# COASTAL GREENLAND LIMITED

# 沿海綠色家園有限公司*

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 01124)**

## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

**HIGHLIGHTS:**

1. Revenue for the period amounted to about HK$1,198 million, a decrease of about 43% from the last corresponding period.

2. Profit for the period attributable to owners of the Company was about HK$86.0 million, an increase of about 61% from the last corresponding period (restated).

3. As at 30 September 2012, the Group has generated a total sales revenue of about HK$1,649 million from pre-sale of its properties under development with a total gross floor area ("GFA") of about 201,426 sq.m. which are expected to be completed and delivered in the second half of the financial year.

The Board of Directors (the "Board") of Coastal Greenland Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2012 together with the comparative figures for the corresponding period in 2011. The interim financial report for the six months ended 30 September 2012 has been reviewed by the Company's Audit Committee and the Company's external auditor, Messrs. Deloitte Touche Tohmatsu.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the six months ended 30 September 2012*

| | Notes | Six months ended 30 September **2012** **(unaudited)** ***HK$'000*** | 2011 (unaudited) *HK$'000* (restated) |
|---|---|---|---|
| Revenue | *3* | **1,197,840** | 2,108,347 |
| Cost of sales | | **(831,945)** | (1,484,088) |
| Gross profit | | **365,895** | 624,259 |
| Decrease in fair value of investment properties | | **(300,325)** | (2,919) |
| Fair value gain on warrants | | **–** | 960 |
| Other income and gains | *4* | **137,233** | 80,590 |
| Marketing and selling expenses | | **(61,749)** | (44,110) |
| Administrative expenses | | **(111,580)** | (89,114) |
| Other expenses | | **(127,419)** | (123,769) |
| Finance costs | *5* | **(190,429)** | (211,612) |
| Share of profit (loss) of associates | | **758** | (6,064) |
| Gain on disposal of an associate | | **377,423** | – |
| Profit before taxation | | **89,807** | 228,221 |
| Taxation | *6* | **(8,340)** | (178,325) |
| **Profit for the period** | *7* | **81,467** | 49,896 |
| Other comprehensive (expense) income | | | |
| Exchange differences arising on translation to presentation currency | | **(35,242)** | 132,492 |
| **Total comprehensive income for the period** | | **46,225** | 182,388 |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | **85,987** | 53,364 |
| Non-controlling interests | | **(4,520)** | (3,468) |
| | | **81,467** | 49,896 |
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | **51,760** | 182,821 |
| Non-controlling interests | | **(5,535)** | (433) |
| | | **46,225** | 182,388 |
| | | ***HK cents*** | *HK cents* |
| Earnings per share | *8* | | |
| Basic | | **3.08** | 1.91 |
| Diluted | | **3.08** | 1.91 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 September 2012*

| | Notes | **30 September 2012 (unaudited) *HK$'000*** | 31 March 2012 (audited) *HK$'000* (restated) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **962,850** | 1,005,929 |
| Investment properties | | **1,314,496** | 1,645,526 |
| Prepaid land lease payments | | **54,647** | 55,832 |
| Interests in associates | | **149,527** | 419,887 |
| Available-for-sale investments | | **2,960** | 2,960 |
| Pledged bank deposits | | **513,560** | – |
| Total non-current assets | | **2,998,040** | 3,130,134 |
| **CURRENT ASSETS** | | | |
| Properties under development | | **7,798,869** | 6,059,972 |
| Completed properties for sale | | **1,838,318** | 2,668,152 |
| Trade receivables | *9* | **202,040** | 265,619 |
| Prepayments, deposits and other receivables | | **1,915,465** | 1,366,384 |
| Amounts due from associates | | **190,687** | 113,324 |
| Held for trading investments | | **27,015** | – |
| Prepaid income tax | | **90,699** | 5,913 |
| Pledged bank deposits | | **314,643** | 601,447 |
| Cash and bank balances | | **1,978,169** | 1,913,030 |
| | | **14,355,905** | 12,993,841 |
| Assets classified as held for sale | | **185,694** | 51,042 |
| Total current assets | | **14,541,599** | 13,044,883 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *10* | **587,599** | 500,585 |
| Deposits received from pre-sales of properties | | **2,225,893** | 864,298 |
| Other payables and accruals | | **1,739,271** | 1,652,001 |
| Amount due to a substantial shareholder of the Company | | **105,904** | 11,594 |
| Amounts due to associates | | **–** | 67,085 |
| Tax payable | | **1,326,763** | 1,545,788 |
| Interest-bearing bank and other borrowings | | **3,227,124** | 5,036,936 |
| Derivative financial liability – warrants | | **–** | – |
| Total current liabilities | | **9,212,554** | 9,678,287 |
| **NET CURRENT ASSETS** | | **5,329,045** | 3,366,596 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **8,327,085** | 6,496,730 |

