited)	279,058	1,126,800	37,560	929	10,784	219,915	9,697	10,264	980,433	-	2,675,440	414,159	3,089,599

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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30 September 2007

	Note	Six months ended 30 September	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
NET CASH FROM (USED IN) OPERATING ACTIVITIES		<b>167,300</b>	(389,282)
NET CASH FROM (USED IN) INVESTING ACTIVITIES			
Purchase of additional interests in subsidiaries		<b>(126,470)</b>	(5,571)
Purchase of property based subsidiaries		–	(461,304)
Decrease in pledged bank deposits		<b>238,074</b>	4,000
Net proceeds from disposal of investment properties		<b>50,290</b>	–
Net proceeds from disposal of property based subsidiaries	18	<b>97,129</b>	–
Other investing cash flows		<b>(769)</b>	41,125
		<b>258,254</b>	(421,750)
NET CASH (USED IN) FROM FINANCING ACTIVITIES			
Issue of shares upon exercise of share options		<b>6,240</b>	5,280
New bank and other borrowings		<b>633,042</b>	1,891,415
Repayment of bank and other borrowings		<b>(866,750)</b>	(568,145)
Dividend paid		<b>(27,906)</b>	(22,129)
Other financing cash flows		<b>12,615</b>	140,746
		<b>(242,759)</b>	1,447,167
NET INCREASE IN CASH AND CASH EQUIVALENTS		<b>182,795</b>	636,135
Cash and cash equivalents at beginning of the period		<b>952,749</b>	304,469
Effect of foreign exchange rate changes		<b>5,190</b>	(4,295)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<b>1,140,734</b>	936,309
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<b>1,140,734</b>	936,309

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Report" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2007.

In the current interim period, the Group has applied, for the first time, a number of new standards, an amendment and interpretations (the "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 April 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

#### Potential impact arising on the new accounting standards not yet effective

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

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 2	Service Concession Arrangements <sup>2</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

### 3. SEGMENT INFORMATION

The Group's revenue and results were substantially derived from operations in the mainland of the People's Republic of China (the "PRC"). The following is an analysis of the Group's revenue and results by business segment for the period under review:

	Property development		Property investment		Property management		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
	(Restated)							
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>1,498,533</u>	<u>187,028</u>	<u>3,070</u>	<u>3,156</u>	<u>1,468</u>	<u>1,932</u>	<u>1,503,071</u>	<u>192,116</u>
Segment results	<u>350,778</u>	<u>9,883</u>	<u>14,224</u>	<u>1,979</u>	<u>487</u>	<u>397</u>	<u>365,489</u>	<u>12,259</u>
Unallocated corporate expenses							(27,035)	(17,901)
Gain on disposal of property based subsidiaries							38,962	-
Fair value loss on derivative liability component of convertible bonds							(222,503)	(6,550)
Fair value loss on currency swap contract							(30,973)	-
Interest income							4,561	4,729
Finance costs							(17,747)	(22,350)
Share of loss of associates							(1,246)	-
Profit (loss) before taxation							<u>109,508</u>	<u>(29,813)</u>
Taxation							<u>(119,959)</u>	<u>(27)</u>
Loss for the period							<u>(10,451)</u>	<u>(29,840)</u>

4. OTHER INCOME

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
	<b>HK\$'000</b>	HK\$'000
Service income (Note)	<b>17,016</b>	–
Interest income	<b>4,561</b>	4,729
Bad debts recovered	–	1,479
Others	<b>6,499</b>	7,026
	<u><b>28,076</b></u>	<u>13,234</u>

Note:

Service income for the period represents the amount received for providing levelling and clearance services for a parcel of land jointly developed by the Group and the PRC government.

5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans wholly repayable within five years	<b>74,883</b>	61,081
Interest on other loans wholly repayable within five years	<b>38,081</b>	21,583
Interest on other loans not wholly repayable within five years	<b>637</b>	–
Interest on senior notes	<b>35,929</b>	36,223
Interest on convertible bonds	<b>19,754</b>	14,138
Imputed interest expense	<b>19,512</b>	25,599
	<u><b>188,796</b></u>	<u>158,624</u>
Less: Amounts capitalised in properties under development	<u><b>(171,049)</b></u>	<u>(136,274)</u>
	<u><b>17,747</b></u>	<u>22,350</u>

## 6. TAXATION

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) (Restated) HK\$'000
PRC Enterprise Income Tax		
Provision for the period	151,598	4,546
Overprovision in prior years	(11,465)	(11,475)
PRC land appreciation tax ("LAT")	29,457	–
Deferred tax		
Current period	88,482	6,956
Attributable to change in tax rate	(138,113)	–
	<b>119,959</b>	<b>27</b>
Total tax charge for the period	<b>119,959</b>	<b>27</b>

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits for both periods.

