COASTAL 沿海

COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 01124

Interim Report 2012

Upholding a heritage of development

The Pursuit of Excellence

CORPORATE INFORMATION

Registered Office

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Hamilton HM 11
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Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
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Registrars in Hong Kong

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
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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 and Managing Director)*
Mr. TAO Lin
Mr. CHENG Wing Bor
Mr. LIN Chen Hsin
Mr. CAI Shaobin
Mr. ZHENG Hong Qing
Mr. WANG Jun

Non-executive Directors

Mr. LU Jiqiang
Dr. DAI Jingming

Independent Non-executive Directors

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

Company Secretary

Mr. CHENG Wing Bor FCCA, CPA

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Stock Code

1124

The Board of Directors of Coastal Greenland Limited (the "Company") herein presents the unaudited condensed consolidated statement of comprehensive income, condensed 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 2012 together with the unaudited comparative figures for the last corresponding period and the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2012 together with the audited comparative figures as at 31 March 2012. 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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

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

Introduction

We have reviewed the condensed consolidated financial statements of Coastal Greenland Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 34, which comprise the condensed consolidated statement of financial position as of 30 September 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and 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 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, 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 these condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 30 November 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Notes	Six months ended 30 September 2012 (unaudited) HK$'000	2011 (restated) HK$'000
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	16	**–**	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	6	**377,423**	–
Profit before taxation		**89,807**	228,221
Taxation	7	**(8,340)**	(178,325)
Profit for the period	8	**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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(continued)
For the six months ended 30 September 2012

	Notes	Six months ended 30 September 2012 (unaudited) HK$'000	2011 (restated) HK$'000
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	9		
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$'000	31 March 2012 (restated) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**962,850**	1,005,929
Investment properties	11	**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	12	**202,040**	265,619
Prepayments, deposits and other receivables	13	**1,915,465**	1,366,384
Amounts due from associates	21(b)(i)	**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	14	**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	21(b)(ii)	**105,904**	11,594
Amounts due to associates		**–**	67,085
Tax payable		**1,326,763**	1,545,788
Interest-bearing bank and other borrowings	15	**3,227,124**	5,036,936
Derivative financial liability – warrants	16	**–**	–
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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)
At 30 September 2012

	Notes	30 September 2012 (unaudited) HK$'000	31 March 2012 (restated) HK$'000
CAPITAL AND RESERVES			
Share capital	17	**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	15	**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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2012

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Leasehold property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2011 (audited) (originally stated)	279,058	1,126,800	37,560	929	47,805	605,349	9,697	55,886	1,540,549	3,703,633	75,043	3,778,676
Adoption of amendments to HKAS 12 (note 2)	–	–	–	–	–	(4,019)	–	–	(161,578)	(165,597)	–	(165,597)
At 1 April 2011 (restated)	279,058	1,126,800	37,560	929	47,805	601,330	9,697	55,886	1,378,971	3,538,036	75,043	3,613,079
Exchange differences arising on translation to presentation currency	–	–	–	–	–	129,457	–	–	–	129,457	3,035	132,492
Transferred to retained profits on disposal of buildings	–	–	–	–	(624)	–	–	–	624	–	–	–
Profit (loss) for the period	–	–	–	–	–	–	–	–	53,364	53,364	(3,468)	49,896
Total comprehensive (expense) income for the period	–	–	–	–	(624)	129,457	–	–	53,988	182,821	(433)	182,388
Recognition of equity-settled share-based payment	–	–	–	–	–	–	–	2,816	–	2,816	–	2,816
At 30 September 2011 (unaudited)	279,058	1,126,800	37,560	929	47,181	730,787	9,697	58,702	1,432,959	3,723,673	74,610	3,798,283
At 1 April 2012 (audited) (originally stated)	**279,058**	**1,126,800**	**37,560**	**929**	**64,059**	**775,370**	**9,697**	**56,052**	**2,139,825**	**4,489,350**	**70,788**	**4,560,138**
Adoption of amendments to HKAS 12 (note 2)	**–**	**–**	**–**	**–**	**–**	**(10,331)**	**–**	**–**	**(150,940)**	**(161,271)**	**–**	**(161,271)**
At 1 April 2012 (restated)	**279,058**	**1,126,800**	**37,560**	**929**	**64,059**	**765,039**	**9,697**	**56,052**	**1,988,885**	**4,328,079**	**70,788**	**4,398,867**
Exchange differences arising on translation to presentation currency	**–**	**–**	**–**	**–**	**–**	**(34,227)**	**–**	**–**	**–**	**(34,227)**	**(1,015)**	**(35,242)**
Profit (loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**85,987**	**85,987**	**(4,520)**	**81,467**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**–**	**(34,227)**	**–**	**–**	**85,987**	**51,760**	**(5,535)**	**46,225**
Recognition of equity-settled share-based payment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**611**	**–**	**611**	**–**	**611**
Share options lapsed (Note)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(56,663)**	**56,663**	**–**	**–**	**–**
At 30 September 2012 (unaudited)	**279,058**	**1,126,800**	**37,560**	**929**	**64,059**	**730,812**	**9,697**	**–**	**2,131,535**	**4,380,450**	**65,253**	**4,445,703**

