

Interim Report 2009

COASTAL 沿海

COASTAL GREENLAND LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 01124



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
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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
(*resigned on 12 October 2009*)
Mr. ZHANG Yijun
(*resigned on 7 December 2009*)
Mr. GUO Limin
(*appointed on 12 October 2009*)
Mr. XU Ruxin
(*appointed on 7 December 2009*)

Independent Non-executive Directors

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

Company Secretary

Mr. CHENG Wing Bor

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Stock Code

1124

COASTAL GREENLAND LIMITED

Interim Report 2009

The Board of Directors of Coastal Greenland Limited (the "Company") herein presents the unaudited consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2009 together with the unaudited comparative figures for the last corresponding period and the unaudited consolidated statement of financial position of the Group as at 30 September 2009 together with the audited comparative figures as at 31 March 2009. The interim financial report for the six months ended 30 September 2009 has been reviewed by the Company's Audit Committee and the Company's external auditor, Messrs. Deloitte Touche Tohmatsu.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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 27 which comprises the consolidated statement of financial position of Coastal Greenland Limited (the "Company") and its subsidiaries as of 30 September 2009 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows 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 of the Company 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.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 17 December 2009

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

		Six months ended 30 September	
		2009	2008
	Notes	(unaudited) HK\$'000	(unaudited) HK\$'000 (restated)
Revenue	4	1,976,820	2,185,800
Cost of sales		<u>(1,610,674)</u>	<u>(1,313,299)</u>
Gross profit		366,146	872,501
Increase in fair value of investment properties		75,387	–
Gain on partial disposal of a property based subsidiary		–	2,578
Fair value (loss) gain on warrants	15	(16,245)	50,717
Other income	5	5,919	33,190
Marketing and selling costs		(109,136)	(27,205)
Administrative expenses		(78,711)	(79,874)
Other expenses		(3,359)	(13,681)
Finance costs	6	(62,467)	(34,413)
Share of loss of associates		<u>(2,584)</u>	<u>(917)</u>
Profit before taxation		174,950	802,896
Taxation	7	<u>(104,086)</u>	<u>(339,569)</u>
Profit for the period	8	70,864	463,327
Other comprehensive income			
Exchange differences arising on translation to presentation currency		19,537	118,603
Share of other comprehensive income of associates		<u>–</u>	<u>3,059</u>
Total comprehensive income for the period		<u>90,401</u>	<u>584,989</u>

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the six months ended 30 September 2009

		Six months ended	
		30 September	
		2009	2008
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
			(restated)
Profit for the period attributable to:			
Owners of the Company		80,131	462,437
Non-controlling interests		(9,267)	890
		<u>70,864</u>	<u>463,327</u>
Total comprehensive income attributable to:			
Owners of the Company		91,882	573,610
Non-controlling interests		(1,481)	11,379
		<u>90,401</u>	<u>584,989</u>
Earnings per share		HK cents	HK cents
Basic and diluted	9	<u>2.87</u>	<u>16.57</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2009

	Notes	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	786,341	1,124,619
Investment properties	11	1,174,615	563,605
Prepaid land lease payments		95,701	97,507
Goodwill		82,941	82,861
Interests in associates		222,288	224,653
Available-for-sale investments		2,960	2,960
Pledged bank deposits		61,389	69,914
		<hr/>	<hr/>
Total non-current assets		2,426,235	2,166,119
CURRENT ASSETS			
Properties under development		6,021,986	6,530,517
Completed properties for sale		2,428,860	1,889,426
Trade receivables	12	79,975	210,952
Prepayments, deposits and other receivables		2,014,024	1,795,120
Amounts due from associates	20(b)(ii)	91,777	39,926
Tax recoverable		41,974	25,102
Pledged bank deposits		249,519	179,038
Cash and bank balances		2,130,100	1,654,690
		<hr/>	<hr/>
Total current assets		13,058,215	12,324,771
CURRENT LIABILITIES			
Trade payables	13	215,952	232,333
Deposits received and deferred revenue		3,549,413	3,111,219
Other payables and accruals		1,365,452	1,213,686
Amount due to a substantial shareholder of the Company	20(b)(i)	34,146	34,874
Amount due to a jointly controlled entity	20(b)(ii)	6,451	6,444
Tax payable		674,603	695,450
Interest-bearing bank and other borrowings	14	1,838,907	1,460,825
Derivative financial liability – warrants	15	23,575	7,330
		<hr/>	<hr/>
Total current liabilities		7,708,499	6,762,161
NET CURRENT ASSETS		<hr/> 5,349,716	<hr/> 5,562,610
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 7,775,951	<hr/> 7,728,729