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

Pursuant to the PRC Enterprise Income Tax law and its detailed implementation rules promulgated on 16 March 2007 and 11 December 2007 respectively, for those subsidiaries without preferential tax rates, the new tax rate for domestic and foreign enterprises is unified at 25% and will be effective from 1 January 2008 and for those subsidiaries enjoying a preferential tax rate of 15%, the new tax rate will increase from 15% over 5 years to 25% as a result of the grandfathering provisions. Deferred tax is recognised based on the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

At 30 September 2006, the Group recognised provisional LAT paid, calculated according to certain rates (varying from 0.5% to 3%) of sales amounts assessed by local tax bureaux. Full provision for LAT was not made in the interim condensed consolidated financial statements. However, for the financial year ended 31 March 2007 and thereafter, the Group has provided for LAT in full in the financial statements in accordance with the requirements of The State Administration of Taxation of the PRC.

**7. LOSS FOR THE PERIOD**

Loss for the period has been arrived at after charging (crediting):

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
	<b>HK\$'000</b>	HK\$'000
Depreciation of property, plant and equipment	3,527	1,572
Less: Amounts capitalised in properties under development	<u>(1,143)</u>	<u>(886)</u>
	<b>2,384</b>	686
Amortisation of prepaid land lease payments	<b>2,138</b>	311
Net foreign exchange differences	<u>(445)</u>	<u>6</u>

**8. INTERIM DIVIDEND PROPOSED**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: HK1 cent per share).

**9. LOSS PER SHARE**

The calculation of basic loss per share is based on the loss for the period attributable to equity holders of the Company of HK\$13,541,000 (2006: HK\$29,202,000 (restated)) and on the weighted average of 2,491,782,295 (2006: 2,120,657,213) ordinary shares.

No diluted loss per share for both periods is presented as the exercise of the potential dilutive ordinary shares would result in a reduction in loss per share for both periods.

## 10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 September 2007, the Group acquired property, plant and equipment at a cost of HK\$4,139,000 and disposed of certain investment properties with a carrying amount of HK\$51,223,000.

The Group's investment properties were fair valued by external valuers at 30 September 2007. The resulting increase in fair value of investment properties of HK\$14,745,000 has been recognised directly in the consolidated income statement.

## 11. TRADE RECEIVABLES

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

The following is an aged analysis of trade receivables net of allowance for bad and doubtful debts at the balance sheet date based on contract date:

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
0 – 30 days	<b>139,009</b>	75,688
31 – 60 days	<b>153,594</b>	52,268
61 – 90 days	<b>31,139</b>	10,241
Over 90 days	<b>85,603</b>	10,052
	<b><u>409,345</u></b>	<u>148,249</u>

## 12. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date based on invoice date:

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
0 – 30 days	<b>11,037</b>	18,394
31 – 60 days	<b>1,486</b>	445
61 – 90 days	<b>207</b>	416
Over 90 days	<b>92,442</b>	54,867
	<b><u>105,172</u></b>	<u>74,122</u>



## 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
<b>CURRENT</b>		
Bank loans – secured	<b>790,838</b>	539,240
Bank loans – unsecured	<b>330,463</b>	20,203
Other loans – secured	<b>519,205</b>	204,893
Senior notes	<b>587,952</b>	–
	<b><u>2,228,458</u></b>	<u>764,336</u>
<b>NON-CURRENT</b>		
Bank loans – secured	<b>1,021,232</b>	1,256,674
Bank loans – unsecured	<b>61,962</b>	363,662
Other loans – secured	<b>221,948</b>	725,034
Other loans – unsecured	<b>165,231</b>	161,627
Senior notes	–	579,148
Liability component of convertible bonds	–	273,105
	<b><u>1,470,373</u></b>	<u>3,359,250</u>
	<b><u>3,698,831</u></b>	<u>4,123,586</u>

During the six months ended 30 September 2007, the Group obtained new bank and other loans amounting to HK\$633,042,000 and repaid bank and other loans of HK\$866,750,000. The loans carry interest at market rates and are repayable within five years. The proceeds from new borrowings were used to finance the payment of land use rights, progress payments for properties under development and the acquisition of new property projects in the PRC.