Note: All of the Company's share options were lapsed on 23 September 2012.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(continued)
For the six months ended 30 September 2012

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) from 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 2012

	Six months ended 30 September 2012 (unaudited) HK$'000	2011 (unaudited) HK$'000
Net cash from (used in) operating activities		
Increase in properties under development	**(1,137,743)**	(1,329,038)
Decrease in completed properties for sales	**921,865**	1,481,243
Increase (decrease) in deposits received from pre-sales of properties	**1,352,681**	(1,061,986)
Tax paid	**(441,429)**	(309,125)
Other operating cash flows	**(258,327)**	(37,780)
	437,047	(1,256,686)
Net cash (used in) from investing activities		
Purchases of property, plant and equipment	**(3,127)**	(4,050)
Net proceeds from disposal of property, plant and equipment	**–**	4,513
Net proceeds from disposal of investment properties	**17,559**	34,457
Net proceeds from disposal of assets classified as held for sale	**106,837**	61,787
Proceeds from disposal of an associate	**293,463**	–
Acquisition of a property-based subsidiary (Note 18)	**(497,014)**	–
Advances of loans	**(347,379)**	(12,264)
Placement of pledged bank deposits	**(122,291)**	(22,144)
Withdrawal of pledged bank deposits	**403,806**	3,413
Other investing cash flows	**(124,742)**	(19,954)
	(272,888)	45,758
Net cash (used in) from financing activities		
New bank and other borrowings	**3,092,416**	1,201,879
Repayment of bank and other borrowings	**(2,925,014)**	(614,630)
Other financing cash flows	**(249,603)**	(234,852)
	(82,201)	352,397
Net increase (decrease) in cash and cash equivalents	**81,958**	(858,531)
Cash and cash equivalents at the beginning of period	**1,913,030**	1,897,256
Effect of foreign exchange rate changes	**(16,819)**	39,109
Cash and cash equivalents at the end of period	**1,978,169**	1,077,834
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**1,978,169**	1,077,834

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

1. BASIS OF PREPARATION

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

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 financial assets at fair value through profit or loss 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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"

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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) HK$'000	**Adjustments HK$'000**	**As at 31 March 2012 (restated) 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) HK$'000	Adjustments HK$'000	As at 1 April 2011 (restated) 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)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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. 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 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.