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 September 2009

		30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
	Notes		
CAPITAL AND RESERVES			
Share capital	16	279,058	279,058
Reserves		<u>2,946,582</u>	<u>2,848,706</u>
Equity attributable to owners of the Company			
		3,225,640	3,127,764
Non-controlling interests		<u>526,017</u>	<u>490,046</u>
Total equity			
		<u>3,751,657</u>	<u>3,617,810</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	3,423,784	3,529,996
Long term payables		–	729
Deferred tax liabilities		<u>600,510</u>	<u>580,194</u>
Total non-current liabilities			
		<u>4,024,294</u>	<u>4,110,919</u>
		<u>7,775,951</u>	<u>7,728,729</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2009

	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 options reserve HK\$'000	Retained profits HK\$'000	Attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2008 (audited)	279,058	1,126,800	37,560	929	20,564	355,949	9,697	23,751	962,889	2,817,197	435,942	3,253,139
Exchange differences arising on translation to presentation currency	-	-	-	-	-	108,114	-	-	-	108,114	10,489	118,603
Share of other comprehensive income of associates	-	-	-	-	3,059	-	-	-	-	3,059	-	3,059
Profit for the period	-	-	-	-	-	-	-	-	462,437	462,437	890	463,327
Total comprehensive income for the period	-	-	-	-	-	111,173	-	-	462,437	573,610	11,379	584,989
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 a property based subsidiary	-	-	-	-	-	-	-	-	-	-	15,483	15,483
At 30 September 2008 (unaudited) (restated)	279,058	1,126,800	37,560	929	20,564	467,122	9,697	32,735	1,425,326	3,399,791	490,972	3,890,763
At 1 April 2009 (audited)	279,058	1,126,800	37,560	929	16,075	439,044	9,697	40,204	1,178,397	3,127,764	490,046	3,617,810
Exchange differences arising on translation to presentation currency	-	-	-	-	-	11,751	-	-	-	11,751	7,786	19,537
Profit for the period	-	-	-	-	-	-	-	-	80,131	80,131	(9,267)	70,864
Total comprehensive income for the period	-	-	-	-	-	11,751	-	-	80,131	91,882	(1,481)	90,401
Recognition of equity-settled share-based payment	-	-	-	-	-	-	-	5,994	-	5,994	-	5,994
Acquisition of property based subsidiaries (note 17)	-	-	-	-	-	-	-	-	-	-	37,452	37,452
At 30 September 2009 (unaudited)	279,058	1,126,800	37,560	929	16,075	450,795	9,697	46,198	1,258,528	3,225,640	526,017	3,751,657

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 September 2009

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, less dividends paid to shareholders in previous years.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2009

	Six months ended	
	30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash from (used in) operating activities	<u>515,143</u>	<u>(467,447)</u>
Net cash used in investing activities		
Net proceeds from partial disposal of a property based subsidiary	–	18,061
Purchases of property, plant and equipment	(149,932)	(100,372)
Purchases of investment properties	(51,883)	–
Net proceeds from disposal of investment properties	4,869	–
Increase in pledged bank deposits	(61,956)	(53,302)
Other investing cash flows	<u>(50,306)</u>	<u>11,683</u>
	<u>(309,208)</u>	<u>(123,930)</u>
Net cash from financing activities		
Capital contribution from minority shareholders	–	28,168
New bank and other borrowings	1,607,009	1,408,199
Repayment of bank and other borrowings	(1,350,647)	(1,402,758)
Other financing cash flows	<u>(721)</u>	<u>2,054</u>
	<u>255,641</u>	<u>35,663</u>
Net increase (decrease) in cash and cash equivalents	461,576	(555,714)
Cash and cash equivalents at the beginning of period	1,654,690	1,205,727
Effect of foreign exchange rate changes	<u>13,834</u>	<u>29,931</u>
Cash and cash equivalents at the end of period	<u>2,130,100</u>	<u>679,944</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>2,130,100</u>	<u>679,944</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" 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 2009.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES**a. Revenue recognition**

In preparing the consolidated financial statements of the Group for the year ended 31 March 2009, the Group has changed its accounting policy on revenue recognition for sales of properties by recognising revenue and profit upon delivery of the properties to the purchasers. This change in accounting policy has been applied retrospectively. Accordingly, the comparative figures for the six months ended 30 September 2008 have been restated.