| | 30 September 2012 (unaudited) *HK$'000* | 31 March 2012 (audited) *HK$'000* (restated) |
|---|---|---|
| **CAPITAL AND RESERVES** | | |
| Share capital | **279,058** | 279,058 |
| Reserves | **4,101,392** | 4,049,021 |
| Equity attributable to owners of the Company | **4,380,450** | 4,328,079 |
| Non-controlling interests | **65,253** | 70,788 |
| Total equity | **4,445,703** | 4,398,867 |
| **NON-CURRENT LIABILITIES** | | |
| Interest-bearing bank and other borrowings | **3,287,486** | 1,310,092 |
| Deferred tax liabilities | **593,896** | 787,771 |
| Total non-current liabilities | **3,881,382** | 2,097,863 |
| | **8,327,085** | 6,496,730 |

## NOTES

### 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 revalued amounts or fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012. In addition, the Group has applied, for the first time, the following accounting policy relating to held for trading investments in the current period:

**Financial assets at fair value through profit or loss ("FVTPL")**

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL;

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

In the current interim period, the Group has also applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- amendments to HKFRS 7 "Disclosures – Transfers of Financial Assets"; and

- amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets".

**Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets"**

Under the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group's investment property portfolios and concluded that the Group's investment properties which are all situated in the People's Republic of China (the "PRC") are not held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group recognised deferred taxes on changes in fair value of the investment properties taking into account the land appreciation tax ("LAT") and enterprise income tax ("EIT") payable upon sales of the investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use and did not recognise LAT on changes in fair value of investment properties. The amendments to HKAS 12 have been applied retrospectively.

The effects of the change in accounting policy described above on the results for the current and preceding interim periods by line items presented in the condensed consolidated statement of comprehensive income is as follows:

| | Six months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Decrease in taxation expense and increase in profit for the period attributable to owners of the Company | **73,190** | 5,972 |
| Decrease in exchange differences arising on translation to presentation currency and increase in total comprehensive income attributable to owners of the Company | **9,183** | 9,371 |

The effects of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31 March 2012, is as follows:

| | **As at 31 March 2012 (originally stated)** | **Adjustments** | **As at 31 March 2012 (restated)** |
|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Deferred tax liabilities | **626,500** | **161,271** | **787,771** |
| Total effects on net assets | **626,500** | **161,271** | **787,771** |
| Retained profits | **2,139,825** | **(150,940)** | **1,988,885** |
| Exchange fluctuation reserve | **775,370** | **(10,331)** | **765,039** |
| Total effects on equity | **2,915,195** | **(161,271)** | **2,753,924** |

The effects of the change in accounting policy described above on the financial positions of the Group as at the beginning of the comparative period, i.e. 1 April 2011, is as follows:

| | As at 1 April 2011 (originally stated) | Adjustments | As at 1 April 2011 (restated) |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Deferred tax liabilities | 485,224 | 165,597 | 650,821 |
| Total effects on net assets | 485,224 | 165,597 | 650,821 |
| Retained profits | 1,540,549 | (161,578) | 1,378,971 |
| Exchange fluctuation reserve | 605,349 | (4,019) | 601,330 |
| Total effects on equity | 2,145,898 | (165,597) | 1,980,301 |

**Impact on basic and diluted earnings per share**

| | Six months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Basic and diluted earnings per share before adjustments | **0.46** | 1.70 |
| Adjustments arising from change in accounting policy in relation to application of amendments to HKAS 12 | **2.62** | 0.21 |
| Reported basic and diluted earnings per share | **3.08** | 1.91 |

## 3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Operating segments are identified on the basis of internal report about components of the Group that are regularly reviewed by the Board of Directors of the Company, being the chief operating decision maker (the "CODM") in order to allocate resources to segments and to assess their performance. Summary details of the Group's operating and reportable segments are as follows:

(a) the property development segment engages in the development of properties for sale in the People's Republic of China (the "PRC");

(b) the property investment segment invests in commercial and residential properties located in the PRC for their rental income potential and/or for capital appreciation; and

(c) the property management segment engages in the management of properties in the PRC.