3. SEGMENT INFORMATION (continued)

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 (unaudited) HK$'000	2011 (unaudited) HK$'000	**2012 (unaudited) HK$'000**	2011 (unaudited) HK$'000	**2012 (unaudited) HK$'000**	2011 (unaudited) HK$'000	**2012 (unaudited) HK$'000**	2011 (unaudited) HK$'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							**(24,632)**	(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
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, 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 resource 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 (unaudited) HK$'000	2011 (unaudited) HK$'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 (unaudited) HK$'000	2011 (unaudited) HK$'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. GAIN ON DISPOSAL OF AN ASSOCIATE

On 20 August 2012, the Group entered into a sale and purchase agreement to dispose of 20.05% interest in Shanghai Fenghwa Group Co., Ltd. ("Shanghai Fenghwa"), a limited company established in the PRC and its shares are listed on the Shanghai Stock Exchange, to a third party (the "Buyer") for a total consideration of RMB452,400,000 (equivalent to HK$553,178,000). Before the disposal, the Group owned 21.13% interest in Shanghai Fenghwa and the investment was previously accounted for as an investment in an associate using the equity method of accounting.

On 6 September 2012, the Group completed the first tranche of 10.64% interest in Shanghai Fenghwa for cash consideration of RMB240,000,000 (equivalent to HK$293,463,000) under the sale and purchase agreement, whereby the Group ceased to be able to exercise significant influence over Shanghai Fenghwa. At 6 September 2012, the Group has carried the pending completion portion of 9.41% interest as financial assets designated at fair value through profit or loss and classified as held for sale and the remaining 1.08% interest as held for trading investment whose fair values were HK$230,713,000 and HK$26,324,000 respectively. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	2012 (unaudited) HK$'000
Cash proceeds on disposal of 10.64% interest	**293,463**
Fair value of retained 10.49% interest, at quoted market price	**257,037**
Carrying amount of 21.13% investment in an associate	**(174,471)**
Exchange realignment	**1,394**
Gain on disposal of an associate recognised in profit or loss	**377,423**

On 20 September 2012, the Group completed the second tranche of 2.13% interest in Shanghai Fenghwa for cash consideration of RMB48,000,000 (equivalent to HK$58,693,000) under the sale and purchase agreement. Completion of the last tranche of 7.28% interest in Shanghai Fenghwa is expected to be done in December 2012.

7. TAXATION

	Six months ended 30 September	
	2012	2011
	(unaudited)	(restated)
	HK$'000	HK$'000
PRC EIT		
Provision for the period	**126,089**	177,895
PRC 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.

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 September 2012 (unaudited) HK$'000	2011 (unaudited) HK$'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 on 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 estimated selling price of the properties.

9. 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.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group acquired property, plant and equipment at a cost of HK$3,127,000 (2011: HK$4,050,000). In addition, the Group disposed of certain property, plant and equipment with a carrying value of HK$84,000 (2011: HK$4,341,000).

11. INVESTMENT PROPERTIES

	30 September 2012 (unaudited) HK$'000	31 March 2012 (audited) HK$'000
Completed investment properties		
– at fair value	**1,095,377**	1,424,463
Investment property under construction		
– at cost	**219,119**	221,063
	1,314,496	1,645,526

During the six months ended 30 September 2012, investment properties with a carrying value of HK$17,559,000 (2011: HK$34,457,000) were disposed of.

The fair values of the Group's completed investment properties at 30 September 2012 and 31 March 2012 have been arrived at on the basis of valuations carried out on those dates by DTZ Debenham Tie Leung Limited, independent professional valuers not connected with the Group. The valuation report on these properties was signed by a director of DTZ Debenham Tie Leung Limited who is a member of The Hong Kong Institute of Surveyors.

11. INVESTMENT PROPERTIES (continued)

The valuations have been arrived at by considering the capitalised net rental income or where appropriate, by reference to market evidence of recent transaction prices for similar properties in similar location and condition. In arriving at the capitalised net rental income, the market rentals of all lettable units of the property are assessed and capitalised at market yield expected by investors for this type of property. The market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors.