#### 14. CONVERTIBLE BONDS

Pursuant to a subscription agreement dated 30 June 2006 and the approval of the shareholders of the Company at a special general meeting held on 21 July 2006, the Company issued US\$40 million (equivalent to approximately HK\$311 million) convertible bonds to an independent third party. The convertible bonds carried interest at a rate of 4.75% per annum, were secured by a second priority charge over the entire issued share capital of Coastal Realty Development Co. Limited, and had a maturity date of 30 December 2009 with a put option for the subscriber who had the right to demand early redemption of the convertible bonds during the period from 30 June 2009 to the maturity date at 100% of the face value, plus a pro-rata portion of the 45% redemption premium upon maturity. If the convertible bonds had not been converted into ordinary shares of the Company, they would be redeemed at 145% of the issued value of US\$40 million on maturity. The convertible bonds were convertible at HK\$0.7 per ordinary share into the share capital of the Company at any time during the tenure of the convertible bonds.

The convertible bonds contained two components, a liability component and conversion option derivative.

During the six months ended 30 September 2007, the convertible bonds were converted into the Company's shares (*note 16*). The fair value of conversion option derivative of the convertible bonds at 23 July 2007 (the conversion date) was calculated using the binomial option pricing model developed by Cox, Ross, and Rubinstein in 1979 (the "Model"). The inputs into the Model were as follows:

Exercise price	HK\$0.7
Share price	HK\$1.66
Volatility	54.70%
Risk free rate	4.279%
Expected annual dividend yield	1.50%
Exchange rate	7.7676

#### 15. DERIVATIVE FINANCIAL LIABILITIES

The amount represents a foreign currency swap contract entered into by the Company. The Company uses the currency swap to hedge its borrowings denominated in United States dollars. The Company entered into the currency swap contract with an independent financial institution whereby, on 5 August 2008, the Company will pay Renminbi 461,207,500 notional amount (with a fixed interest rate of 6.33% per annum payable semi-annually) and will receive United States dollars 57,500,000 notional amount (with a fixed interest rate of 9% per annum receivable semi-annually). The currency swap contract was unwound subsequent to the balance sheet date upon the repayment of such borrowings.

The fair value of currency swap contract as at 30 September 2007 was determined by an independent qualified professional valuers based on discounted cash flow analysis.

16. SHARE CAPITAL

	Number of ordinary shares	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 31 March 2007 and 30 September 2007	3,000,000,000	300,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 1 April 2007	2,315,520,000	231,552
Issue of shares upon conversion of convertible bonds	443,862,857	44,386
Issue of shares upon exercise of share options	31,200,000	3,120
At 30 September 2007	<b>2,790,582,857</b>	<b>279,058</b>

During the six months ended 30 September 2007, convertible bonds with an aggregate nominal amount of approximately HK\$310,704,000 were converted into 443,862,857 shares of HK\$0.10 each in the Company.

17. SHARE-BASED PAYMENTS

During the six months ended 30 September 2007, 125,940,000 share options were granted on 14 May 2007 to the eligible directors and employees of the Group. The fair value of the options determined at the date of grant using the Black-Scholes-Merton option pricing model ranging from HK\$0.42 to HK\$0.67. The total fair value of the grant was HK\$76,077,000 of which a share option expense of HK\$10,264,000 (2006: nil) was recognised for the six months ended 30 September 2007.

The following assumptions were used to calculate the fair values of share options:

Closing share price at the date of grant	HK\$1.31
Exercise price	HK\$1.20
Vesting period:	
Tranche 1	from 14 May 2007 to 14 May 2008
Tranche 2	from 14 May 2007 to 14 May 2009
Tranche 3	from 14 May 2007 to 14 May 2010
Tranche 4	from 14 May 2007 to 14 May 2011
Tranche 5	from 14 May 2007 to 14 May 2012
Expected life	from 1.51 years to 5.19 years
Expected volatility	59%
Dividend yield	1.5%
Risk-free interest rate	from 3.886% to 4.028%

The Black-Scholes-Merton option pricing model has been used to estimate the fair values of the options. The variables and assumptions used in computing the fair values of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

**18. DISPOSAL OF PROPERTY BASED SUBSIDIARIES**

During the six months ended 30 September 2007, the Group disposed of certain subsidiaries which were engaged in property development in the PRC, for a total consideration of HK\$297 million.

