



COASTAL 沿海

COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 01124

Interim Report
2008

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
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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
26th 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. CAI Shaobin

Non-executive Directors

Mr. ZHENG Hong Qing
Mr. HU Aimin
Mr. ZHANG Yijun

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

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COASTAL GREENLAND LIMITED

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The Board of Directors of Coastal Greenland Limited (the “Company”) herein presents 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 2008 together with the unaudited comparative figures for the last corresponding period and the unaudited consolidated balance sheet of the Group as at 30 September 2008 together with the audited comparative figures as at 31 March 2008. The interim report for the six months ended 30 September 2008 has been reviewed by the Company’s Audit Committee and the Company’s external auditor, 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 2008 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.

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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.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 19 December 2008

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	Notes	Six months ended 30 September 2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Revenue	3	386,132	1,539,406
Cost of sales		<u>(281,342)</u>	<u>(1,098,145)</u>
Gross profit		104,790	441,261
Increase in fair value of investment properties		–	14,745
Gain on partial disposal of a property based subsidiary		2,578	–
Gain on disposal of property based subsidiaries		–	38,962
Fair value gain on warrants	14	50,717	–
Other income	4	33,190	11,060
Marketing and selling costs		(27,205)	(32,666)
Administrative expenses		(79,874)	(61,296)
Fair value loss on derivative component of convertible bonds		–	(222,503)
Fair value loss on currency swap contract		–	(30,973)
Other expenses		(13,681)	(30,089)
Finance costs	5	(34,413)	(17,747)
Share of loss of associates		<u>(917)</u>	<u>(1,246)</u>
Profit before taxation		35,185	109,508
Taxation	6	<u>(6,555)</u>	<u>(119,959)</u>
Profit (loss) for the period	7	<u>28,630</u>	<u>(10,451)</u>
Attributable to:			
Equity holders of the Company		27,740	(13,541)
Minority interests		890	3,090
		<u>28,630</u>	<u>(10,451)</u>
Dividends			
Final dividend paid		–	27,906
Interim dividend proposed	8	–	–
		HK cents	HK cents
Earnings (loss) per share	9		
Basic		<u>0.99</u>	<u>(0.54)</u>
Diluted		<u>0.99</u>	<u>(0.54)</u>

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CONSOLIDATED BALANCE SHEET

At 30 September 2008

		30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	10	973,617	854,372
Investment properties		634,700	616,476
Prepaid land lease payments		99,238	97,671
Goodwill		83,381	81,032
Interests in associates		192,014	189,872
Available-for-sale investments		2,960	2,960
Pledged bank deposits		70,364	70,360
Total non-current assets		<u>2,056,274</u>	<u>1,912,743</u>
CURRENT ASSETS			
Properties under development		6,913,585	5,662,804
Completed properties for sale		1,162,662	1,338,079
Trade receivables	11	183,344	280,378
Prepayments, deposits and other receivables		1,716,226	1,330,014
Amount due from a jointly controlled entity	18(b)(ii)	30,295	28,098
Amounts due from associates	18(b)(ii)	28,196	42,076
Tax recoverable		68,658	66,205
Pledged bank deposits		122,495	69,197
Cash and bank balances		679,944	1,205,727
Total current assets		<u>10,905,405</u>	<u>10,022,578</u>
CURRENT LIABILITIES			
Trade payables	12	99,021	92,699
Deposits received		1,533,422	686,198
Deferred revenue		116,517	113,236
Other payables and accruals		922,313	974,302
Amount due to a substantial shareholder of the Company	18(b)(i)	1,971	100
Amounts due to jointly controlled entities	18(b)(ii)	6,544	6,361
Tax payable		710,059	759,588
Interest-bearing bank and other borrowings	13	1,299,627	1,560,643
Derivative liability – warrants	14	4,012	54,729
Total current liabilities		<u>4,693,486</u>	<u>4,247,856</u>
NET CURRENT ASSETS		<u>6,211,919</u>	<u>5,774,722</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,268,193</u>	<u>7,687,465</u>

CONSOLIDATED BALANCE SHEET (continued)