All of the Group's property interests held under operating leases to earn rentals or remained vacant and being held to be leased out or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties. At the end of the reporting period, the completed investment properties located in Suzhou Coastal International Centre, with aggregate carrying value of HK$745,885,000 (31 March 2012: HK$1,016,493,000) remained vacant. On 28 September 2012, the Group entered into a master agreement with a substantial shareholder, Shenzhen Investment Limited ("SIL"), relating to the disposal of Suzhou New Investment Development Co., Ltd. ("Suzhou New Development"), a wholly-owned subsidiary of the Group which holds the entire interest in Suzhou Coastal International Centre. On 16 October 2012, the Group signed conditional sale and purchase agreements in this regard. Details are set out in note 22.

The investment property under construction at 30 September 2012 and 31 March 2012 was measured at cost as the development of the investment property is still at early stage and the fair value cannot be reliably determined. As the Group is considering a possible disposal of its interests in this investment property under construction, no further development cost was incurred during the period/year.

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 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

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2012 (unaudited) HK$'000	31 March 2012 (audited) HK$'000
Other receivables (Note a)	**252,001**	222,191
Deposits for future acquisition of land use rights (Note b)	**883,485**	804,862
Prepaid operating expenses and other deposits	**370,377**	277,651
Loans receivables (Note c)	**409,602**	61,680
	1,915,465	1,366,384

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

(a) Included in other receivables at 30 September 2012 is an amount of HK$60,522,000 (31 March 2012: HK$61,059,000) due from a non-controlling interest which is unsecured, non-trade, interest-free and expected to be recovered within one year from the end of the reporting period.

(b) The amounts represent payments made for the possible acquisition of land use rights in the PRC which will be developed for sales purpose. An amount of HK$61,878,000 (31 March 2012: HK$62,328,000) was paid to a non-controlling interest which is fully secured by a land use right pledged to the Group. Amounts of HK$193,108,000 (31 March 2012: HK$92,669,000) were paid to independent third parties which are secured by the equity interests of certain PRC companies owned by the independent third parties. For the remaining deposits paid, no assets were pledged to secure the amounts paid by the Group. These deposits will be wholly refundable if the acquisition were terminated subsequently.

(c) Included in loan receivables at 30 September 2012 is an amount of HK$287,326,000 (31 March 2012: HK$61,680,000) due from a non-controlling interest was unsecured, interest bearing at 6.56% per annum and are repayable within twelve months from the end of the reporting period. Subsequent to 30 September 2012, loan receivable of HK$226,188,000 due from a non-controlling interest was settled. The remaining loan receivable from an independent third party of HK$122,276,000 (31 March 2012: nil) is interest bearing at 9.50% per annum and is secured by the equity interest of a PRC company which engages in property development in the PRC. The directors of the Company estimate that the amount will be recovered within the next twelve months from the end of the reporting period. Accordingly, the amount is classified as current assets.

14. 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

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2012 (unaudited) HK$'000	31 March 2012 (audited) HK$'000
CURRENT		
Bank loans – secured	**574,953**	2,525,408
Other loans – secured	**1,638,136**	1,529,305
Other loans – unsecured	**14,004**	–
Senior notes – secured	**1,000,031**	982,223
	3,227,124	5,036,936
NON-CURRENT		
Bank loans – secured	**2,309,276**	791,977
Other loans – secured	**978,210**	518,115
	3,287,486	1,310,092
	6,514,610	6,347,028
Analysed into:		
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
	2,884,229	3,317,385
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

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

Notes:

(a) Included in other loans is an amount of HK$1,124,575,000 (31 March 2012: HK$1,134,550,000) in relation to trust arrangements with PRC trust companies. The trust arrangements in general involve (i) the transfer of the Group's equity interests in a particular project company to a trust company in return of a fixed consideration; (ii) the Group retaining control over, and hence the residual interest in, the project company; (iii) the trust company receives fixed income during a pre-set period; (iv) the Group's commitment to repurchase while the trust company has the obligation to sell to the Group such equity interests within the pre-set period. Accordingly, such trust arrangements have been accounted for as financing arrangements rather than disposals of equity interests in project companies.