Analysis of increase in profit for prior period by line items presented according to their function:

	Six months ended 30 September 2008
	HK\$'000
Increase in revenue	1,799,668
Increase in cost of sales	(1,031,957)
Increase in taxation	(333,014)
	<hr/>
	434,697
	<hr/>

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)/CHANGES IN ACCOUNTING POLICIES (continued)

a. Revenue recognition (continued)

The effects of the change in accounting policy on the Group’s basic and diluted earnings per share for the prior period are as follows:

Impact on basic and diluted earnings per share

	Six months ended 30 September 2008 HK cent
Before adjustments	0.99
Adjustments arising from change in accounting policy	15.58
Restated	16.57

b. Other new standards, amendments and interpretations

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008 except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)/CHANGES IN ACCOUNTING POLICIES (continued)

b. Other new standards, amendments and interpretations (continued)

Except as described below, the adoption of these new HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) “Presentation of Financial Statements”

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

Improvements to HKFRSs issued in 2008

HKAS 40 “Investment Property” has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value is reliably determinable). The Group has applied the amendment to HKAS 40 prospectively from 1 April 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group’s properties under construction for future use as investment properties which were previously included in construction-in-progress under property, plant and equipment, with carrying amount of HK\$487,570,000 as at 31 March 2009 have been classified as investment properties under construction and measured at fair value as at 1 April 2009, with the fair value gain and deferred tax being recognised in profit or loss for the six months ended 30 September 2009. Included in the fair value gain for the six months ended 30 September 2009 are the fair value gain of HK\$61,799,000 that represents the difference between the fair value and the carrying amount of the properties as at 1 April 2009 and the corresponding fair value gain of HK\$7,698,000 for the six months ended 30 September 2009. The application of the amendment has resulted in an increase in the Group’s profit for the current period attributable to owners of the Company by HK\$52,123,000 after deferred tax liabilities of HK\$17,374,000.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)/CHANGES IN ACCOUNTING POLICIES (continued)

b. Other new standards, amendments and interpretations (continued)

The Group has not early adopted the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁵
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁵
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁶
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁷

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

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 January 2010

⁶ Effective for annual periods beginning on or after 1 January 2013

⁷ Effective for annual periods beginning on or after 1 July 2010

The adoption of HKFRS 3 (Revised 2008) may affect the Group’s accounting for business combinations for which the acquisition dates are on or after the Group’s financial year beginning on or after 1 April 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of other new or revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) in order to allocate resources to segments and to assess their performance. The Group’s CODM is the executive directors of the Company. In contrast, the predecessor Standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. In the past, the Group’s reporting format was business segments. For the purposes of assessing performance and allocating resources, CODM reviews revenue and operating results of businesses of property development, property investment and property management. Internal reports that regularly reviewed by the CODM include the contracted and recognised sales revenue analysed on the basis of the location of sales of properties under property development business but no operating results nor discrete financial information was presented to CODM in relation to the above analysis. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group’s revenue and results were substantially derived from operations in the mainland of the PRC. The Group’s reportable segments under HKFRS 8 are as follows:

	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	
	2009	2008	2009	2008	2009	2008	2009	2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
		(restated)						(restated)
Segment revenue:								
Sales to external customers	<u>1,968,493</u>	<u>2,178,507</u>	<u>6,163</u>	<u>3,910</u>	<u>2,164</u>	<u>3,383</u>	<u>1,976,820</u>	<u>2,185,800</u>
Segment profit	<u>200,458</u>	<u>783,068</u>	<u>76,746</u>	<u>1,776</u>	<u>229</u>	<u>1,244</u>	<u>277,433</u>	<u>786,088</u>
Unallocated corporate expenses							(22,798)	(24,864)
Net foreign exchange gains							907	25,679
Fair value (loss) gain on warrants							(16,245)	50,717
Interest income							704	606
Finance costs							(62,467)	(34,413)
Share of loss of associates							<u>(2,584)</u>	<u>(917)</u>
Profit before taxation							<u>174,950</u>	<u>802,896</u>

Segment profit represents the profits earned by each segment without allocation of net foreign exchange gains, change in fair value of warrants, interest income, finance costs, share of results of associates and unallocated corporate expenses.

5. OTHER INCOME

	Six months ended	
	30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest income from banks	704	606
Net foreign exchange gains	907	25,679
Others	<u>4,308</u>	<u>6,905</u>
	<u>5,919</u>	<u>33,190</u>

6. FINANCE COSTS

	Six months ended	
	30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	107,192	125,635
Interest on other loans wholly repayable within five years	41,303	15,301
Interest on senior notes	72,912	84,040
Imputed interest expenses on long term payables	<u>7,556</u>	<u>11,101</u>
	228,963	236,077
Less: Amounts capitalised in properties under development, investment properties under construction and property, plant and equipment	<u>(166,496)</u>	<u>(201,664)</u>
	<u>62,467</u>	<u>34,413</u>

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

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7. TAXATION

	Six months ended 30 September 2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000 (restated)
PRC Enterprise Income Tax		
Provision for the period	59,507	516
(Over) underprovision in prior years	(769)	257
PRC land appreciation tax ("LAT")	25,600	187,332
Deferred tax	<u>19,748</u>	<u>151,464</u>
Total tax charge for the period	<u>104,086</u>	<u>339,569</u>

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 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 provision 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.