At 30 September 2008

	Notes	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
CAPITAL AND RESERVES			
Share capital	15	279,058	279,058
Reserves		<u>3,120,733</u>	<u>2,981,433</u>
Equity attributable to equity holders of the Company		3,399,791	3,260,491
Minority interests		<u>490,972</u>	<u>435,942</u>
Total equity		<u>3,890,763</u>	<u>3,696,433</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	3,536,998	3,149,689
Long term payables		153,190	154,881
Deferred tax liabilities		<u>687,242</u>	<u>686,462</u>
Total non-current liabilities		<u>4,377,430</u>	<u>3,991,032</u>
		<u>8,268,193</u>	<u>7,687,465</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Leaschold property revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	PRC reserve funds HK\$'000	Share options 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 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
Net income recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange realignment on transition of foreign operations	-	-	-	-	-	53,672	-	-	(13,541)	-	53,672 (13,541)	9,754 3,090	63,426 (10,451)
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Total recognised 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	-	-	-	-	-	-	-	10,264	-	-	10,264	-	10,264
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	5,132	5,132
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(34,746)	(34,746)
2007 final dividend paid	-	-	(312)	-	-	-	-	-	(27,594)	(27,906)	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 September 2008

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium 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 options HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2008 (audited)	279,058	1,126,800	37,560	929	20,564	403,464	9,697	23,751	1,358,668	-	3,260,491	435,942	3,696,433
Exchange realignment on translation of foreign operations	-	-	-	-	-	99,517	-	-	-	-	99,517	10,489	110,006
Share of associates' reserve	-	-	-	-	-	3,059	-	-	-	-	3,059	-	3,059
Net income recognised directly in equity	-	-	-	-	-	102,576	-	-	27,740	-	102,576	10,489	113,065
Profit for the period	-	-	-	-	-	-	-	-	27,740	-	27,740	890	28,630
Total recognised income for the period	-	-	-	-	-	102,576	-	-	27,740	-	130,316	11,379	141,695
Recognition of equity-settled share-based payment	-	-	-	-	-	-	-	8,984	-	-	8,984	-	8,984
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	28,168	28,168
Partial disposal of equity interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	15,483	15,483
At 30 September 2008 (unaudited)	279,058	1,126,800	37,560	929	20,564	506,040	9,697	32,735	1,386,408	-	3,399,791	490,972	3,890,763

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.

PRC reserve funds are reserves required by the relevant laws in the People's Republic of China (the "PRC") applicable to the Company's PRC subsidiaries for staff welfare and expansion of working capital.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended 30 September 2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
NET CASH (USED IN) FROM OPERATING ACTIVITIES	<u>(467,447)</u>	<u>167,300</u>
NET CASH (USED IN) FROM INVESTING ACTIVITIES		
Purchase of additional interests in subsidiaries	–	(126,470)
(Increase) decrease in pledged bank deposits	(53,302)	238,074
Net proceeds from disposal of investment properties	–	50,290
Net proceeds from disposal of property based subsidiaries	–	97,129
Net proceeds from partial disposal of interest in a property based subsidiary	18,061	–
Purchase of property, plant and equipment	(100,372)	(4,139)
Other investing cash flows	11,683	3,370
	<u>(123,930)</u>	<u>258,254</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES		
Issue of shares upon the exercise of share options	–	6,240
Capital contribution from minority shareholders	28,168	5,132
New bank and other borrowings	1,408,199	633,042
Repayments of bank and other borrowings	(1,402,758)	(866,750)
Dividend paid	–	(27,906)
Other financing cash flows	2,054	7,483
	<u>35,663</u>	<u>(242,759)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(555,714)	182,795
Cash and cash equivalents at the beginning of period	1,205,727	952,749
Effect of foreign exchange rate changes	29,931	5,190
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>679,944</u>	<u>1,140,734</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>679,944</u>	<u>1,140,734</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

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 2008.

In the current interim period, the Group has applied, for the first time, the following new standard, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2008.

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets

The adoption of the new HKFRSs has 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, amendments or interpretations that have been issued but are not yet effective.