	<b>30 September 2007 (Unaudited) HK\$'000</b>
Net assets disposed of:	
Property, plant and equipment	575
Properties under development	331,354
Prepayments, deposits and other receivables	7,467
Cash and bank balances	54,517
Other payables and accruals	<u>(70,973)</u>
Net assets	322,940
Less: Amount classified as interests in associates after disposal	<u>(64,588)</u>
Net assets disposed	258,352
Gain on disposal of property based subsidiaries	<u>38,962</u>
	<u>297,314</u>
Satisfied by:	
Cash	151,646
Other receivable	<u>145,668</u>
	<u>297,314</u>
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration	151,646
Cash and bank balances disposed of	<u>(54,517)</u>
	<u>97,129</u>

The results of the subsidiaries disposed of during the six months ended 30 September 2007 had no significant impact on the Group's consolidated revenue or profit after taxation for the period.

## 19. CONTINGENT LIABILITIES

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
Guarantee given to banks in connection with mortgage loans granted to property purchasers	<b>1,206,096</b>	890,233
Guarantee given to banks in connection with facilities granted to associates	<b>175,983</b>	23,483
	<b><u>1,382,079</u></b>	<u>913,716</u>

## 20. COMMITMENTS

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
Contracted but not provided for:		
Acquisition of an additional interest in a subsidiary	–	57,580
Acquisition of an additional interest in a jointly-controlled entity	<b>29,968</b>	29,497
	<b><u>29,968</u></b>	<u>87,077</u>

## 21. RELATED PARTY TRANSACTIONS

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

In the prior year, the Group obtained the refinancing of a loan in respect of certain completed properties for sale situated in the PRC (the "Properties") through the arrangement of individual mortgage loans in aggregate amounting to HK\$35.9 million (the "Loans") taken out by certain senior management personnel of the Company's subsidiaries (the "Senior Management Personnel"). Under the refinancing arrangement, the Group disposed of the Properties to the Senior Management Personnel for their arrangement of the individual mortgage loans with a bank, the proceeds of which were used to settle the consideration payable to the Group. The Group is responsible for the interest and principal payments of the Loans and the Group retains the beneficial ownership of the Properties and the associated benefits through certain trust deeds and other arrangements. In the opinion of the directors, the Group retains the significant risks and rewards associated with the Properties and the Loans. As such, the Group continued to recognise the Properties and recorded the proceeds received from the Senior Management Personnel as an other loan in the consolidated financial statements to reflect the commercial substance of the aforesaid refinancing arrangement. As at 30 September 2007, the aggregate carrying value of the Properties and the balance of the Loans carried in the consolidated balance sheet amounted to approximately HK\$39.6 million (31 March 2007: HK\$39.9 million) and HK\$18.3 million (31 March 2007: HK\$20.8 million), respectively.

- (b) Outstanding balances with related parties
- (i) The amount due to a substantial shareholder of the Company represents an amount due to Coastal International Holdings Limited ("CIH"). The amount is unsecured, interest-free and repayable on demand. Certain directors of the Company have significant influence over CIH in making financial and operating decisions.
- (ii) The Group's balances with its jointly-controlled entities and associates are unsecured, interest-free and repayable on demand.

**21. RELATED PARTY TRANSACTIONS** (continued)

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

	<b>Six months ended 30 September</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Short term benefits	<b>7,143</b>	6,113
Post-employment benefits	<b>81</b>	61
	<hr/>	<hr/>
Total compensation paid to key management personnel	<b>7,224</b>	6,174
	<hr/>	<hr/>

**22. POST BALANCE SHEET EVENTS**

- (a) Pursuant to an ordinary resolution passed at the Special General Meeting of the Company held on 12 November 2007, the authorised share capital of the Company was increased from HK\$300,000,000 divided into 3,000,000,000 shares of HK\$0.10 each to HK\$700,000,000 divided into 7,000,000,000 shares of HK\$0.10 each by creating an additional 4,000,000,000 unissued shares.
- (b) On 30 November 2007, the Company entered into a purchase agreement with a subscriber to issue 1,500 units consisting of US\$150 million (equivalent to HK\$1,170 million) principal amount of 12% guaranteed senior notes due 2012 and 111,622,500 warrants for 111,622,500 ordinary shares of HK\$0.10 each in the Company. The net proceeds will be used to redeem the senior notes of US\$77.5 million (equivalent to approximately HK\$604.5 million) which are due on August 2008, to finance property acquisitions and for general working capital purpose of the Group.

