



**CGL**  
沿海綠色家園®

**沿海綠色家園有限公司**

**COASTAL GREENLAND LIMITED**

(incorporated in Bermuda with limited liability)

(Stock Code: 1124)

## **UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2006**

### **HIGHLIGHTS:**

1. The net profit attributable to shareholders for the period is about HK\$77.52 million, an increase of about 144% over that of last corresponding period.
2. Turnover for the period amounted to about HK\$192 million, a decrease of about 56% from last corresponding period.
3. As at 30th September, 2006, the Group has generated a total sales revenue of about HK\$2,163 million from presale of its properties under development, of which about HK\$1,299 million will be attributable to the Group. Such presale revenue will be recognized as turnover upon completion of the relevant development projects.
4. An interim dividend of HK1 cent per share for the six months ended 30th September, 2006 was declared by the Board of Directors.

The Board of Directors of Coastal Greenland Limited (the "Company") herein present the unaudited consolidated profit and loss account of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2006 together with the unaudited comparative figures for the last corresponding period and the unaudited consolidated balance sheet of the Group as at 30th September, 2006 together with the audited comparative figures as at 31st March, 2006. The interim report for the six months ended 30th September, 2006 has been reviewed by the Company's Audit Committee.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September, 2006

|                               |       | For the six months ended<br>30th September, |                     |
|-------------------------------|-------|---|---------------------|
|                               |       | 2006  | 2005                |
|                               |       | (Unaudited)                                 | (Unaudited)         |
|                               |       |   | (As restated)       |
|                               | Notes | HK\$'000                                    | HK\$'000            |
| REVENUE                       |       |   |                     |
| Turnover                      | 3     | 192,116                                     | 440,463             |
| Cost of sales                 |       | <u>(154,006)</u>                            | <u>(377,527)</u>    |
| Gross profit                  |       | 38,110                                      | 62,936              |
| Other income and gains        | 4     | 119,697                                     | 48,211              |
| Marketing and selling costs   |       | (1,239)                                     | (1,551)             |
| Administrative expenses       |       | (42,773)                                    | (24,310)            |
| Other operating expenses, net |       | (14,795)                                    | (7,266)             |
| Finance costs                 | 5     | <u>(22,350)</u>                             | <u>(6,754)</u>      |
| PROFIT BEFORE TAX             | 6     | 76,650                                      | 71,266              |
| Tax                           | 7     | <u>233</u>                                  | <u>(38,911)</u>     |
| PROFIT FOR THE PERIOD         |       | <u>76,883</u>                               | <u>32,355</u>       |
| Attributable to:              |       |   |                     |
| Equity holders of the Company |       | 77,521                                      | 31,791              |
| Minority interests            |       | <u>(638)</u>                                | <u>564</u>          |
|                               |       | <u>76,883</u>                               | <u>32,355</u>       |
| EARNINGS PER SHARE            | 8     |   |                     |
| Basic                         |       | <u>HK3.66 cents</u>                         | <u>HK1.57 cents</u> |
| Diluted                       |       | <u>HK3.64 cents</u>                         | <u>HK1.56 cents</u> |
|                               |       | HK\$'000                                    | HK\$'000            |
| INTERIM DIVIDEND              | 9     | <u>23,155</u>                               | <u>21,053</u>       |