There were no intersegment sales and transfers for both periods.

**Segment revenue and results**

The Group's revenue and results were substantially derived from operations in the PRC. The following is an analysis of the Group's revenue and results by operating and reportable segment:

| | Property development Six months ended 30 September | | Property investment Six months ended 30 September | | Property management Six months ended 30 September | | Consolidated Six months ended 30 September | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| | **(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 | **1,192,381** | 2,101,200 | **1,762** | 3,023 | **3,697** | 4,124 | **1,197,840** | 2,108,347 |
| Segment results | **211,041** | 462,618 | **(299,169)** | 544 | **2,981** | 1,825 | **(85,147)** | 464,987 |
| Net unallocated expenses | | | | | | | **(36,612)** | (28,551) |
| Income from hotel operation | | | | | | | **50,472** | 39,814 |
| Expenses of hotel operation | | | | | | | **(57,258)** | (62,444) |
| Net foreign exchange (losses) gains | | | | | | | **(8,072)** | 29,156 |
| Fair value gain on warrants | | | | | | | **–** | 960 |
| Fair value gain on held for trading investments | | | | | | | **11,980** | – |
| Interest income | | | | | | | **26,692** | 1,975 |
| Finance costs | | | | | | | **(190,429)** | (211,612) |
| Share of profit (loss) of associates | | | | | | | **758** | (6,064) |
| Gain on disposal of an associate | | | | | | | **377,423** | – |
| Profit before taxation | | | | | | | **89,807** | 228,221 |

Segment results represents the profit (loss) made by each operating and reportable segment without allocation of income and expenses of the Group's head office and hotel operation, net foreign exchange differences, change in fair value of warrants and held for trading investments, interest income, finance costs, share of results of associates, gain on disposal of an associate and taxation. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

**Segment assets and liabilities**

The Group's CODM does not review the segment assets and liabilities for the purposes of allocating resources to segments and assessing their performance. Therefore, no segment assets and liabilities are presented.

## 4. OTHER INCOME AND GAINS

| | **Six months ended 30 September** | |
|---|---|---|
| | **2012** | 2011 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest income from banks | **26,692** | 1,975 |
| Income from hotel operation | **50,472** | 39,814 |
| Net foreign exchange gains | **–** | 29,156 |
| Net project management fee income from associates | **11,750** | 570 |
| Subsidies from the local government | **20,364** | 14 |
| Others | **27,955** | 9,061 |
| | **137,233** | 80,590 |

The Group regards the hotel operation as incidental to its main revenue-generating activities and accordingly, income from hotel operation is not regarded as revenue. Accordingly, expenses incurred for hotel operation are included in other expenses.

## 5. FINANCE COSTS

| | **Six months ended 30 September** | |
|---|---|---|
| | **2012** | 2011 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans wholly repayable within five years | **62,514** | 84,602 |
| Interest on bank loans not wholly repayable within five years | **34,394** | 26,592 |
| Interest on other loans wholly repayable within five years | **54,260** | 63,443 |
| Interest on senior notes | **77,691** | 76,910 |
| | **228,859** | 251,547 |
| Less: Amounts capitalised in properties under development | **(38,430)** | (39,935) |
| | **190,429** | 211,612 |

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

## 6. TAXATION

| | Six months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| | | (restated) |
| PRC Enterprise Income Tax ("EIT") | | |
| Provision for the period | **126,089** | 177,895 |
| PRC land appreciation tax ("LAT") | **69,432** | 78,760 |
| Deferred tax *(Note)* | **(187,181)** | (78,330) |
| Total tax charge for the period | **8,340** | 178,325 |

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.

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.

*Note:* The deferred tax recognised during the six months ended 30 September 2012 and 30 September 2011 mainly resulted from the combined effect relating to (i) release of deferred tax liabilities arising from the reversal of temporary differences relating to fair value adjustments to the carrying amounts of properties under development at the time of acquisition of property holding subsidiaries under business combination. Such deferred tax liabilities were released upon the sale of properties by those subsidiaries; (ii) release of deferred tax liabilities arising from the decrease in fair value of investment properties; and (iii) recognition of deferred tax liabilities arising from unrealised gain on disposal of an associate.