**23. COMPARATIVE FIGURES**

In the unaudited condensed consolidated financial statements for the six months ended 30 September 2006, an amount of HK\$106 million was recorded in the consolidated income statement as negative goodwill on acquisition of subsidiaries. In addition, an acquisition of an additional interest in a property based jointly-controlled entity was not recognised in the consolidated balance sheet. In preparing the consolidated financial statements of the Group for the year ended 31 March 2007, the fair values of the property based subsidiaries acquired were reassessed and as a result the negative goodwill on acquisition was eliminated. In addition, the acquisition of the additional interest in the property based jointly-controlled entity, which had no material impact on the consolidated income statement for the six months ended 30 September 2006, has been accounted for since the effective date of acquisition which was during the period ended 30 September 2006. Accordingly, the comparative amounts for the period ended 30 September 2006 have been restated.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: HK1 cent per share).

## **BUSINESS REVIEW**

### **Results of Operations**

For the first half financial year, the Group has recorded a revenue of HK\$1,503.1 million, an increase of about 682% as compared to HK\$192.1 million for the corresponding period of last year. Profit before taxation amounted to HK\$109.5 million while there was loss before taxation of HK\$29.8 million (restated) for last period. Loss attributable to the equity holders of the Company was reduced to HK\$13.5 million from the last corresponding period's loss of HK\$29.2 million (restated), after a non-cash charge of HK\$222.5 million (2006: HK\$6.6 million) arising from fair value adjustment for derivative liability component of the convertible bonds issued by the Company as a result of the increase in the share price of the Company's shares during the period. Before such a charge, profit attributable to equity holders of the Company is HK\$209.0 million while there was a loss of HK\$22.6 million (restated) for the last corresponding period on the same basis.

As at 30 September 2007, the Group has generated a total sales revenue of HK\$1,330 million from presale of its properties under development, namely Phases V and VII of Beijing Silo City, Phase IIB of Beijing Sunvilla Realhouse, Phase IB of Dongguan Riviera Villa and Phase III of Jiangxi Riviera Garden, which will be wholly attributable to the Group. About HK\$1,123 million of the presale revenue is from development projects which are expected to be completed in the second half of the financial year.



## **Property Development**

For the current period, revenue from sale of properties increased significantly to HK\$1,498.5 million which mainly came from the sale and completion of four development projects, namely Phase III of Beijing Silo City, Phase I of Shanghai Riviera Garden, Phase IA of Dongguan Riviera Villa and Phase IA of Wuhan Silo City which respectively accounted for about 35.8%, 20.4%, 19.1% and 18.4% of the revenue of property sale. The remaining 6.3% was derived from sales of remaining inventory of the Group's completed development projects such as Phase II of Jiangxi Riviera Garden and certain commercial area and car park spaces in Xiamen Lu Jiang New City.

The gross floor area of the developments completed during the six months ended 30 September 2007 is approximately 350,400 sq. m. (2006: 46,800 sq. m.).

During the period, the Group disposed of 80% equity interest in Shenyang Hunnan residential development project to a connected party who is the 50% joint venture partner in the Group's Dalian Xinghai Bay Project, resulting in a disposal gain of property based subsidiaries of HK\$39.0 million.

## **Property Investment**

For leasing business, revenue from property rental decreased slightly by about 3% as compared to last corresponding period to about HK\$3.1 million. Rental income for the current period was derived from the properties held by the Group in Shanghai Golden Bridge Mansion and Shenyang Dongbei Furniture and Ornaments Plaza. The recently completed retail shops in Phases I and II of Beijing Silo City with a total gross floor area of about 10,000 square meters have started to contribute rental income in the second half of the year.

The contribution from property investment segment increases significantly to HK\$14.2 million for the current period mainly because of the revaluation surplus of the retail shops in Phases I and II of Beijing Silo City.

## **Property Management**

The Group's property management operations recorded a profit of about HK\$0.5 million as compared to last period's profit of HK\$0.4 million. The Group is committed to provide integrated and value added property management services to foster good relations with tenants and owners and strengthen its brand image.

## **Gross Profit Margin**

The overall gross profit margin achieved for the period is about 28% which is higher than the overall gross profit margin for the last whole financial year's about 24% (see annual report for the year ended 31 March 2007). The improvement was mainly due to better profit margin achieved from the properties completed during the period such as Phase III of Beijing Silo City which had a higher profit margin than the Phases I and II completed in last financial year.