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2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ³

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group's revenue and results were substantially derived from operations in the mainland of 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		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2008	2007	2008	2007	2008	2007	2008	2007
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>378,839</u>	<u>1,534,868</u>	<u>3,910</u>	<u>3,070</u>	<u>3,383</u>	<u>1,468</u>	<u>386,132</u>	<u>1,539,406</u>
Segment results	<u>15,357</u>	<u>389,740</u>	<u>1,776</u>	<u>14,224</u>	<u>1,244</u>	<u>487</u>	<u>18,377</u>	<u>404,451</u>
Unallocated corporate expenses							(24,864)	(27,480)
Net foreign exchange gains							25,679	445
Fair value gain on warrants							50,717	-
Fair value loss on derivative component of convertible bonds							-	(222,503)
Fair value loss on currency swap contract							-	(30,973)
Interest income							606	4,561
Finance costs							(34,413)	(17,747)
Share of loss of associates							(917)	(1,246)
Profit before taxation							35,185	109,508
Taxation							(6,555)	(119,959)
Profit (loss) for the period							<u>28,630</u>	<u>(10,451)</u>

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4. OTHER INCOME

	Six months ended 30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest income from banks	606	4,561
Net foreign exchange gains	25,679	445
Others	6,905	6,054
	<u>33,190</u>	<u>11,060</u>

5. FINANCE COSTS

	Six months ended 30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	125,635	74,883
Interest on other loans wholly repayable within five years	15,301	38,081
Interest on other loans not wholly repayable within five years	–	637
Interest on senior notes	84,040	35,929
Interest on convertible bonds	–	19,754
Imputed interest expense on long term payables	11,101	19,512
	<u>236,077</u>	<u>188,796</u>
Less: Amounts capitalised in properties under development	<u>(201,664)</u>	<u>(171,049)</u>
	<u>34,413</u>	<u>17,747</u>

Borrowing costs capitalised during the period arose from funds borrowed specifically for the purpose of obtaining qualifying assets.

6. TAXATION

	Six months ended	
	30 September	
	2008	2007
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
PRC Enterprise Income Tax		
Provision for the period	21,826	151,598
Under (over) provision in prior years	257	(11,465)
PRC land appreciation tax ("LAT")	2,989	29,457
Deferred tax		
Current period	(18,517)	88,482
Attributable to change in tax rate	—	(138,113)
	<hr/>	<hr/>
Total tax charge for the period	6,555	119,959

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

The provisions for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

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7. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived at after charging:

	Six months ended 30 September	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Depreciation of property, plant and equipment	5,473	3,527
Less: Amounts capitalised in properties under development	<u>(2,411)</u>	<u>(1,143)</u>
	3,062	2,384
Amortisation of prepaid land lease payments	<u>1,138</u>	<u>1,118</u>

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: nil).

9. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the profit for the period attributable to equity holders of the Company of HK\$27,740,000 (2007: loss of HK\$13,541,000) and the number of 2,790,582,857 (2007: weighted average of 2,491,782,295) ordinary shares.

The calculation of diluted earnings per share for the six months ended 30 September 2008 did not assume the exercise of the Company's options and warrants as the exercise prices of the options and warrants were higher than the average market price of the Company's shares for the period.

The calculation of diluted loss per share for the six months ended 30 September 2007 did not assume the exercise of the potential dilutive ordinary shares as it would result in a reduction in loss per share.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2008, the Group acquired property, plant and equipment at a cost of HK\$100,372,000.

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:

	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
0 – 30 days	26,169	138,259
31 – 60 days	14,333	4,126
61 – 90 days	5,248	16,977
Over 90 days	137,594	121,016
	183,344	280,378

12. TRADE PAYABLES

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

	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
0 – 30 days	42,909	20,643
31 – 60 days	5,393	12,749
61 – 90 days	1,782	3,624
Over 90 days	48,937	55,683
	99,021	92,699

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13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
CURRENT		
Bank loans – secured	621,531	1,020,956
Bank loans – unsecured	91,272	48,786
Other loans – secured	449,916	224,796
Other loans – unsecured	<u>136,908</u>	<u>266,105</u>
	<u>1,299,627</u>	<u>1,560,643</u>
NON-CURRENT		
Bank loans – secured	2,175,927	1,813,217
Bank loans – unsecured	123,218	119,747
Other loans – secured	13,888	15,097
Other loans – unsecured	182,544	177,403
Senior notes	<u>1,041,421</u>	<u>1,024,225</u>
	<u>3,536,998</u>	<u>3,149,689</u>
	<u>4,836,625</u>	<u>4,710,332</u>
Analysed into:		
Bank loans repayable:		
Within one year or on demand	712,803	1,069,742
In the second year	1,292,413	1,346,092
In the third to fifth years, inclusive	<u>1,006,732</u>	<u>586,872</u>
	<u>3,011,948</u>	<u>3,002,706</u>
Other borrowings repayable:		
Within one year or on demand	586,824	490,901
In the second year	186,004	180,655
In the third to fifth years, inclusive	1,051,849	1,035,385
Beyond five years	<u>–</u>	<u>685</u>
	<u>1,824,677</u>	<u>1,707,626</u>
	<u>4,836,625</u>	<u>4,710,332</u>

13. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

- (a) Certain of the Group's bank loans as at 30 September 2008 are secured by:
 - (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK\$49 million (31 March 2008: HK\$48 million);
 - (ii) certain construction-in-progress of the Group with an aggregate carrying value of approximately HK\$803 million (31 March 2008: HK\$694 million);
 - (iii) certain leasehold lands of the Group with an aggregate carrying value of approximately HK\$97 million (31 March 2008: HK\$95 million).
 - (iv) certain properties under development of the Group with an aggregate carrying value of approximately HK\$4,692 million (31 March 2008: HK\$3,726 million);
 - (v) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$577 million (31 March 2008: HK\$864 million);
 - (vi) certain bank deposits of the Group with an aggregate carrying value of approximately HK\$52 million (31 March 2008: nil); and
 - (vii) corporate guarantees from the Company and certain of its subsidiaries.
- (b) Certain of the Group's other loans as at 30 September 2008 are secured by:
 - (i) certain property, plant and equipment of the Group with an aggregate carrying value of approximately HK\$22 million (31 March 2008: HK\$22 million);
 - (ii) certain investment properties of the Group with an aggregate carrying value of approximately HK\$66 million (31 March 2008: HK\$64 million);
 - (iii) certain properties under development of the Group with an aggregate carrying value of approximately HK\$265 million (31 March 2008: HK\$171 million); and
 - (iv) the 67% equity interest in a property based subsidiary.
- (c) Senior notes

The senior notes as at 30 September 2008 are secured by certain bank deposits of the Group amounting to approximately HK\$70 million (31 March 2008: HK\$70 million) and share charges over the entire issued share capital of certain wholly-owned subsidiaries of the Company.

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14. DERIVATIVE LIABILITY – WARRANTS

At 30 September 2008, the Company had outstanding 111,622,500 (31 March 2008: 111,622,500) unlisted warrants conferring rights to subscribe for up to 111,622,500 (31 March 2008: 111,622,500) new ordinary shares of HK\$0.10 each in the Company at the exercise price of HK\$2.46 per share (subject to adjustments) from the issue date to 8 November 2012.

The fair value of warrants is determined, upon issuance, and is carried as a derivative financial liability which is measured at fair value with movement dealt with in the income statement.

The fair value of warrants at 30 September 2008 and 31 March 2008 was calculated using binominal option pricing model developed by Cox, Ross, and Rubinstein in 1979. The inputs into the model were as follows:

	30 September 2008	31 March 2008
Exercise price	HK\$2.46	HK\$2.46
Share price	HK\$0.26	HK\$1.16
Volatility	61.29%	67.71%
Risk free rate	2.414%	1.977%
Dividend yield	0%	1.5%

The fair value of warrants at 30 September 2008 and 31 March 2008 were HK\$4,012,000 and HK\$54,729,000 respectively.

Since the model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

15. SHARE CAPITAL

	Number of ordinary shares	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 31 March 2008 and 30 September 2008	<u>7,000,000,000</u>	<u>700,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 31 March 2008 and 30 September 2008	<u>2,790,582,857</u>	<u>279,058</u>

16. CONTINGENT LIABILITIES

(a) At balance sheet date, the Group had given guarantees as follows:

	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
Guarantee given to banks in connection with:		
– mortgage loans granted to property purchasers	1,753,400	1,514,878
– banking facilities granted to associates	<u>245,294</u>	<u>267,657</u>
	<u>1,998,694</u>	<u>1,782,535</u>

The director considered that the fair values of these financial guarantee contracts at their initial recognition are insignificant on the basis of short maturity periods and low applicable default rates.