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 September 2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
Depreciation of property, plant and equipment	6,021	5,473
Less: Amounts capitalised in properties under development	<u>(1,193)</u>	<u>(2,411)</u>
	4,828	3,062
Amortisation of prepaid land lease payments	<u>1,138</u>	<u>1,138</u>

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$80,131,000 (2008: HK\$462,437,000 (restated)) and the number of 2,790,582,857 (2008: 2,790,582,857) ordinary shares in issue.

The calculation of diluted earnings per share for the six months ended 30 September 2009 and 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 both periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2009, the Group acquired property, plant and equipment at a cost of HK\$149,932,000 (2008: HK\$100,372,000). On 1 April 2009, the property, plant and equipment with carrying amount of HK\$487,570,000 have been reclassified as investment properties.

11. INVESTMENT PROPERTIES

During the six months ended 30 September 2009, the Group acquired investment properties at a cost of HK\$51,883,000. At 1 April 2009, the properties under construction for future use as investment properties amounting to HK\$487,570,000 were reclassified to investment properties under construction arising from the application of the amendments to HKAS 40 "Investment Property". The fair values of investment properties under construction at the date of transfer and at 30 September 2009 as well as the fair values of completed investment properties at 30 September 2009 were determined by reference to valuations carried out by an independent firm of professional valuers not connected with the Group, except that the investment properties under construction with carrying value of HK\$189,527,000 were measured at cost since the fair value of them cannot be reliably determined as the development of these investment properties is still at early stage.

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12. 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.

An aged analysis of trade receivables as at the end of the reporting period based on contract date, net of allowance for bad and doubtful debts, is as follows:

	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
0 – 30 days	12,636	67,429
31 – 60 days	1,473	17,557
61 – 90 days	9,452	4,308
Over 90 days	<u>56,414</u>	<u>121,658</u>
	<u>79,975</u>	<u>210,952</u>

13. TRADE PAYABLES

An aged analysis of trade payables as at the end of the reporting period based on invoice date is as follows:

	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
0 – 30 days	146,574	148,348
31 – 60 days	3,019	33,102
61 – 90 days	11,925	6,219
Over 90 days	<u>54,434</u>	<u>44,664</u>
	<u>215,952</u>	<u>232,333</u>

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
CURRENT		
Bank loans – secured	1,254,965	882,483
Bank loans – unsecured	29,507	110,034
Other loans – secured	372,852	286,902
Other loans – unsecured	<u>181,583</u>	<u>181,406</u>
	<u>1,838,907</u>	<u>1,460,825</u>
NON-CURRENT		
Bank loans – secured	2,431,169	2,391,383
Bank loans – unsecured	54,475	68,027
Other loans – secured	10,175	154,153
Senior notes	<u>927,965</u>	<u>916,433</u>
	<u>3,423,784</u>	<u>3,529,996</u>
	<u>5,262,691</u>	<u>4,990,821</u>
Analysed into:		
Bank loans repayable:		
Within one year or on demand	1,284,472	992,517
In the second year	564,269	1,184,467
In the third to fifth years, inclusive	<u>1,921,375</u>	<u>1,274,943</u>
	<u>3,770,116</u>	<u>3,451,927</u>
Other borrowings repayable:		
Within one year or on demand	554,435	468,308
In the second year	3,684	145,804
In the third to fifth years, inclusive	<u>934,456</u>	<u>924,782</u>
	<u>1,492,575</u>	<u>1,538,894</u>
	<u>5,262,691</u>	<u>4,990,821</u>

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

Notes:

- (a) Certain of the Group's bank loans as at 30 September 2009 are secured by:
 - (i) certain property, plant and equipment of the Group with an aggregate carrying value of approximately HK\$675 million (31 March 2009: HK\$839 million);
 - (ii) certain investment properties of the Group with an aggregate carrying value of approximately HK\$420 million (31 March 2009: nil);
 - (iii) certain leasehold lands of the Group with an aggregate carrying value of approximately HK\$94 million (31 March 2009: HK\$95 million);
 - (iv) certain bank deposits of the Group with an aggregate carrying value of approximately HK\$34 million (31 March 2009: HK\$45 million);
 - (v) certain properties under development of the Group with an aggregate carrying value of approximately HK\$4,636 million (31 March 2009: HK\$5,203 million);
 - (vi) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$1,923 million (31 March 2009: HK\$1,464 million); and
 - (vii) corporate guarantees from the Company and certain of its subsidiaries.
- (b) Certain of the Group's other loans as at 30 September 2009 are secured by:
 - (i) certain property, plant and equipment of the Group with an aggregate carrying value of approximately HK\$20 million (31 March 2009: HK\$20 million);
 - (ii) certain investment properties of the Group with an aggregate carrying value of approximately HK\$62 million (31 March 2009: HK\$60 million);
 - (iii) certain properties under development of the Group with an aggregate carrying value of approximately HK\$324 million (31 March 2009: HK\$341 million);
 - (iv) the 58.65% equity interest in a property based subsidiary; and
 - (v) corporate guarantees from certain subsidiaries of the Company.
- (c) Senior notes

The senior notes as at 30 September 2009 are secured by certain bank deposits of the Group amounting to approximately HK\$61 million (31 March 2009: HK\$70 million) and share charges over the entire issued share capital of certain wholly-owned subsidiaries of the Company.

15. DERIVATIVE FINANCIAL LIABILITY – WARRANTS

At 30 September 2009, the Company had outstanding 111,622,500 (31 March 2009: 111,622,500) unlisted warrants conferring rights to subscribe for up to 111,622,500 (31 March 2009: 111,622,500) new ordinary shares of HK\$0.10 each in the Company at the exercise price of HK\$1.23 per share (subject to adjustments) at any time on or before 8 November 2012.

These warrants are classified as derivative financial liabilities which are measured at fair value with movement recognised in profit or loss.

The fair values of warrants at 30 September 2009 and 31 March 2009 were calculated using binomial option pricing model developed by Cox, Ross, and Rubinstein in 1979. The inputs into the model were as follows:

	30 September 2009	31 March 2009
Exercise price	HK\$1.23	HK\$1.23
Share price	HK\$0.61	HK\$0.325
Volatility	78.277%	71.00%
Risk free rate	1.081%	1.341%
Dividend yield	0%	0%

The fair values of warrants as at 30 September 2009 and 31 March 2009 were HK\$23,575,000 and HK\$7,330,000 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.

16. SHARE CAPITAL

	Number of ordinary shares	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 31 March 2009 and 30 September 2009	<u>7,000,000,000</u>	<u>700,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 31 March 2009 and 30 September 2009	<u>2,790,582,857</u>	<u>279,058</u>

17. ACQUISITION OF PROPERTY BASED SUBSIDIARIES

- (a) During the six months ended 30 September 2009, the Group acquired certain properties under development in the PRC and their related assets and liabilities at the consideration of HK\$212,225,000 from a third party. The acquisition was made by way of acquiring the 85% equity interest in Shenyang Coastal Huicheng Real Estate Co., Ltd. The transaction was accounted for as purchases of assets and liabilities rather than as business combination as the subsidiaries acquired are property holding companies with no business concern.
- (b) The net assets acquired in the transaction are as follows:

	Six months ended 30 September 2009 HK\$'000
Net assets acquired:	
Property, plant and equipment	5,137
Properties under development	269,622
Prepayments, deposits and other receivables	58,148
Cash and bank balances	884
Other payables and accruals	<u>(84,114)</u>
	249,677
Less: Amount attributable to non-controlling interests	<u>(37,452)</u>
	<u>212,225</u>
Satisfied by:	
Cash	155,480
Deposits paid in prior year	<u>56,745</u>
	<u>212,225</u>

17. ACQUISITION OF PROPERTY BASED SUBSIDIARIES (continued)

(b) (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of property based subsidiaries is as follows:

	Six months ended 30 September 2009 HK\$'000
Cash consideration	(155,480)
Cash and bank balances acquired	<u>884</u>
Net outflow of cash and cash equivalents in respect of the acquisition of property based subsidiaries	<u>(154,596)</u>

During the period, other than the consideration paid to the acquisition of property based subsidiaries, the acquired subsidiaries had no significant impact on the Group's consolidated revenue or profit after taxation, operating, investing and financing cash flows for the period.

18. CONTINGENT LIABILITIES

(a) At the end of the reporting period, the Group had given guarantees as follows:

	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
Guarantees given to banks in connection with:		
– mortgage loans granted to property purchasers	2,863,233	2,131,360
– banking facilities granted to associates	261,025	283,447
Guarantee given to a financial institution in connection with a loan granted to a target company in relation to acquisition of property based subsidiaries	<u>337,574</u>	<u>–</u>
	<u>3,461,832</u>	<u>2,414,807</u>

The directors of the Company 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.