The trust arrangements carry fixed rate interest ranging from 14.19% to 17.30% (31 March 2012: 14.19% to 17.30%) per annum and are due for repayment in 2 to 3 (31 March 2012: 8 to 9) months from the end of the reporting period.

(b) The Group's remaining other loans as at 30 September 2012 are borrowed from PRC trust companies and carry interest ranging from 17.55% to 18.50% (31 March 2012: 12.82% to 17.55%) per annum and have terms of 2 years (31 March 2012: ranging from 15 months to 3 years). They are secured by:

(i) certain properties under development of the Group with an aggregate carrying value of approximately HK$569 million (31 March 2012: HK$570 million);

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

(iii) corporate guarantees from certain subsidiaries of the Company.

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

Notes: (continued)

(c) The Group's bank loans as at 30 September 2012 are 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$2,170 million (31 March 2012: HK$2,852 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); and

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

(d) The ranges of effective interest rates (which also approximate to contracted interest rates) on the Group's interest-bearing bank and other borrowings, other than the senior notes, are as follows:

	30 September 2012		31 March 2012	
	Borrowings HK$'000	**Interest rate**	Borrowings HK$'000	Interest rate
Effective interest rate:				
Fixed-rate borrowings	**2,817,039**	**6.63% to 18.50%**	1,726,682	6.10% to 17.55%
Variable-rate borrowings	**2,697,540**	**1.55% to 13.56%**	3,638,123	1.55% to 13.56%

The effective interest rate of variable-rate borrowings is based on People's Bank of China prescribed interest rate or Hong Kong Interbank Offered Rate or London Interbank Offered Rate plus a specified margin.

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

Notes: (continued)

(e) Senior notes

The senior notes 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.

16. DERIVATIVE FINANCIAL LIABILITY – WARRANTS

At 30 September 2012, the Company had outstanding 111,622,500 (31 March 2012: 111,622,500) unlisted warrants conferring rights to subscribe for up to 111,622,500 (31 March 2012: 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. The warrants were expired on 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 as at 30 September 2012 and 31 March 2012 were nil, which 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 2012	31 March 2012
Exercise price	**HK$1.23**	HK$1.23
Share price	**HK$0.30**	HK$0.27
Volatility	**43.5%**	62.3%
Risk free rate	**0.200%**	0.126%
Dividend yield	**0%**	0%

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.

17. SHARE CAPITAL

	Number of ordinary shares	Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.10 each at 31 March 2012 and 30 September 2012	**7,000,000,000**	**700,000**
Issued and fully paid:		
Ordinary shares of HK$0.10 each at 31 March 2012 and 30 September 2012	**2,790,582,857**	**279,058**

18. ACQUISITION OF A PROPERTY-BASED SUBSIDIARY

On 31 May 2012, the Group acquired 80% additional equity interest in an 20% associate of the Group, Goldwide Group Limited ("Goldwide"), from a third party for a cash consideration of HK$551,347,000, whereby control was passed to the Group. Goldwide held a wholly-owned subsidiary, Shenyang Rongtian Real Estate Development Co., Ltd., an entity which is engaged in property development in the PRC. Following the completion of the acquisition, Goldwide has become a wholly-owned subsidiary of the Group. This acquisition has been accounted for as purchase of assets and liabilities rather than as business combination because the assets acquired and liabilities assumed did not constitute a business as defined under HKFRS 3 "Business Combinations".