# CONSOLIDATED BALANCE SHEET

30th September, 2006

|  | <b>30th September,<br/>2006</b> | 31st March,<br>2006 |
|--|---------------------------------|---------------------|
|  | <b>(Unaudited)</b>              | (Audited)           |
| <i>Notes</i>   | <b>HK\$'000</b>                 | <b>HK\$'000</b>     |
| <b>NON-CURRENT ASSETS</b>                              |                                 |                     |
| Property, plant and equipment                          | <b>41,103</b>                   | 18,503              |
| Investment properties                                  | <b>305,400</b>                  | 302,765             |
| Prepaid land lease payments                            | <b>40,991</b>                   | 4,819               |
| Properties held for development                        | <b>114,929</b>                  | 112,858             |
| Properties under development                           | <b>2,959,038</b>                | 2,200,146           |
| Goodwill   | <b>67,643</b>                   | 66,247              |
| Available-for-sale investments                         | <b>560</b>                      | 560                 |
| Pledged deposits                                       | <b>56,209</b>                   | 60,209              |
| Prepayments and deposits                               | <b>296,281</b>                  | 339,342             |
|  | <hr/>                           | <hr/>               |
| Total non-current assets                               | <b>3,882,154</b>                | 3,105,449           |
|  | <hr/>                           | <hr/>               |
| <b>CURRENT ASSETS</b>                                  |                                 |                     |
| Properties under development for sale                  | <b>2,485,770</b>                | 1,472,201           |
| Completed properties for sale                          | <b>173,326</b>                  | 224,809             |
| Trade receivables                                      | <b>59,619</b>                   | 66,027              |
| Prepayments, deposits and<br>other receivables         | <b>421,469</b>                  | 207,208             |
| Tax recoverable  | <b>24,049</b>                   | 18,205              |
| Pledged deposits                                       | <b>128,141</b>                  | 38,715              |
| Cash and bank balances                                 | <b>808,168</b>                  | 265,754             |
|  | <hr/>                           | <hr/>               |
| Total current assets                                   | <b>4,100,542</b>                | 2,292,919           |
|  | <hr/>                           | <hr/>               |
| <b>CURRENT LIABILITIES</b>                             |                                 |                     |
| Due to controlling shareholder<br>of the Company       | <b>4,294</b>                    | 44,503              |
| Due to jointly-controlled entities                     | <b>259,866</b>                  | 78,911              |
| Trade payables   | <b>203,624</b>                  | 171,276             |
| Tax payable  | <b>37,176</b>                   | 66,604              |
| Deposit received and deferred revenue                  | <b>1,278,341</b>                | 576,479             |
| Other payables and accruals                            | <b>423,543</b>                  | 431,754             |
| Interest-bearing bank and<br>other borrowings          | <b>580,707</b>                  | 701,850             |
| Derivative liability component<br>of convertible bonds | <b>98,796</b>                   | 27,745              |
|  | <hr/>                           | <hr/>               |
| Total current liabilities                              | <b>2,886,347</b>                | 2,099,122           |
|  | <hr/>                           | <hr/>               |
| NET CURRENT ASSETS                                     | <b>1,214,195</b>                | 193,797             |
|  | <hr/>                           | <hr/>               |
| TOTAL ASSETS LESS CURRENT<br>LIABILITIES               | <b>5,096,349</b>                | 3,299,246           |
|  | <hr/>                           | <hr/>               |

|  | <i>Notes</i> | <b>30th September,<br/>2006<br/>(Unaudited)<br/>HK\$'000</b> | 31st March,<br>2006<br>(Audited)<br>HK\$'000 |
|--|--------------|--|--|
| <b>NON-CURRENT LIABILITIES</b>                           |              |  |  |
| Interest-bearing bank and<br>other borrowings            |              | <b>2,329,189</b>   | 913,198                                      |
| Long term payables                                       |              | <b>60,533</b>  | 7,058  |
| Deferred tax   |              | <b>949,806</b>   | 730,184                                      |
| Provision for long service payments                      |              | <b>2,128</b>   | 2,080  |
|  |              | <hr/>  | <hr/>  |
| Total non-current liabilities                            |              | <b>3,341,656</b>   | 1,652,520                                    |
|  |              | <hr/>  | <hr/>  |
| <b>NET ASSETS</b>  |              | <b>1,754,693</b>   | 1,646,726                                    |
|  |              | <hr/>  | <hr/>  |
| <b>EQUITY</b>  |              |  |  |
| Equity attributable to equity<br>holders of the Company: |              |  |  |
| Issued capital   |              | <b>221,290</b>   | 210,525                                      |
| Share premium and reserves                               |              | <b>1,475,939</b>   | 1,373,444                                    |
| Proposed dividend  | 9            | <b>23,155</b>  | 22,129                                       |
|  |              | <hr/>  | <hr/>  |
|  |              | <b>1,720,384</b>   | 1,606,098                                    |
| Minority interests                                       |              | <b>34,309</b>  | 40,628                                       |
|  |              | <hr/>  | <hr/>  |
| <b>TOTAL EQUITY</b>                                      |              | <b>1,754,693</b>   | 1,646,726                                    |
|  |              | <hr/>  | <hr/>  |