## 7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

| | Six months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Depreciation of land and hotel property and other assets for hotel operation (included in "other expenses"#) | **23,397** | 22,985 |
| Depreciation of other property, plant and equipment | **6,400** | 6,916 |
| Less: Amounts capitalised in properties under development | **(2,164)** | (1,252) |
| | **27,633** | 28,649 |
| Amortisation of prepaid land lease payments | **697** | 684 |
| Net exchange losses | **8,072** | – |
| Loss on disposal of properties, plant and equipment | **84** | – |
| Impairment loss of other receivables (included in "other expenses") | **5,333** | – |
| Impairment loss on completed properties for sale (included in "other expenses") *(Note)* | **33,137** | – |
| Interest compensation for late handover of completed properties (included in "other expenses"#) | **–** | 57,839 |

# “Other expenses” in the condensed consolidated statement of comprehensive income included depreciation and other expenses incurred for hotel operation amounting to HK$57,258,000 (2011: HK$62,444,000) in aggregate.

*Note:* During the six months ended 30 September 2012, the Group recognised impairment loss on completed properties for sale of HK$33,137,000 based on the assessment of the expected selling price of the properties.

**8. EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK$85,987,000 (2011 (restated): HK$53,364,000) and the number of 2,790,582,857 (2011: 2,790,582,857) ordinary shares in issue.

The calculation of diluted earnings per share for both periods 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 respective periods and therefore anti-dilutive to the earnings per share.

**9. 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 2012 (unaudited)** ***HK$’000*** | 31 March 2012 (audited) *HK$’000* |
|---|---|---|
| 0 – 30 days | **3,234** | 14,584 |
| 31 – 60 days | **7,372** | 618 |
| 61 – 90 days | **4,978** | 11,208 |
| Over 90 days | **186,456** | 239,209 |
| | **202,040** | 265,619 |

**10. 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 2012 (unaudited)** ***HK$’000*** | 31 March 2012 (audited) *HK$’000* |
|---|---|---|
| 0 – 30 days | **228,842** | 277,717 |
| 31 – 60 days | **53,035** | 21,445 |
| 61 – 90 days | **66,489** | 12,425 |
| Over 90 days | **239,233** | 188,998 |
| | **587,599** | 500,585 |

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2012 (2011: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

For the first half of the financial year, the Group has recorded a revenue of HK$1,198 million, a decrease of about 43% as compared to the HK$2,108 million for the corresponding period of last year. The decrease in the revenue for the period was attributable to lesser amount of properties were completed and delivered to purchasers during the period.

Profit before taxation for the period was HK$90 million, a decrease of about 61% from the last corresponding period. Profit for the period attributable to owners of the Company was HK$86 million, an increase of about 61% from the last corresponding period owing to a gain on disposal of an associate.

### Property Development

During the period under review, the recognised sales revenue from property development segment was HK$1,192 million, representing a decrease of about 43% from last corresponding period's HK$2,101 million, which corresponds to a decrease by 44% in the total GFA delivered by the Group to 86,538 sq.m. (2011: 155,157 sq.m.). The property sales revenue for the period mainly came from the sale of Phase II of Shanghai Riviera Garden, Phase I of Dalian Coastal International Centre, Phase IV section A of Wuhan Silo City, Phase III of Beijing Sunvilla Realhouse and Phase I and II of Shenyang Silo City which respectively represented about 36%, 16%, 9%, 5% and 5% of the total property sales revenue. The remaining 29% was derived from sale of remaining inventory in the prior phases of the Group's completed development projects namely Anshan Wisdom New City, Beijing Silo City, Shanghai Riviera Garden, Dongguan Riviera Garden and Wuhan Silo City.

During the period, the Group recorded contracted sales of HK$1,958 million (2011: HK$1,162 million), which corresponds to a total GFA of about 177,775 sq.m. (2011: 76,151 sq.m.).