(b) Previously, the PRC government has re-emphasised the enforcement of the regulations on idle land confiscation which was issued by the Ministry of Land Resources of the PRC on 26 April 1999. As at 30 September 2008, the Group has a property for development with carrying value of HK\$142,406,000 of which its development is still pending on the finalisation of the overall town planning zoning of the local government. The Group believes that under such circumstances, it is unlikely that the project will fall into the category of idle land. The Group is negotiating with the local authorities to approve the project development plan in line with the overall town planning zoning. With reference to the current situation, the Directors have assessed the issue and consider no provision is required for impairment in value of the land.

17. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	30 September 2008 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
Contracted but not provided for:		
Acquisition of property based subsidiaries	213,691	622,353
Acquisition of an additional interest in a jointly controlled entity	33,314	32,376
Acquisition of property, plant and equipment	<u>37,079</u>	<u>88,701</u>
	<u>284,084</u>	<u>743,430</u>
Authorised but not contracted for:		
Acquisition of property, plant and equipment	<u>205,362</u>	<u>199,579</u>

18. 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:

Prior to 2005, 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 2008, the aggregate carrying value of the Properties and the balance of the Loans carried in the consolidated balance sheet amounted to approximately HK\$88.3 million (31 March 2008: HK\$85.8 million) and HK\$17.1 million (31 March 2008: HK\$18.1 million) respectively.

- (b) Outstanding balances with related parties
- (i) The amount due to a substantial shareholder of the Company represents 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.
- (c) Compensation of key management personnel of the Group

	Six months ended 30 September 2008 (unaudited) HK\$’000	2007 (unaudited) HK\$’000
Short term benefits	6,261	7,143
Share-based payments	6,135	7,564
Post-employment benefits	71	81
	<hr/>	<hr/>
Total compensation paid to key management personnel	12,467	14,788

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: nil).

BUSINESS REVIEW

Results of Operations

For the first half financial year, the Group has recorded a revenue of HK\$386.1 million, a decrease of about 75% as compared to HK\$1,539.4 million for the corresponding period of last year. A lower amount of revenue for the period was recognised as a result of only one development project, namely Phase IIB of Beijing Sunvilla Realhouse was completed during the current period.

As at 30 September 2008, the Group has generated a total sales revenue of HK\$1,995 million from presale of its properties under development, namely Phases VI and VII of Beijing Silo City, Phase IV of Jiangxi Riviera Garden, Phase I of Dalian Xinghai Bay Project, Phase I of Shenyang Hunnan Residential Project and Phase II of Wuhan Silo City, of which about HK\$1,926 million is attributable to the Group. About HK\$811 million of the HK\$1,995 million presale revenue is generated from development projects which are expected to be completed in the second half of the financial year, of which about HK\$755 million will be attributable to the Group.

Profit before taxation for the period was HK\$35.2 million, a decrease of about 68% as compared to HK\$109.5 million for the corresponding period of last year. Nevertheless, the profit attributable to equity holders of the Company for the period is about HK\$27.7 million, a turnaround from a loss of about HK\$13.5 million for the last corresponding period.

Property Development

For the current period, revenue from sale of properties of HK\$378.8 million mainly came from the sales of remaining units in the completed projects brought forward from last year, namely Phase I of Shanghai Riviera Garden, Phase II of Dongguan Riviera Villa, Phase I of Wuhan Silo City, Phase III of Jiangxi Riviera Garden, Phase V of Beijing Silo City and the sales of Phase IIB of Beijing Sunvilla Realhouse which was completed during the current period. These projects respectively accounted for about 58%, 14%, 8%, 3%, 3% and 14% of the revenue from property sale.

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Property Development (continued)

During the period, the Group completed the disposal of 20% equity interest in Shenyang Hunnan Commercial Project to a connected party who is the 50% and 80% joint venture partner respectively in the Group's Dalian Xinghai Bay Project and Shenyang Hunnan Residential Project, resulting in a disposal gain of partial interest in a property based subsidiary of HK\$2.6 million.

Property Investment

Revenue from property rental increased by about 27% to HK\$3.9 million from last period's HK\$3.1 million. Rental income for the current period was mainly derived from the properties in Shanghai Golden Bridge Mansion, Shenyang Dongbei Furniture and Ornaments Plaza and the retail shops in Phases I and II of Beijing Silo City.

The profit contribution from property investment segment decreased to HK\$1.8 million as compared to the last corresponding period's HK\$14.2 million which included the revaluation surplus of the investment properties of HK\$14.7 million. No revaluation surplus was recorded for the current period.