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Report” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and 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”). The unaudited condensed interim financial statements have been prepared on the historical cost basis except for investment properties, buildings, derivative financial liability and equity investments, which have been measured at fair value.

### 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim financial statements are the same as those used in the annual financial statements for the year ended 31st March, 2006, except that during the six months ended 30th September, 2006, the Group has applied, for the first time, the following new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (“INTs”) (hereinafter collectively referred to as “new HKFRSs”) issued by HKICPA that are effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March, 2006:

|                                |   |
|--------------------------------|---|
| HKAS 19 (Amendment)            | Actuarial Gains and Losses, Group Plans and Disclosures   |
| HKAS 21 (Amendment)            | Net Investment in a Foreign Operation   |
| HKAS 39 (Amendment)            | Cash Flow Hedge Accounting of Forecast Intragroup Transactions  |
| HKSA 39 (Amendment)            | The Fair Value Option   |
| HKAS 39 & HKFRS 4 (Amendments) | Financial Guarantee Contracts   |
| HK(IFRIC)-INT 4                | Determining Whether an Arrangement Contains a Lease   |
| HK(IFRIC)-INT 5                | Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds    |
| HK(IFRIC)-INT 6                | Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment |
| HK(IFRIC)-INT 7                | Applying the Restatement Approach under HKAS 29 “Financial Reporting in Hyperinflationary Economies”    |

The application of the new HKFRSs has had no material effect on the financial statements of the Group.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective:

|                    |   |
|--------------------|---|
| HKAS 1 (Amendment) | Capital disclosures <sup>1</sup>                        |
| HKFRS 7            | Financial instruments: Disclosures <sup>1</sup>         |
| HK(IFRIC)-INT 8    | Scope of HKFRS 2 <sup>2</sup>                           |
| HK(IFRIC)-INT 9    | Reassessment of embedded derivatives <sup>3</sup>       |
| HK(IFRIC)-INT 10   | Interim financial reporting and impairment <sup>4</sup> |

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st June, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st November, 2006.

The Directors of the Company anticipate that the application of the above new HKFRSs will have no material impact on the financial statements of the Group.

### 3. SEGMENT INFORMATION

The Group’s turnover and contribution to profit before tax analysed by principal activity are as follows:

|                                  | Property development |             | Property investment |             | Property management |             | Corporate and others |             | Consolidated     |             |
|----------------------------------|----------------------|-------------|---------------------|-------------|---------------------|-------------|----------------------|-------------|------------------|-------------|
|                                  | Six months ended     |             | Six months ended    |             | Six months ended    |             | Six months ended     |             | Six months ended |             |
|                                  | 30th September,      |             | 30th September,     |             | 30th September,     |             | 30th September,      |             | 30th September,  |             |
|                                  | 2006                 | 2005        | 2006                | 2005        | 2006                | 2005        | 2006                 | 2005        | 2006             | 2005        |
|                                  | (Unaudited)          | (Unaudited) | (Unaudited)         | (Unaudited) | (Unaudited)         | (Unaudited) | (Unaudited)          | (Unaudited) | (Unaudited)      | (Unaudited) |
|                                  | (As restated)        |             |                     |             |                     |             |                      |             | (As restated)    |             |
|                                  | HK\$’000             | HK\$’000    | HK\$’000            | HK\$’000    | HK\$’000            | HK\$’000    | HK\$’000             | HK\$’000    | HK\$’000         | HK\$’000    |
| Segment revenue:                 |                      |             |                     |             |                     |             |                      |             |                  |             |
| Sales to external customers      | 187,028              | 429,003     | 3,156               | 9,712       | 1,932               | 1,748       | -                    | -           | 192,116          | 440,463     |
| Segment results                  | 9,883                | 30,618      | 1,979               | 62,591      | 397                 | (417)       | 82,012               | (15,027)    | 94,271           | 77,765      |
| Interest income                  |                      |             |                     |             |                     |             |                      |             | 4,729            | 255         |
| Profit from operating activities |                      |             |                     |             |                     |             |                      |             | 99,000           | 78,020      |
| Finance costs                    |                      |             |                     |             |                     |             |                      |             | (22,350)         | (6,754)     |
| Profit before tax                |                      |             |                     |             |                     |             |                      |             | 76,650           | 71,266      |