18. CONTINGENT LIABILITIES (continued)

- (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 2009, the Group has a property for development with carrying value of HK\$141,733,000 (31 March 2009: HK\$141,596,000) of which its development is still pending on the finalisation of the overall town planning and zoning of 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 and zoning. With reference to the current situation, the directors of the Company have assessed the issue and consider no provision is required for impairment in value of the land.

19. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	30 September 2009 (unaudited) HK\$'000	31 March 2009 (audited) HK\$'000
Contracted but not provided for:		
Acquisition of property based subsidiaries	517,160	675,385
Acquisition of investment properties	3,405	17,574
Acquisition of land use rights in the PRC	<u>–</u>	<u>113,379</u>
	<u>520,565</u>	<u>806,338</u>
Authorised but not contracted for:		
Acquisition of investment properties	<u>204,281</u>	<u>204,082</u>

20. 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:

20. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

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 2009, the aggregate carrying value of the Properties and the balance of the Loans carried in the consolidated statement of financial position amounted to approximately HK\$82.0 million (31 March 2009: HK\$80.1 million) and HK\$13.7 million (31 March 2009: HK\$15.4 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 entity and associates are unsecured, interest-free and repayable on demand.
- (iii) Included in prepayments, deposits and other receivables is the amount of HK\$82,689,000 (31 March 2009: nil) due from a minority shareholder which is unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group

	Six months ended	
	30 September	
	2009	2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Short term benefits	7,218	6,261
Share-based payment	3,782	6,135
Post-employment benefits	159	71
	<hr/>	<hr/>
Total compensation paid to key management personnel	11,159	12,467
	<hr/>	<hr/>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Results of Operations

For the first half financial year, the Group has recorded a revenue of HK\$1,977 million, a decrease of about 10% as compared to HK\$2,186 million (restated) for the corresponding period of last year. Profit before taxation for the period was HK\$175.0 million, as compared to the restated amount of HK\$802.9 million for the corresponding period of last year. Profit attributable to owners of the Company for the period was HK\$80.1 million. The restated amount for last corresponding period was HK\$462.4 million.

As at 30 September 2009, the sales revenue of completed properties with the total gross floor area ("GFA") of about 200,100 sq.m. not yet delivered to the property purchasers amounted to about HK\$1,911 million. These property sales will be recognised in the second half of the financial year upon the delivery of the relevant properties to the purchasers.

As at 30 September 2009, the Group has generated a total sales revenue of about HK\$2,209 million from presale of its properties under development with the total GFA of about 164,800 sq.m., namely the Loft and Eastern section of Phase IV of Beijing Silo City, Phase I of Dalian Coastal International Centre, Phase II section A of Shanghai Riviera Garden and Phase III section B of Wuhan Silo City. These development projects are expected to be completed and delivered to the purchasers in the next financial year.

Property Development

During the period under review, the total recognised GFA sold was approximately 264,800 sq.m. and the corresponding recognised sales was approximately HK\$1,968 million. The revenue from sale of properties mainly came from the sale and delivery of Phases VI and VII of Beijing Silo City and Phase II sections A to C of Wuhan Silo City which respectively represented about 59% and 21% of the total property sales revenue. The remaining 20% was derived from sale of remaining inventory of the Group's completed development projects namely Dongguan Riviera Villa, Jiangxi Riviera Garden, Shanghai Riviera Garden and Phase I of Wuhan Silo City which respectively accounted for about 6%, 6%, 6% and 2% of the property sales revenue.

The Group completed development projects, namely Phases VI and VII of Beijing Silo City, Phase I of Shenyang Hunnan Residential Project and Phase II section D of Wuhan Silo City, with total GFA of approximately 398,200 sq.m. during the six months ended 30 September 2009. Of the total GFA completed, about 322,100 sq.m. were attributable to the Group.

Property Investment

Revenue from property rental increased by about 58% to HK\$6.2 million from last period's HK\$3.9 million. Rental income for the current period was mainly derived from the properties in Shanghai Golden Bridge Mansion, Shenyang Dongbei Furniture and Ornaments Plaza, Shenzhen Noble Centre and the retail shops in Phases I and II of Beijing Silo City.

The profit contribution from property investment segment increased significantly to HK\$76.7 million as compared to the last corresponding period's HK\$1.8 million because of the revaluation surplus of investment properties of HK\$75.4 million (2008: nil). As a result of the application of amendment to Hong Kong accounting standard, the offices and shops of Suzhou International Centre, which are still under construction, are measured at fair value and resulted in the fair value gain of HK\$69.5 million for the current period.