Property Management

The Group's property management operations recorded a profit of about HK\$1.2 million for the period as compared to last period's HK\$0.5 million. The Group is committed to providing integrated and value-added property management services to foster good relations with tenants and owners and strengthen its brand image.

Gross Profit Margin

The gross profit margin for the period was about 27% which is lower than the overall gross profit margin for the last whole financial year's about 33% (see annual report for the year ended 31 March 2008). As the sales revenue for the current period mainly came from sales of the remaining units in the completed projects brought forward from last year, which were sold at a lower selling price level, there is a drop in the gross profit margin for the period.

Fair Value Gain on Warrants

The Company issued in last year 111,622,500 unlisted warrants conferring rights to subscribe for up to 111,622,500 new ordinary shares of HK\$0.10 each in the Company at the exercise price of HK\$2.46 per share (adjusted to HK\$1.23 per share subsequent to the balance sheet date) from the issue date to 8 November 2012. The fair value of the warrants is determined, upon issuance, and is carried as a derivative financial liability. The changes in fair value of the warrants are dealt with in the income statement. The fair value gain on warrants arose because of the drop in the share price of the Company during the current period.

Other Income and Expenses

Other income for the current period mainly represented the net foreign exchange gains of HK\$25.7 million on translation of the Company's United States dollars denominated debts into the Group's functional currency, Renminbi, which had appreciated against United States dollars during the period.

Other expenses for the current period was HK\$13.7 million as compared to last period's HK\$30.1 million which consisted of interest compensation of HK\$27.2 million for delay in the handover of certain completed properties whereas such compensation for the current period has been significantly reduced to an amount of about HK\$2.6 million. Also, included in the current period's other expenses is an amount of HK\$2.2 million loss on deregistration of a subsidiary.

Marketing, Selling and Administrative Expenses

Marketing and selling costs decreased to HK\$27.2 million from HK\$32.7 million last period as a result of the decrease in the Group's selling activities.

Administrative expenses was HK\$79.9 million as compared to HK\$61.3 million. In view of the poor market situation, the Group is implementing a series of cost reduction programs to enhance its operational efficiency and competitive edges.

Finance Costs

During the period, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings, including senior notes) of HK\$236.1 million, representing an increase of about 25% as compared to the HK\$188.8 million incurred last period. The increase mainly due to an overall increase in the average level of bank and other borrowings as compared to the last period.

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Corporate Brand

Coastal Greenland, the corporate brand, had been ranked among the top ten most valuable Chinese real estate company brands for the five consecutive years between 2004 and 2008 by an 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 is the cashflow generated from property sales and leasings, supplemented by bank and other borrowings.

At 30 September 2008, 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\$3,964 million (31 March 2008: HK\$3,365 million). Net debt to total equity ratio, which is expressed as a percentage of net borrowings over total equity of the Group, increased by about 11% to 102% from 91% as at 31 March 2008. The increase in net debt to total equity ratio was mainly due to the significant cash outflow during the period for payment of the land acquisition premium committed in prior year and construction costs of commercial projects for investment purpose.

Borrowings and Charges

At 30 September 2008, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Bank loans repayable:		
Within one year or on demand	712,803	1,069,742
In the second year	1,292,413	1,346,092
In the third to fifth years inclusive	<u>1,006,732</u>	<u>586,872</u>
	<u>3,011,948</u>	<u>3,002,706</u>
Other borrowings (including senior notes) repayable:		
Within one year or on demand	586,824	490,901
In the second year	186,004	180,655
In the third to fifth years inclusive	1,051,849	1,035,385
Beyond five years	<u>–</u>	<u>685</u>
	<u>1,824,677</u>	<u>1,707,626</u>
	<u>4,836,625</u>	<u>4,710,332</u>

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

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Renminbi	3,795,204	3,686,107
United States dollars	<u>1,041,421</u>	<u>1,024,225</u>
	<u>4,836,625</u>	<u>4,710,332</u>

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

Borrowings and Charges (continued)