The Group’s turnover and contribution to profit before tax were substantially derived from operations in the mainland of the People’s Republic of China.

4. OTHER INCOME AND GAINS

|   | For the six months ended<br>30th September, |                 |
|---|---|-----------------|
|   | 2006  | 2005            |
|   | (Unaudited)                                 | (Unaudited)     |
|   | <i>HK\$'000</i>                             | <i>HK\$'000</i> |
| Interest income                                   | 4,729                                       | 255             |
| Gain on disposal of investment properties         | –   | 16,826          |
| Gain on disposal of a subsidiary                  | –   | 24,353          |
| Income from leasing of facilities                 | –   | 1,434           |
| Refund of sales tax                               | –   | 2,420           |
| Negative goodwill on acquisitions of subsidiaries | 106,463                                     | –               |
| Bad debt recovered                                | 1,479                                       | 2,923           |
| Others  | 7,026                                       | –               |
|   | <u>119,697</u>                              | <u>48,211</u>   |

5. FINANCE COSTS

|   | For the six months ended<br>30th September, |                 |
|---|---|-----------------|
|   | 2006  | 2005            |
|   | (Unaudited)                                 | (Unaudited)     |
|   | <i>HK\$'000</i>                             | <i>HK\$'000</i> |
| Interest on convertible bonds   | 14,138                                      | 1,232           |
| Interest on bank loans, overdrafts and<br>other loans, including senior notes<br>wholly repayable within five years | 101,159                                     | 38,403          |
|   | <u>115,297</u>                              | <u>39,635</u>   |
| Less: Amounts capitalised in properties<br>under development  | (92,947)                                    | (32,881)        |
|   | <u>22,350</u>                               | <u>6,754</u>    |

6. PROFIT BEFORE TAX

The Group's profit before tax was arrived at after charging the following:

|  | For the six months ended<br>30th September, |                 |
|--|---|-----------------|
|  | 2006  | 2005            |
|  | (Unaudited)                                 | (Unaudited)     |
|  | <i>HK\$'000</i>                             | <i>HK\$'000</i> |
| Depreciation   | 1,520                                       | 2,087           |
| Less: Amounts capitalised in properties<br>under development | (834)                                       | (571)           |
|  | <u>686</u>                                  | <u>1,516</u>    |
| Impairment loss of goodwill                                  | –   | 999             |
| Amortisation of leasehold land and land use rights           | 311   | 8,962           |
|  | <u>311</u>                                  | <u>8,962</u>    |

## 7. TAX

|  | For the six months ended<br>30th September, |                 |
|--|---|-----------------|
|  | 2006  | 2005            |
|  | (Unaudited)                                 | (Unaudited)     |
|  |   | (As restated)   |
|  | HK\$'000                                    | HK\$'000        |
| Group:                                   |   |                 |
| Current – Elsewhere                      |   |                 |
| Charge for the period                    | (4,546)                                     | (36,689)        |
| Over provision in prior year             | 11,475                                      | –               |
| Deferred tax                             | (6,696)                                     | (2,222)         |
|  | <hr/>                                       | <hr/>           |
| Total tax credit/(charge) for the period | <u>233</u>                                  | <u>(38,911)</u> |

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2005: Nil).