Property Management

The Group's property management operations recorded a profit of about HK\$0.2 million for the period as compared to last period's HK\$1.2 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 19% which was lower than the overall gross profit margin for the last whole financial year's about 29% (see annual report for the year ended 31 March 2009). The decrease was mainly due to lower level of selling price attained for the properties completed and delivered to purchasers during the period; significant amounts of the contracted sales of those properties were concluded in early 2009 when the market prices of properties were low.

Fair Value Loss on Warrants

At 30 September 2009, the Company had outstanding 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\$1.23 per share (subject to adjustments) at any time on or before 8 November 2012. These warrants are classified as derivative financial liabilities which are measured at fair value with movement recognised in profit or loss. The fair value loss on warrants arose because of the increase in the share price of the Company during the current period.

Other Income and Expenses

Other income for the current period was HK\$5.9 million as compared to HK\$33.2 million for last period when the Company recorded net foreign exchange gains of HK\$25.7 million on translation of the Company's United States dollars denominated debts into the Company's functional currency, Renminbi, which had appreciated against United States dollars. The net foreign exchange gains for the current period was HK\$0.9 million as the level of appreciation of Renminbi against United States dollars is lower for current period.

Other expenses for the current period was HK\$3.4 million as compared to last period's HK\$13.7 million. Current period's other expenses mainly represented an interest compensation of HK\$1.8 million (2008: HK\$2.6 million) for a delay in the handover of certain completed properties to the property purchasers.

Marketing, Selling and Administrative Expenses

Marketing and selling costs increased to HK\$109.1 million from HK\$27.2 million last period as a result of the increase in the Group's selling activities to promote its contracted sales. The contracted sales amount for the current period significantly increased to about HK\$2,502 million from about HK\$1,277 million last period.

Marketing, Selling and Administrative Expenses (continued)

Administrative expenses decreased to HK\$78.7 million from HK\$79.9 million last period as a result of the implementation of the cost control measures. The Group continues to undertake the 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\$229.0 million, representing a decrease of about 3% as compared to the HK\$236.1 million incurred last period. The decrease was mainly attributable to lower interest rates in the current period as compared to last period.

Acquisition of New Project

During the period under review, the Group completed the acquisition of 85% equity interest in Shenyang Wood Factory Project which is a residential project located in Shenyang, Liaoning Province with a site area of about 452,187 sq.m. The Group has a preliminary plan to develop the project into a middle class residential estate.

Corporate Brand

Coastal Greenland, the corporate brand, had been ranked among the top ten most valuable Chinese real estate company brands for the six consecutive years between 2004 and 2009 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 2009, 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\$2,822 million (31 March 2009: HK\$3,087 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 10% to 75% from 85% as at 31 March 2009. The improvement in net debt to total equity ratio was mainly due to the decrease in the net borrowings coupled with an increase in the net assets value of the Group at 30 September 2009.

Borrowings and Charges

At 30 September 2009, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
Bank loans repayable:		
Within one year or on demand	1,284,472	992,517
In the second year	564,269	1,184,467
In the third to fifth years inclusive	1,921,375	1,274,943
	<u>3,770,116</u>	<u>3,451,927</u>
Other borrowings (including senior notes) repayable:		
Within one year or on demand	554,435	468,308
In the second year	3,684	145,804
In the third to fifth years inclusive	934,456	924,782
	<u>1,492,575</u>	<u>1,538,894</u>
	<u>5,262,691</u>	<u>4,990,821</u>

Borrowings and Charges (continued)

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

	30 September 2009 HK\$'000	31 March 2009 HK\$'000
Renminbi	4,334,726	4,074,388
United States dollars	<u>927,965</u>	<u>916,433</u>
	<u>5,262,691</u>	<u>4,990,821</u>

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

- (a) Certain of the Group's bank and other loans as at 30 September 2009 were secured by:
- (i) certain property, plant and equipment of the Group with an aggregate carrying value of approximately HK\$695 million (31 March 2009: HK\$859 million);
 - (ii) certain investment properties of the Group with an aggregate carrying value of approximately HK\$482 million (31 March 2009: HK\$60 million);
 - (iii) certain leasehold lands of the Group with an aggregate carrying value of approximately HK\$94 million (31 March 2009: HK\$95 million);
 - (iv) certain bank deposits of the Group with an aggregate carrying value of approximately HK\$34 million (31 March 2009: HK\$45 million);
 - (v) certain properties under development of the Group with an aggregate carrying value of approximately HK\$4,960 million (31 March 2009: HK\$5,544 million);
 - (vi) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$1,923 million (31 March 2009: HK\$1,464 million);
 - (vii) the 58.65% equity interest in a property based subsidiary; and
 - (viii) corporate guarantees from the Company and certain of its subsidiaries.