- (a) Certain of the Group's bank and other loans as at 30 September 2008 were secured by:
- (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK\$71 million (31 March 2008: HK\$70 million);
 - (ii) certain construction-in-progress of the Group with an aggregate carrying value of approximately HK\$803 million (31 March 2008: HK\$694 million);
 - (iii) certain investment properties of the Group with an aggregate carrying value of approximately HK\$66 million (31 March 2008: HK\$64 million);
 - (iv) certain leasehold lands of the Group with an aggregate carrying value of approximately HK\$97 million (31 March 2008: HK\$95 million);
 - (v) certain properties under development of the Group with an aggregate carrying value of approximately HK\$4,957 million (31 March 2008: HK\$3,897 million);
 - (vi) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$577 million (31 March 2008: HK\$864 million);
 - (vii) certain bank deposits of the Group with an aggregate carrying value of approximately HK\$52 million (31 March 2008: nil);
 - (viii) the 67% equity interest in a property based subsidiary; and
 - (ix) corporate guarantees from the Company and certain of its subsidiaries.
- (b) The senior notes (included in other borrowings) as at 30 September 2008 were secured by certain bank deposits of the Group amounting to approximately HK\$70 million (31 March 2008: HK\$70 million) and share charges over the entire issued share capital of certain wholly-owned subsidiaries of the Company.

Exposure to Fluctuations in Exchange Rates

The Group's operations are principally in the People's Republic of China ("PRC") and accordingly a majority part of its income and expenditure is denominated in Renminbi. The exchange rates of Renminbi against Hong Kong dollars and United States dollars have been on an overall rising trend, which is in favour of the 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. Except the senior notes which are denominated in United States dollars, most of the Group's liabilities are also denominated in Renminbi. Therefore, the directors do not foresee that movement in the exchange rates of foreign currencies against Renminbi in the foreseeable future will cause a material adverse impact on the Group's operations.

Contingent Liabilities

At 30 September 2008, the Group had given guarantees to the extent of approximately HK\$1,753 million (31 March 2008: HK\$1,515 million) to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group. The Group had also given guarantees amounting to approximately HK\$245 million (31 March 2008: HK\$268 million) to banks in connection with banking facilities granted to associates.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 2,136 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

Macro economic slowdown and credit-tightening environment have caused decline in property prices and transaction volumes in the PRC. Despite the uncertainty of the economic condition in the short run, the Group believes that the fundamental factors underpinning the property sector's healthy growth remain intact amid the various policies implemented by the PRC central government to stimulate a stable growing economy. Throughout its eighteen years of history, the Group has managed to overcome various economic downturns. Facing with the new challenges, the Group will focus on the development of its geographically well-diversified quality property portfolio on hand and implement various product quality enhancement and cost rationalisation measures so as to sharpen its competitive edges. The Group will also leverage on its well-recognised corporate brand for boosting its sales. The Group believes that it is well positioned to get through the market turbulence and come out to become healthier, stronger and more competitive.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2008, 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:

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

(i) Interests and short positions in the ordinary shares of the Company

Name of director	Notes	Number of shares held or short positions, capacity and nature of interest		Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporation	
Mr. Chan Boon Teong	(a), (c) and (d) (b)	6,400,000 (L) –	1,034,160,527 (L) 140,000,000 (S)	37.29 5.02
Mr. Jiang Ming	(a), (c) and (d) (b)	6,400,000 (L) –	1,034,160,527 (L) 140,000,000 (S)	37.29 5.02
Mr. Tao Lin	(a), (c) and (d) (b)	– –	1,034,160,527 (L) 140,000,000 (S)	37.06 5.02
Mr. Cheng Wing Bor	(a), (c) and (d) (b)	6,400,000 (L) –	1,034,160,527 (L) 140,000,000 (S)	37.29 5.02
Mr. Lin Chen Hsin	(a), (c) and (d) (b)	2,080,000 (L) –	1,034,160,527 (L) 140,000,000 (S)	37.13 5.02

L: Long position

S: Short position

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

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

(i) Interests and short positions in the ordinary shares of the Company (continued)

Notes:

- (a) 497,600,000 shares are beneficially owned by Coastal International Holdings Limited (“CIH”), of which the entire issued voting share capital is held as to 20% by Mr. Chan Boon Teong, 35% by Mr. Jiang Ming, 12% by Mr. Tao Lin, 5% by Mr. Cheng Wing Bor, 3% by Mr. Lin Chen Hsin and 25% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Mr. Jiang Ming). These 497,600,000 shares represent an aggregate of approximately 17.83% of the issued share capital of the Company.
 - (b) CIH has a short position in 140,000,000 shares pursuant to the issue of 140,000,000 warrants to acquire 140,000,000 shares held by CIH in the Company to an independent third party on 14 November 2007.
 - (c) 52,350,000 shares are beneficially owned by Glory View Investments Limited, of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 52,350,000 shares represent an aggregate of approximately 1.88% of the issued share capital of the Company.
 - (d) 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.