The net assets acquired in the transaction are as follows:

	2012 (unaudited) HK$'000
Net assets acquired:	
Property, plant and equipment	**396**
Pledged bank deposits	**513,560**
Completed properties for sale	**115,489**
Properties under development	**613,549**
Prepayment, deposits and other receivables	**61,165**
Amount due from the Group	**70,819**
Prepaid income tax	**43,718**
Cash and bank balances	**54,333**
Trade payables	**(49,291)**
Other payables and accruals	**(766,236)**
Interest-bearing bank and other borrowings	**(22,063)**
	635,439
Satisfied by:	
Cash	**551,347**
Carrying value of existing 20% interest held in Goldwide	**84,092**
	635,439

18. ACQUISITION OF A PROPERTY-BASED SUBSIDIARY (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a property-based subsidiary was as follows:

	Six months ended 30 September 2012 (unaudited) HK$'000
Cash consideration	**(551,347)**
Cash and bank balances acquired	**54,333**
Net outflow of cash and cash equivalents in respect of the acquisition of a property-based subsidiary	**(497,014)**

Included in the consolidated revenue and profit for the period ended 30 September 2012 is HK$63,564,000 and HK$19,646,000 respectively attributable to the additional business contributed by Goldwide as a result of the acquisition.

19. CONTINGENT LIABILITIES

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

	30 September 2012 (unaudited) HK$'000	31 March 2012 (audited) HK$'000
Guarantees given to banks in connection with:		
– mortgage loans granted to property purchasers	**4,043,113**	4,001,232
– banking facilities granted to an associate	**12,228**	123,361
	4,055,341	4,124,593

The directors of the Company considered that the fair values of these financial guarantee contracts at their initial recognition are insignificant. At the end of reporting period, the directors of the Company consider that the possibility of default is low due to the basis of short maturity periods and low default rates.

20. CAPITAL COMMITMENTS

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

	30 September 2012 (unaudited) HK$'000	31 March 2012 (audited) HK$'000
Contracted but not provided for:		
Acquisition of property-based subsidiaries	**61,138**	61,680
Authorised but not contracted for:		
Acquisition of investment properties	**210,315**	212,181

21. RELATED PARTY TRANSACTIONS

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

(i) 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 other loans in the condensed consolidated financial statements to reflect the commercial substance of the aforesaid refinancing arrangement. During the year ended 31 March 2012, the Properties were disposed of and the Loans were repaid accordingly.

(ii) During the six months ended 30 September 2012, the Group received the net project management fee income of HK$11,750,000 (2011: HK$570,000) from associates.

21. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

(i) The Group's balances with its associates are unsecured, interest-free and repayable on demand.

(ii) The amount due to a substantial shareholder of the Company represents amount due to Coastal International Holdings Limited ("CIH") which holds 36.58% interests of the Company. The amount is unsecured, interest-free and repayable on demand. Certain directors of the Company are directors and shareholders of CIH.

(c) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Short term benefits	**7,238**	8,698
Share-based payments	**136**	733
Post-employment benefits	**84**	58
Total compensation paid to key management personnel	**7,458**	9,489

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 16 October 2012, the Group has entered into conditional sale and purchase agreements with a substantial shareholder, 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, a wholly-owned subsidiary of the Group 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 and is pending for fulfilment of certain precedent conditions.

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Property Development (continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

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: HK$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 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

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 carried as financial assets designated at fair value through profit or loss and classified as 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 HK$'000	31 March 2012 HK$'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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Borrowings and Charges (continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Borrowings and Charges (continued)

(a) The Group's bank and other loans as at 30 September 2012 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

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 dollar 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

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 and is pending for fulfilment of certain precedent conditions.