Borrowings and Charges (continued)

- (b) The senior notes (included in other borrowings) as at 30 September 2009 were secured by certain bank deposits of the Group amounting to approximately HK\$61 million (31 March 2009: 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 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 of the Company 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 2009, the Group had given guarantees to the extent of approximately HK\$2,863 million (31 March 2009: HK\$2,131 million) to banks in respect of mortgage loan facilities granted to the property purchasers. The Group had also given guarantees amounting to approximately HK\$261 million (31 March 2009: HK\$283 million) to banks in connection with banking facilities granted to associates. The guarantee given to a financial institution in connection with a loan granted to a target company in relation to acquisition of property based subsidiaries amounted to approximately HK\$338 million (31 March 2009: nil).

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 2,012 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

Benefited from the inclined aggressive financial policy adopted by the PRC government as well as its moderate relaxed monetary policy, the property market has gone through a strong rally in both transaction volume and selling price since the first quarter of 2009. However, with the global economic environment still unstable and uncertainties on the PRC government policies, adjustment of property sector in the PRC remains possible. Nevertheless, with the continuing optimistic outlook of the PRC macro-economy, stable increase in resident income, speedy development of urbanisation, the Group is optimistic about the PRC property market prospect.

The Group will continue to augment its geographically well-diversified land portfolio by strengthening its product competitiveness and leveraging on its well-recognised corporate brand. To improve its overall profitability, the Group plans to increase its development portfolio of high-end residential properties and endeavour more efforts on high-end product development and expanding its brand recognition to the affluent customer group. The Group believes that such strategic move will create greater value for its shareholders.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2009, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed 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)	1,020,841,319 (L)	36.81%
		-	102,666,667 (S)	3.68%
Mr. Jiang Ming	(a), (c) and (d) (b)	-	1,020,841,319 (L)	36.58%
		-	102,666,667 (S)	3.68%
Mr. Tao Lin	(a), (c) and (d) (b)	-	1,020,841,319 (L)	36.58%
		-	102,666,667 (S)	3.68%
Mr. Cheng Wing Bor	(a), (c) and (d) (b)	6,400,000 (L)	1,020,841,319 (L)	36.81%
		-	102,666,667 (S)	3.68%
Mr. Lin Chen Hsin	(a), (c) and (d) (b)	2,080,000 (L)	1,020,841,319 (L)	36.66%
		-	102,666,667 (S)	3.68%

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) 484,280,792 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 484,280,792 shares represent an aggregate of approximately 17.35% of the issued share capital of the Company.
- (b) CIH has a short position in 102,666,667 shares pursuant to the issue of 102,666,667 warrants to acquire 102,666,667 shares held by CIH in the Company to an independent third party.
- (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 scheme" 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)

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 2009, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors of the Company 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 SCHEME

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 37 to the audited consolidated financial statements of the Company for the year ended 31 March 2009 which are contained in the Company’s 2008-2009 annual report.

Details of the movements of the outstanding share options during the six months ended 30 September 2009 under the Scheme 2002 are as follows:

Name and category of Participant	Number of share options				At 30 September 2009	Date of grant of share options ⁽¹⁾	Exercise period of share options ⁽²⁾	Exercise price of share options ⁽³⁾ HK\$
	At 1 April 2009	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
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. 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. 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	46,040,000	-	-	-	46,040,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
	<u>113,040,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,040,000</u>			

SHARE OPTION SCHEME (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 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 2009, 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)	1,020,841,319 (L)	10,000,000 (L)	36.94%
		102,666,667 (S)	–	3.68%
Shenzhen Investment Limited	Corporate	631,092,857 (L)	–	22.62%

L: Long position

S: Short position

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

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 1,020,841,319 shares of the Company, which is the aggregate number of shares that CIH and its wholly-owned subsidiaries, Glory View Investments Limited and Coastal Enterprise Group Limited, are interested in the issued share capital of the Company and have a short position in 102,666,667 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 scheme" section.

Save as disclosed above, as at 30 September 2009, no persons, 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 recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the maintenance of good corporate governance practices and procedures. The Company has complied throughout the six months ended 30 September 2009 with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to 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 during the six months ended 30 September 2009.

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 2009.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a general review of the unaudited interim financial report for the six months ended 30 September 2009.

REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2009 have been reviewed by the Company's external auditor, Messrs. 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 HKICPA.

By Order of the Board
Chan Boon Teong
Chairman

Hong Kong, 17 December 2009