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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)

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

Save as disclosed above, as at 30 September 2008, none of the directors had any interests or short positions 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

Save 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 or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

The Company adopted a new share option scheme (the "Scheme 2002") in compliance with the amendments to the Listing Rules regarding share option scheme announced by the Stock Exchange on 24 September 2002 at the Company's annual general meeting. 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 36 to the audited consolidated financial statements of the Company for the year ended 31 March 2008 which are contained in the Company's 2007-2008 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 2008 under the Scheme 2002 are as follows:

Name and category of Participant	Number of share options				At 30 September 2008	Date of grant of share options ⁽¹⁾	Exercise period of share options ⁽²⁾	Exercise price of share options ⁽³⁾ HK\$
	At 1 April 2008	Granted during the period	Exercised during the period	Lapsed during the period				
Directors								
Mr. Chan Boon Teong	10,000,000	-	-	-	10,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Jiang Ming	10,000,000	-	-	-	10,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Tao Lin	10,000,000	-	-	-	10,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Cheng Wing Bor	10,000,000	-	-	-	10,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20

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SHARE OPTION SCHEMES (continued)

Name and category of Participant	Number of share options					Date of grant of share options ⁽¹⁾	Exercise period of share options ⁽²⁾	Exercise price of share options ⁽³⁾ HK\$
	At 1 April 2008	Granted during the period	Exercised during the period	Lapsed during the period	At 30 September 2008			
Mr. Lin Chen Hsin	2,500,000	-	-	-	2,500,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Wu Xin	6,000,000	-	-	-	6,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Xin Xiang Dong	4,000,000	-	-	(4,000,000)	-	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Hu Aimin	6,000,000	-	-	-	6,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Zhang Yijun	6,000,000	-	-	-	6,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Zhang Huaqiao	6,000,000	-	-	(6,000,000)	-	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Tang Lap Yan	2,500,000	-	-	-	2,500,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Law Kin Ho	2,000,000	-	-	-	2,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Wong Kai Cheong	2,000,000	-	-	-	2,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Other employees								
In aggregate	48,940,000	-	-	(2,900,000)	46,040,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
	<u>125,940,000</u>	<u>-</u>	<u>-</u>	<u>(12,900,000)</u>	<u>113,040,000</u>			

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The share options are exercisable in tranches during the period from 15 May 2008 to 23 September 2012, as specified in the share option certificates.
- (3) 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Apart from the interests of CIH as disclosed under the heading "Directors' interests in shares and underlying shares" above, the register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 September 2008, 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 held or short positions	Number of underlying shares held in respect of share options	Percentage of the Company's issued share capital
Ms. Yang Sun Xin	Family (Note)	1,040,560,527 (L) 140,000,000 (S)	10,000,000 (L) –	37.65 5.02
Shenzhen Investment Corporate Limited		631,092,857 (L)	–	22.62

L: Long position

S: Short position

Note: Ms. Yang Sun Xin is the spouse of Mr. Jiang Ming (a director of the Company) and is deemed to be interested in the 1,040,560,527 shares of the Company, which is the aggregate number of shares that Mr. 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 and have a short position in 140,000,000 shares of the Company as disclosed under the heading "Directors' interests in shares and underlying shares" above, and in the 10,000,000 outstanding share options held by Mr. Jiang Ming as disclosed in the "Share option schemes" section.

Save as disclosed above, as at 30 September 2008, 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.

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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 2008 with the code provisions, as set out in the Code on Corporate Governance Practices contained 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 set out in Appendix 10 to the Listing Rules 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 requirements as set out in the Model Code throughout the six months ended 30 September 2008.

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 2008.

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 2008.

REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2008 have been reviewed by the Company's external auditor, Deloitte Touche Tohmatsu, 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 Hong Kong Institute of Certified Public Accountants.

By Order of the Board
Chan Boon Teong
Chairman

Hong Kong, 19 December 2008