The Group's profits tax represents tax charges on the assessable profits of subsidiaries operating in the People's Republic of China ("PRC") calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's subsidiaries enjoy reductions and preferential tax rates.

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the period of HK\$77,521,000 (2005: HK\$31,791,000) and the weighted average number of 2,120,657,213 shares (2005: 2,024,000,000 shares) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company for the period of HK\$91,659,000 (2005: HK\$33,023,000) after adjusting for the interest saved upon the deemed conversion of all convertible bonds at the beginning of the period or the date of issue whichever is later and the weighted average number of 2,516,354,727 (2005: 2,120,138,813) shares in issue during the period. The weighted average number of shares used in the calculation is the weighted average number of 2,120,657,213 (2005: 2,024,000,000) shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 395,697,514 (2005: 96,138,813) shares assumed to have been issued at no consideration on the deemed exercise of all share options and the deemed conversion of all convertible bonds during the period.

## 9. INTERIM DIVIDEND

At a meeting of the Board of Directors held on 22nd December, 2006, the Directors resolved to pay an interim dividend of HK1 cent per share to shareholders (2005: HK1 cent). The amount of interim dividend for the six months ended 30th September, 2006 is calculated based on 2,315,520,000 shares expected to be in issue as at 16th January, 2007, being the book close date for entitlement of interim dividend, comprising 2,212,900,000 shares in issue as at 30th September, 2006 and an additional 97,500,000 shares issued on 18th December, 2006 upon the conversion of the tranches 3 and 4 of the convertible bonds issued on 5th August, 2005 and an additional 5,120,000 shares issued on 4th December, 2006 upon the exercise of 5,120,000 share options.

## 10. TRADE RECEIVABLES

The Group's credit policy is set on a project-by-project basis taking into account the prevailing market situation for each project. An aged analysis of the trade receivables as at the balance sheet date, based on invoice date, net of provision for impairment, is as follows:

|              | <b>30th September,<br/>2006<br/>(Unaudited)<br/>HK\$'000</b> | 31st March,<br>2006<br>(Audited)<br>HK\$'000 |
|--------------|--|--|
| 0 – 30 days  | <b>31,576</b>  | 35,074                                       |
| 31 – 60 days | <b>6,020</b>   | 1,676  |
| 61 – 90 days | –  | 1,991  |
| Over 90 days | <b>22,023</b>  | 27,286                                       |
|              | <hr/>  | <hr/>  |
| Total        | <b>59,619</b>  | 66,027                                       |
|              | <hr/> <hr/>  | <hr/> <hr/>                                  |

## 11. TRADE PAYABLES

An aged analysis of the trade payables is as follows:

|              | <b>30th September,<br/>2006<br/>(Unaudited)<br/>HK\$'000</b> | 31st March,<br>2006<br>(Audited)<br>HK\$'000 |
|--------------|--|--|
| 0 – 30 days  | <b>37,295</b>  | 43,383                                       |
| 31 – 60 days | <b>913</b>   | 578  |
| 61 – 90 days | <b>172</b>   | 6,494  |
| Over 90 days | <b>165,244</b>   | 120,821                                      |
|              | <hr/>  | <hr/>  |
| Total        | <b>203,624</b>   | 171,276                                      |
|              | <hr/> <hr/>  | <hr/> <hr/>                                  |

## 12. COMPARATIVE AMOUNTS

In the unaudited condensed interim financial statement for the period ended 30th September, 2005, a turnover of approximately HK\$97 million and a net profit attributable to shareholders of approximately HK\$44 million was recorded in respect of a joint development of a property project in Wuhan, the PRC. Under the joint development agreement, the Group will provide a parcel of land, on which the third party developer is wholly responsible for the development of the property project, in return for a guaranteed return of RMB100 million (equivalent to approximately HK\$97 million) from the third party developer. As of 30th September, 2005, the Group had fulfilled and completed all its obligation under the agreement and the whole amount of the guaranteed return had been paid by the third party developer to the Group. However, in the audited financial statement of the Group for the year ended 31st March, 2006, the whole amount of guaranteed return received by the Group was recorded as deferred revenue in the Group's consolidated balance sheet. Accordingly, a restatement of the comparative amounts for the period ended 30th September, 2005 for this transaction has been made in alignment with the accounting treatment used in the audited financial statement for the year ended 31st March, 2006.



## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK1 cent (2005: HK1 cent) per share for the six months ended 30th September, 2006 payable to shareholders whose names appear in the Register of Members of the Company at the close of business on Tuesday, 16th January, 2007. The dividend is expected to be paid on or around Wednesday, 7th February, 2007.

## **FINANCIAL RESOURCES AND LIQUIDITY**

The Group's principal source of fund comes from the cashflow generated from property sales and leasings, supplemented by bank and other borrowings.

As at 30th September, 2006, the net borrowings of the Group, being interest-bearing bank and other loans, senior notes and convertible bonds less cash and bank balances and bank deposits, amounted to about HK\$1,917 million. The net debt to equity ratio as at 30th September, 2006 is about 111.45%, which is expressed as a percentage of the net borrowings over the total net assets of the Group of about HK\$1,720 million, an increase of about 33.62% from that of 77.83% as at 31st March, 2006. The increase was mainly due to the issue of additional senior notes and convertible bonds during the period as detailed below.

Pursuant to a subscription agreement dated 30th March, 2006, the Company issued senior notes of an amount of US\$40 million (equivalent to approximately HK\$312 million) on 4th April, 2006 to certain independent third parties. The senior notes bear interest at 9% per annum and is wholly repayable on 4th August, 2008. The senior notes are secured by a share charge over the 100% of the entired issued share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.

Pursuant to a subscription agreement dated 30th June, 2006, the Company issued senior notes of an amount of US\$20 million (equivalent to approximately HK\$156 million) on 6th July, 2006 to an independent third party. The senior notes bear interest at 9% per annum and is wholly repayable on 4th August, 2008. The senior notes are secured by a share charge over the 100% of the entired issued share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.

Pursuant to a subscription agreement dated 30th June, 2006 and the approval of the shareholders of the Company at a special general meeting held on 21st July, 2006, the Company issued US\$40 million (approximately HK\$312 million) convertible bonds to an independent third party. The convertible bonds bear coupon interest rate at 4.75% per annum, are secured by a second priority charge over the entire issued share capital of the Company's wholly owned subsidiary, Coastal Realty Development Co. Limited, and will mature on 30th December, 2009 with a put option for the subscriber who has the right to demand for an early redemption of the convertible bonds during the period from 30th June, 2009 to maturity date. If the convertible bonds are not converted into ordinary shares of the Company, they will be redeemed at 145% of the issued value of US\$40 million on maturity. The convertible bonds are convertible at HK\$0.7 per ordinary share into the share capital of the Company at any time during the tenure of the convertible bonds.

The proceeds from the issue of the senior notes and the convertible bonds were used in the development of the Group's development projects and as working capital. The issue of the senior notes and convertible bonds has provided additional working capital for the Group's operations.

## BORROWINGS AND CHARGES

As at 30th September, 2006, the level of bank and other borrowings of the Group and their maturity profile are as follows:

|  | <i>HK\$'000</i> |
|--|-----------------|
| Bank loans repayable:                                      |                 |
| Within one year or on demand                               | 469,856         |
| In the second year   | 1,155,086       |
| In the third to fifth years, inclusive                     | 151,791         |
|  | <hr/>           |
|  | 1,776,733       |
|  | <hr/>           |
| Senior notes, convertible bonds and other loans repayable: |                 |
| Within one year or on demand                               | 110,851         |
| In the second year   | 770,611         |
| In the third to fifth years, inclusive                     | 241,387         |
| Beyond five years  | 10,314          |
|  | <hr/>           |
|  | 1,133,163       |
|  | <hr/>           |
| Total  | 2,909,896       |
|  | <hr/> <hr/>     |