As at 30 September 2012, the Group has generated a total sales revenue of about HK$1,649 million from pre-sale of its properties under development with a total GFA of about 201,426 sq.m., contributing mainly from pre-sale of Phase III of Shenyang Hunnan Project, Phase IV of Dongguan Riviera Garden, Phase III of Anshan Wisdom New City and Western section (A1 and A2) of Phase IV of Beijing Silo City which are expected to be completed and delivered in the second half of the financial year.

### Property Investment

Revenue from property rental decreased by about 42% to HK$1.8 million from last period's HK$3.0 million. Rental income for the period was mainly derived from the properties in Suzhou Coastal International Centre and retail shops in Beijing Silo City. The decrease was mainly due to the disposal of certain retail shops in Beijing Silo City at the beginning of the period.

The contribution from property investment segment for the period has turned into a loss of HK$299.2 million comparing to a profit of HK$0.5 million for the last corresponding period as there was a significant revaluation deficit of investment properties of HK$300.3 million recorded for the period compared to an amount of revaluation deficit of HK$2.9 million recorded for the last corresponding period. The revaluation deficit for the period mainly comprised a revaluation deficit of HK$262.6 million arising from the revaluation of the offices and shops in Suzhou Coastal International Centre which is made with reference to the selling price as stipulated in the agreement for disposal of these properties entered into subsequent to the end of the reporting period.

**Property Management**

The Group's property management operations recorded a profit of about HK$3.0 million for the period as compared to last period's HK$1.8 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 31% which was 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 2012). The decrease was mainly due to a lower level of selling price attained for the properties completed and delivered to purchasers during the period.

**Fair Value Gain on Warrants**

At 30 September 2012, 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 adjusted exercise price of HK$1.23 per share 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. No fair value change on the warrants arose during the period as the fair value of the warrants was nil both at the beginning and end of the period since the share price of the Company is lower than the adjusted exercise price during the period.

**Other Income**

Other income for the current period was HK$137.2 million as compared to HK$80.6 million for the last corresponding period. Other income for the period mainly represented the income of HK$50.5 million (2011: 39.8 million) from hotel operation of Marriott hotel at Suzhou Coastal International Centre, the interest income from banks of HK$26.7 million (2011: HK$2.0 million), subsidies from the local government of HK$20.4 million (2011: nil), the net project management fee income of HK$11.8 million (2011: HK$0.6 million) from associates. Included in the last period's other income were also the the net foreign exchange gain of HK$29.2 million on translation of the Company's United States dollar denominated debts into the Company's functional currency, Renminbi, which has appreciated against United States dollar during the last corresponding period.

**Marketing, Selling and Administrative Expenses**

Marketing and selling costs increased to HK$61.7 million from HK$44.1 million in 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 period increased to about HK$1,958 million from about HK$1,162 million in last period.

Administrative expenses increased to HK$111.6 million from HK$89.1 million in last period to cope with the increase in the operating activities of the Group. The Group will continue to implement cost control measures so as to enhance its operational efficiency and competitive edges.

**Other Expenses**

Other expenses for the period was HK$127.4 million as compared to last period's HK$123.8 million. Other expenses mainly represented the depreciation provided for and hotel operation expenses of Marriott hotel in Suzhou amounting to HK$57.3 million (2011: HK$62.4 million), impairment loss on completed properties for sale of HK$33.1 million (2011: nil). Included in the last period's other expenses were also the interest compensation of HK$57.8 million for a delay in the handover of certain completed properties to the purchasers.

**Finance Costs**

During the period, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings, including senior notes) of HK$228.9 million, representing a decrease of about 9% as compared to the HK$251.5 million incurred for last period. Interest expenses charged to profit or loss for the period were HK$190.4 million as compared to last period's HK$211.6 million. The decrease was mainly due to the fact that certain bank and other borrowings have been repaid during the middle of the period although certain new bank and other borrowings were made towards the end of the period.

**Gain on disposal of an associate**

During the period, the Group entered into a sale and purchase agreement to dispose of 20.05% interest in Shanghai Fenghwa Group Co., Ltd. ("Shanghai Fenghwa") out of its total shareholding of 21.13% interest to a third party for a total consideration of RMB452.4 million (equivalent to approximately HK$553.2 million). On 6 September 2012, the Group has completed the transfer of 10.64% interest in Shanghai Fenghwa to the buyer whereby the Group ceased to be able to exercise significant influence over Shanghai Fenghwa. The remaining 10.49% interest of which 9.41% is pending for completion of transfer under the sale and purchase agreement is classified as financial assets designated at fair value through profit or loss held for sales and 1.08% interest as held for trading investment as at 30 September 2012, whose fair values were HK$230.7 million and HK$26.3 million respectively. This transaction has resulted in the Group recognising a gain of HK$377.4 million in profit or loss.