## **Other Income and Expenses**

Other income for the current period mainly came from service income of HK\$17.0 million received from providing levelling and clearance services for a parcel of land jointly developed by the Group and the PRC government in Dujiangyan, the PRC.

Other expenses for the current period mainly represented an interest compensation of HK\$27.2 million for a delay in the handover of completed properties in Phases I and II of Beijing Silo City to the property purchasers.

There was also a fair value loss of HK\$31.0 million on a currency swap contract. The currency swap contract was subsequently unwound upon the repayment of US\$77.5 million senior notes.

## **Marketing, Selling and Administrative Expenses**

Marketing and selling costs increased to HK\$32.7 million from HK\$1.2 million in last period as a result of the increase in the Group's property development and selling activities. Also, marketing and selling costs capitalised in properties under development were stated as marketing and selling costs in the consolidated income statement upon project completion while in last period such costs were included in the cost of properties sold.

Administrative expenses increased to HK\$61.3 million from HK\$42.8 million as a result of the business expansion of the Group. The Group has continued to recruit high-calibre staff to join the management team both at headquarters and project company level. As an incentive and reward to the Group's staff, the Company granted 125,940,000 share options to the directors and employees of the Group during the period and the related share-based payment amounting to HK\$10.3 million has been included in administrative expenses for the current period.

## **Finance Costs**

During the period, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings, including senior notes and convertible bonds) of HK\$188.8 million, representing an increase of about 19% as compared to last period. The increase was mainly due to an overall increase in the average amount of bank and other borrowings for the current period to fund the business expansion including development of ongoing projects and acquisition of new development projects.

## **Corporate Brand**

Coastal Greenland, the corporate brand, has continually been ranked from 2004 to 2007 as amongst the top ten most valuable Chinese real estate company brand by authoritative PRC real estate research team formed by the Development Research Center of the State Council, the Tsinghua University Real Estate Research Center and the China Index Research Team.

## FINANCIAL REVIEW

### 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.

At 30 September 2007, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to about HK\$2,425 million (31 March 2007: HK\$2,799 million). Net debt to total equity ratio, which is expressed as a percentage of net borrowings over total equity of the Group, decreased by about 38% to about 78% from 116% as at 31 March 2007. The improvement in net debt to total equity ratio was mainly due to (i) the conversion of convertible bonds of US\$40 million (equivalent to approximately HK\$311 million) into 443,862,857 ordinary shares of the Company during the period, (ii) significant profits made before the charge of the HK\$222.5 million non-cash fair value loss on the derivative liability component of convertible bonds and (iii) a further issue of shares pursuant to the exercise of the share options granted as detailed in the following paragraph.

The 443,862,857 shares issued pursuant to the conversion of the convertible bonds represent approximately 15.9% of the enlarged issued share capital of the Company and rank *pari passu* in all respects with the existing issued shares of the Company. During the period, the holders of 31,200,000 share options granted under the share option scheme adopted on 20 September 1997 had exercised the rights attached to the share options whereby 31,200,000 shares of HK\$0.10 each were allotted and issued at an exercise price of HK\$0.20 per share. The 31,200,000 shares represent approximately 1.1% of the enlarged issued share capital of the Company and rank *pari passu* in all respects with the existing issued shares of the Company.

Subsequent to the balance sheet date, the Company has issued 1,500 units consisting of US\$150 million (equivalent to approximately HK\$1,170 million) principal amount of 12% guaranteed senior notes due 2012 and 111,622,500 warrants for 111,622,500 ordinary shares of HK\$0.10 each in the Company. The net proceeds are used to redeem the senior notes of US\$77.5 million (equivalent to approximately HK\$604.5 million), to finance property development project acquisitions and for general working capital purpose of the Group. Taking into account the issuance of the new senior notes and the redemption of the existing senior notes, the pro forma net debt to total equity ratio would be 97%, a 19% improvement from the 31 March 2007 level of 116%.