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2012, 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 (the "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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

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

Name of director	Notes	Number of shares held or short positions, capacity and nature of interest: Directly beneficially owned	Through controlled corporation	Percentage of the Company's issued share capital
Mr. Chan Boon Teong	(a), (b) and (c)	6,400,000 (L)	1,020,841,319 (L)	36.81%
Mr. Jiang Ming	(a), (b) and (c)	–	1,020,841,319 (L)	36.58%
Mr. Tao Lin	(a), (b) and (c)	–	1,020,841,319 (L)	36.58%
Mr. Cheng Wing Bor	(a), (b) and (c)	6,400,000 (L)	1,020,841,319 (L)	36.81%
Mr. Lin Chen Hsin	(a), (b) and (c)	2,080,000 (L)	1,020,841,319 (L)	36.66%

L: Long 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 21.56% by Mr. Chan Boon Teong, 37.58% by Mr. Jiang Ming, 5.38% by Mr. Tao Lin, 5.38% by Mr. Cheng Wing Bor, 3.30% by Mr. Lin Chen Hsin and 21.42% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Mr. Jiang Ming) and 5.38% by Cyberich Development Limited (the entire issued voting share capital of which is held by Ms. Wang Hongmei). These 484,280,792 shares represent an aggregate of approximately 17.35% of the issued share capital of the Company.

(b) 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.

(c) 484,210,527 shares are beneficially owned by Coastal Enterprise Group Limited, of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 484,210,527 shares represent an aggregate of approximately 17.35% of the issued share capital of the Company.

(ii) The interests of the directors in the share options of the Company are separately disclosed under the heading "Share option 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 ("CIH") (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	2,156	Directly beneficially owned	21.56%
Mr. Jiang Ming	3,758	Directly beneficially owned	37.58%
	2,142	Through controlled corporation	21.42%
Mr. Tao Lin	538	Directly beneficially owned	5.38%
Mr. Cheng Wing Bor	538	Directly beneficially owned	5.38%
Mr. Lin Chen Hsin	330	Directly beneficially owned	3.30%

Save as disclosed above, as at 30 September 2012, 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 corporation (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

On 24 September 2002, the Company adopted a share option scheme (the "Scheme 2002") in compliance with the amendments to the Listing Rules regarding share option scheme announced by the Stock Exchange. The Company subsequently terminated the Scheme 2002 as the Scheme 2002 is due to expire on 23 September 2012 and adopted a new share option scheme (the "Scheme 2011") on 14 September 2011 at the Company's annual general meeting. All the outstanding share options granted under the Scheme 2002 prior to its termination shall continue to valid and exercisable in accordance with the provisions of the Scheme 2002.

The purpose of the Scheme 2011 are to provide incentives or rewards to eligible participants ("Participants") (as defined in the Scheme 2011, 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 2011 are summarised in appendix II to the Company's circular dated 25 July 2011.

SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme 2002 during the period:

Name or category of Participant	Number of share options					Date of grant of share options[2]	Exercise period of share options[3]	Exercise price of share options[4]
	At 1 April 2012	Granted during the period	Exercised during the period	Lapsed during the period[1]	At 30 September 2012			HK$
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. 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 and participants								
In aggregate	34,840,000	–	–	(34,840,000)	–	14 May 2007	15 May 2008 to 23 September 2012	1.20
	83,840,000	–	–	(83,840,000)	–			

Notes:

(1) During the period, 83,840,000 (2011: Nil) share options lapsed upon expiry of the exercisable period of the share options.

(2) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(3) The share options are exercisable in tranches during the period from 15 May 2008 to 23 September 2012, as specified in the share option certificates.

(4) 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.

Up to the date of this report, no options under the Scheme 2011 were granted since its adoption on 14 September 2011.

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 2012, 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	Percentage of the Company's issued share capital
Ms. Yang Sun Xin	Family (Note)	1,020,841,319 (L)	36.94%
Shenzhen Investment Limited	Corporate	631,092,857 (L)	22.62%

L: Long position

Note: Ms. Yang Sun Xin is the spouse of Mr. Jiang Ming (a director of the Company) and is deemed to be interested in the 1,020,841,319 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 as disclosed under the heading "Directors' interests in shares and underlying shares" above.

Save as disclosed above, as at 30 September 2012, 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.

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.

By Order of the Board
Chan Boon Teong
Chairman

Hong Kong, 30 November 2012