**Corporate Brand**

Coastal Greenland, the corporate brand, had been ranked among the top ten most valuable Chinese real estate company brands for the nine consecutive years between 2004 and 2012 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 2012, the Group's cash and bank deposits amounted to approximately HK$2,806 million (31 March 2012: HK$2,514 million). An analysis by currency denomination of the cash and bank deposits is as follows:

| | **30 September 2012** | 31 March 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Renminbi | **2,676,706** | 2,384,061 |
| Hong Kong dollar | **7,453** | 1,051 |
| United States dollar | **122,213** | 129,365 |
| | **2,806,372** | 2,514,477 |

At 30 September 2012, 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$3,708 million (31 March 2012: HK$3,833 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 4% to 83% from 87% (restated) as at 31 March 2012. The decrease in net debt to total equity ratio was mainly due to the decrease in the net borrowings of the Group at 30 September 2012.

**Borrowings and Charges**

At 30 September 2012, the level of bank and other borrowings of the Group and their maturity profile are as follows:

| | **30 September 2012** *HK$'000* | 31 March 2012 *HK$'000* |
|---|---|---|
| Bank loans repayable: | | |
| Within one year | **515,000** | 2,499,008 |
| In the second year | **728,084** | 74,017 |
| In the third to fifth years inclusive | **1,291,605** | 302,502 |
| Beyond five years | **289,587** | 415,458 |
| | **2,824,276** | 3,290,985 |
| Bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) | **59,953** | 26,400 |
| Other loans repayable: | | |
| Within one year | **2,652,171** | 2,511,528 |
| In the second year | **978,210** | 518,115 |
| | **3,630,381** | 3,029,643 |
| | **6,514,610** | 6,347,028 |

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

| | **30 September 2012** *HK$'000* | 31 March 2012 *HK$'000* |
|---|---|---|
| Renminbi | **4,934,922** | 4,514,637 |
| Hong Kong dollar | **59,953** | 28,600 |
| United States dollar | **1,519,735** | 1,803,791 |
| | **6,514,610** | 6,347,028 |

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

(a) The Group's bank and other loans as at 30 September 2011 were secured by:

(i) certain land and buildings of the Group with an aggregate carrying value of approximately HK$277 million (31 March 2012: HK$86 million);

(ii) certain land and hotel property of the Group with an aggregate carrying value of approximately HK$413 million (31 March 2012: HK$437 million);

(iii) certain investment properties of the Group with an aggregate carrying value of approximately HK$671 million (31 March 2012: HK$849 million);

(iv) certain bank deposits of the Group with an aggregate carrying value of approximately HK$666 million (31 March 2012: HK$380 million);

(v) certain properties under development of the Group with an aggregate carrying value of approximately HK$2,739 million (31 March 2012: HK$3,422 million);

(vi) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK$8 million (31 March 2012: HK$202 million);

(vii) the Group's 90% and 100% equity interests respectively in two property-based subsidiaries; and

(viii) corporate guarantees from the Company and certain of its subsidiaries.

(b) The senior notes (included in other borrowings) as at 30 September 2012 are secured by certain bank deposits of the Group amounting to approximately HK$61 million (31 March 2012: HK$62 million) and share charges over the entire issued share capital of certain wholly-owned subsidiaries of the Group.

**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 dollar have been declined slightly. The Group's major assets, mainly property development projects, are located in the PRC and will generate Renminbi revenue to the Group. Except the senior notes and certain bank loans which are denominated in United States dollar or Hong Kong dollar, most of the Group's liabilities are denominated in Renminbi. The Directors expect that movement in the exchange rates of foreign currencies against Renminbi in the foreseeable future will not cause a material adverse impact on the Group's operations.

**Contingent Liabilities**

At 30 September 2012, the Group had given guarantees to the extent of approximately HK$4,043 million (31 March 2012: HK$4,001 million) to banks in respect of mortgage loan facilities granted to the property purchasers. The Group had also given a guarantee amounting to approximately HK$12 million (31 March 2012: HK$123 million) to a bank in connection with banking facility granted to an associate.