## Borrowings and Charges

At 30 September 2007, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	<b>30 September 2007 HK\$'000</b>	31 March 2007 HK\$'000
Bank loans repayable:		
Within one year or on demand	<b>1,121,301</b>	559,443
In the second year	<b>760,787</b>	983,706
In the third to fifth years inclusive	<b>322,407</b>	636,630
	<b><u>2,204,495</u></b>	<u>2,179,779</u>
Other borrowings (including senior notes and convertible bonds) repayable:		
Within one year or on demand	<b>1,107,157</b>	204,893
In the second year	<b>374,863</b>	1,451,003
In the third to fifth years inclusive	<b>8,414</b>	281,520
Beyond five years	<b>3,902</b>	6,391
	<b><u>1,494,336</u></b>	<u>1,943,807</u>
	<b><u>3,698,831</u></b>	<u>4,123,586</u>

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

	<b>30 September 2007 HK\$'000</b>	31 March 2007 HK\$'000
Renminbi	<b>3,110,879</b>	3,271,333
United States dollars	<b>587,952</b>	852,253
	<b><u>3,698,831</u></b>	<u>4,123,586</u>

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

**Borrowings and Charges** (continued)

- (a) Certain of the Group's borrowings as at 30 September 2007 are secured by:
  - (i) Certain properties under development of the Group with an aggregate carrying value of approximately HK\$3,843 million (31 March 2007: HK\$4,284 million);
  - (ii) Certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$834 million (31 March 2007: HK\$211 million);
  - (iii) Certain prepaid land lease payments with an aggregate carrying value of approximately HK\$89 million (31 March 2007: HK\$89 million);
  - (iv) Certain property, plant and equipment with an aggregate carrying value of approximately HK\$35 million (31 March 2007: HK\$34 million);
  - (v) Certain bank deposits of the Group amounting to approximately HK\$67 million (31 March 2007: HK\$325 million); and
  - (vi) Corporate guarantees from the Company and certain of its subsidiaries.
- (b) Certain other loans are secured by the 85% equity interest in Shanghai Xinhongda Real Estate Ltd., a wholly owned subsidiary of the Company.
- (c) The senior notes (included in other borrowings) are secured by a share charge over the 100% of the entire share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.

**Exposure to Fluctuations in Exchange Rates**

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

### **Exposure to Fluctuations in Exchange Rates** (continued)

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

### **Contingent Liabilities**

At 30 September 2007, the Group had given guarantees to the extent of approximately HK\$1,206 million (31 March 2007: HK\$890 million) 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. The Group had also given guarantees amounting to approximately HK\$176 million (31 March 2007: HK\$23 million) to banks in connection with facilities granted to associates.

### **EMPLOYEES AND REMUNERATION POLICY**

The Group employs a total of about 1,890 employees in the mainland China and Hong Kong. Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage, housing allowances and share options.

## PROSPECTS

The implementation of various macro economic measures, such as tightening of credit by the PRC central government and the austerity measures imposed on the real estate sector, which include on areas of property development orientation, taxation, financing and land supply etc, are expected to bring to the real estate industry a more stable and sustainable market in the long term. With more stringent requirements and financial demands imposed on property developers, smaller developers will become less competitive in the marketplace and more opportunities will be available to larger developers with more resources. The Group believes that it is well positioned to take on the new challenges and capture the new opportunities as the Group has a well experienced and qualified management team, a well recognised corporate brand in the real estate industry, the resources of financing from both internal and external sources, including access to domestic and overseas financial markets, and a quality and geographically well diversified property development portfolio on hand.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2007, 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 kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

**DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES** (continued)**(A) Interests in shares and underlying shares of the Company**

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

Name of director	Notes	Number of shares held, capacity and nature of interest		Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporation	
Chan Boon Teong	(a), (b) and (c)	6,400,000	1,027,890,527	37.06
Jiang Ming	(a), (b) and (c)	6,400,000	1,027,890,527	37.06
Tao Lin	(a), (b) and (c)	-	1,027,890,527	36.83
Cheng Wing Bor	(a), (b) and (c)	6,400,000	1,027,890,527	37.06
Lin Chen Hsin	(a), (b) and (c)	2,080,000	1,027,890,527	36.91

## 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 20% by Chan Boon Teong, 35% by Jiang Ming, 12% by Tao Lin, 5% 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). These 497,600,000 shares represent an aggregate of approximately 17.83% 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 1.65% of the issued share capital of the Company.
- (c) 484,210,527 shares are beneficially owned by Coastal Enterprise Group Limited of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 484,210,527 shares represent an aggregate of approximately 17.35% of the issued share capital of the Company.
- (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 the associated corporation of the Company**

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

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

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.