**Subsequent event**

On 16 October 2012, the Group has entered into certain conditional sale and purchase agreements with a substantial shareholder, Shenzhen Investment Limited ("SIL", together with its subsidiaries collectively referred to as the "SIL Group"), which holds approximately 22.62% of the entire equity interest of the Company, pursuant to which the Group will (i) dispose of and SIL Group will acquire the entire registered capital of Suzhou New Development Investment Co., Ltd. ("Suzhou New Development"), a wholly-owned subsidiary of the Company and its shareholder's loan at a cash consideration of RMB550,000,000 (equivalent to approximately HK$670,732,000) and (ii) acquire and SIL Group will dispose of 30% registered capital of Huizhou Shum Yip Southern Land Company Limited ("Huizhou Shum Yip"), a wholly-owned subsidiary of SIL Group and its shareholder's loan at a cash consideration of RMB214,780,300 (equivalent to approximately HK$261,927,000) (collectively referred to as the "Disposal and Acquisition").

Suzhou New Development and its subsidiaries are principally engaged in property development, property investment, hotel operation and property management in the PRC. Huizhou Shum Yip is principally engaged in property development in the PRC. The Disposal and Acquisition has been approved by the independent shareholders of the Company at the special general meeting held on 19 November 2012. The Disposal and Acquisition is not completed up to the date these condensed consolidated financial statements were authorised for issuance.

Details of the transactions are set out in the circular issued by the Company on 2 November 2012.

## EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 2,000 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

In the first half of 2012, we have seen that the central government continued its austerity policy on the real estate sector, which include measures such as home purchase restriction and tight credits for the sector in order to curb the speculation and investment demand. Despite the fact that the market recently has experienced a limited rebound from an easing in the monetary policy and developers' downward adjusting pricing strategy, the Group considers that the real estate market remains volatile and challenging for property developers and the market competition among property developers will remain intense for the second half of the year.

Although facing a challenging environment, the Group is optimistic about the long-term development of the property market which is expected to be driven by the long-term continuous growth of China's economy, and the strong housing demand evolving from continuous urbanisation and desires for living environment improvement of the growing middle class. The Group will closely monitor its business strategy with respect to the changes in the economic and regulatory environment and the property market sentiment in the PRC. The Group in recent years is looking for co-investment opportunities in property development projects so that on the one hand it can expand its property development portfolio and on the other hand it does not cause too much debt burden.

The Group will continue to focus on the development of its geographically well diversified quality property portfolio, optimise its land reserve and strengthen its product competitiveness. The Group will also leverage on its well-recognised corporate brand and its long experience in the PRC property market. Besides, under the tight credit environment, the Group will actively seek funding alternatives so as to broaden its financial resources and support the sustainable development of the Group.

## CORPORATE GOVERNANCE

The Company is committed to ensure high standards of corporate governance in the interest of all its shareholders. The Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report ("New CG Code") (previously known as Code on Corporate Governance Practices) contained in Appendix 14 of the Listing Rules, except for below deviation:

Code provision A.6.7 of the New CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. One non-executive director was unable to attend the annual general meeting of the Company held on 3 September 2012 due to other important engagement. Two non-executive directors and one independent non-executive director were unable to attend the special general meeting of the Company held on 19 November 2012 due to other important engagements.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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, the Directors confirmed that they have complied with the requirements as set out in the Model Code during the six months ended 30 September 2012.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2012.

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company 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 2012.

## REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2012 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.

## PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report of the Company for the six months ended 30 September 2012 containing all the information required by Appendix 16 to the Listing Rules will be published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.coastal.com.cn) in due course.

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

Hong Kong, 30 November 2012

*As at the date of this announcement, the board of Directors comprises Mr. Chan Boon Teong, Mr. Jiang Ming, Mr. Tao Lin, Mr. Cheng Wing Bor, Mr. Lin Chen Hsin, Mr. Cai Shaobin, Mr. Zheng Hong Qing and Mr. Wang Jun as executive Directors, Mr. Lu Jiqiang and Dr. Dai Jingming as non-executive Directors and Mr. Tang Lap Yan, Mr. Law Kin Ho and Mr. Wong Kai Cheong as independent non-executive Directors.*

* *For identification purpose only*