**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 20 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 30 August 2002 and adopted a new share option scheme (the "Scheme 2002") in compliance with the amendments to the Listing Rules on 24 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 30 August 2002 and in note 32 to the audited financial statements of the Company for the year ended 31 March 2007 which are contained in the Company's 2006-2007 annual report.

Details of the share options granted and summary of the movements of the outstanding share options during the six months ended 30 September 2007 under the Scheme 1997 are as follows:

Name or category of participant	At 1 April 2007	Number of share options			At 30 September 2007	Date of grant of share options <sup>(1)</sup>	Exercise period of share options <sup>(1)</sup>	Exercise price of share options <sup>(2)</sup> HK\$
		Granted during the period	Exercised during the period	Lapsed during the period				
<b>Directors</b>								
Chan Boon Teong	6,400,000	-	(6,400,000)	-	-	20 May 2000	1 October 2000 to 19 September 2007	0.20
Jiang Ming	6,400,000	-	(6,400,000)	-	-	20 May 2000	1 October 2000 to 19 September 2007	0.20
Tao Lin	6,400,000	-	(6,400,000)	-	-	20 May 2000	1 October 2000 to 19 September 2007	0.20
Cheng Wing Bor	6,400,000	-	(6,400,000)	-	-	20 May 2000	1 October 2000 to 19 September 2007	0.20
Lin Chen Hsin	1,600,000	-	(1,600,000)	-	-	20 May 2000	1 October 2000 to 19 September 2007	0.20
<b>Other employees</b>								
In aggregate	4,000,000	-	(4,000,000)	-	-	20 May 2000	1 October 2000 to 19 September 2007	0.20
	<u>31,200,000</u>	<u>-</u>	<u>(31,200,000)</u>	<u>-</u>	<u>-</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 1 October 2000 to 19 September 2007, as specified in the share option certificates.

Details of the share options granted and summary of the movements of the outstanding share options during the six months ended 30 September 2007 under the Scheme 2002 are as follows:

Name or category of participant	At 1 April 2007	Number of share options			At 30 September 2007	Date of grant of share options <sup>(1)</sup>	Exercise period of share options <sup>(2)</sup>	Exercise price of share options <sup>(2)</sup> HK\$
		Granted during the period	Exercised during the period	Lapsed during the period				
<b>Directors</b>								
Chan Boon Teong	-	10,000,000	-	-	10,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Jiang Ming	-	10,000,000	-	-	10,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Tao Lin	-	10,000,000	-	-	10,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Cheng Wing Bor	-	10,000,000	-	-	10,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Lin Chen Hsin	-	2,500,000	-	-	2,500,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Wu Xin	-	6,000,000	-	-	6,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Xin Xiang Dong	-	4,000,000	-	-	4,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Hu Aimin	-	6,000,000	-	-	6,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Zhang Yijun	-	6,000,000	-	-	6,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Zhang Huaqiao	-	6,000,000	-	-	6,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Tang Lap Yan	-	2,500,000	-	-	2,500,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Law Kin Ho	-	2,000,000	-	-	2,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Wong Kai Cheong	-	2,000,000	-	-	2,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
<b>Other employees</b>								
In aggregate	-	48,940,000	-	-	48,940,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
		<u>-</u>	<u>125,940,000</u>	<u>-</u>	<u>-</u>			<u>125,940,000</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 15 May 2008 to 23 September 2012, as specified in the share option certificates.

**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 kept under Section 336 of the SFO shows that as at 30 September 2007, the Company had been notified of the following interests of 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)	1,034,290,527	10,000,000	37.42
Shenzhen Investment Limited	Corporate	634,092,857	–	22.72

Note: Yang Sun Xin is the spouse of Jiang Ming (a director of the Company) and is deemed to be interested in the 1,034,290,527 shares of the Company, which is the aggregate number of shares that Jiang Ming, 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 10,000,000 outstanding share options held by Jiang Ming as disclosed in the "Share option schemes" section.

Save as disclosed above, as at 30 September 2007, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to high standards of corporate governance. The Company has complied throughout the six months ended 30 September 2007 with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, the directors confirmed that they have complied with the required standard as set out in the Model Code throughout 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 30 September 2007.

## **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 a general review of the unaudited interim financial report for the six months ended 30 September 2007.

## **REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2007 have been reviewed by the Company's external auditor, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By Order of the Board  
**Chan Boon Teong**  
*Chairman*

Hong Kong, 27 December 2007