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

|                       | <i>HK\$'000</i> |
|-----------------------|-----------------|
| Renminbi              | 2,060,440       |
| United States dollars | 849,456         |
|                       | <hr/>           |
| Total                 | 2,909,896       |
|                       | <hr/> <hr/>     |

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

- (a) Certain of the Group's bank loans are secured by:
- (i) Certain investment properties of the Group with aggregate carrying value at 30th September, 2006 of approximately HK\$283 million;
  - (ii) Certain properties held for development of the Group with aggregate carrying value at 30th September, 2006 of approximately HK\$114 million;
  - (iii) Certain properties under development of the Group with aggregate carrying value at 30th September, 2006 of approximately HK\$4,370 million;
  - (iv) Certain completed properties for sale of the Group with aggregate carrying value at 30th September, 2006 of approximately HK\$117 million;

- (v) Certain prepaid land lease payments and buildings of the Group with aggregate carrying value at 30th September, 2006 of approximately HK\$55 million;
  - (vi) Certain bank deposits of the Group amounting to approximately HK\$128 million at 30th September, 2006; and
  - (vii) Corporate guarantees from the Company and certain of its subsidiaries.
- (b) Certain other loans are secured by the 100% equity interest in Shanghai Xinhongda Real Estate Ltd., a wholly owned subsidiary of the Company as at 30th September, 2006.
- (c) The convertible bonds and the senior notes are secured by a share charge over the 100% of the entire share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

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

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

## **CONTINGENT LIABILITIES**

At 30th September, 2006, the Group had given guarantees to the extent of approximately HK\$85,858,000 (31st March, 2006: HK\$392,924,000) to banks in respect of mortgage loan facilities granted by the banks to buyers of certain properties developed by the Group and a property of which the sales were underwritten by the Group.

At 30th September, 2006, the Group had outstanding corporate guarantees for certain borrowings of a jointly-controlled entity amounting to approximately HK\$571 million (31st March, 2006: Nil), which was net of the amount of the guarantees attributable to the Group as the Group has proportionally consolidated the accounts of the jointly-controlled entity including the Group's share of the borrowings of the jointly-controlled entity on the consolidated balance sheet.

## **EMPLOYEES AND REMUNERATION POLICY**

The Group employs a total of about 1,680 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.

## **REVIEW OF OPERATIONS**

The Group has recorded a profit of HK\$77.52 million attributable to shareholders for the first half financial year, representing an increase of about 144% from last period's profit of 31.79 million. Turnover for the period amounted to about HK\$192 million, representing a decrease of about 56% from last period's HK\$440 million. The decrease was mainly explained by the fact that the Group only accounts for the revenue from sales of properties as turnover upon the completion of development and during the current period, only one development project, namely, Phase I of Jiangxi Riviera Garden was completed. Nevertheless, the presales of the Group's properties under development on the whole are making positive progresses. As at 30th September, 2006, the Group has generated a total sales revenue of HK\$2,163 million from presale of its properties under development, namely Phases I, II and III of Beijing Silo City, Phase II of Beijing Sunvilla Realhouse, Phase IA of Dongguan Riviera Garden, Phase I of Shanghai Riviera Garden and Phase VI of Anshan Greenland IT City, of which about HK\$1,299 million will be attributable to the Group. About HK\$1,553 million of the presale revenue is from development projects which are expected to be completed in the second half of the financial year, of which about HK\$952 million revenue will be attributable to the Group.

For the current period, turnover from sale of properties was about HK\$187 million a decrease of 56% from last period. The reason for the decrease is stated in the foregoing paragraph. The turnover for the period mainly came from sales of Phase I of Jiangxi Riviera Garden, Phase I of Beijing Sunvilla Realhouse, Phase IV of Wuhan Lakeside Apartment and Phase V of Anshan Greenland IT City which respectively accounted for 37.89%, 29.93%, 19.18% and 9.95% of the turnover for sale properties. The balance of 3.05% was contributed from sales of certain commercial area and car park spaces in Xiamen Lu Jiang New City and Fuzhou Mansion.

For leasing business, turnover from property rental decreased by about 68% as compared to last corresponding period to about HK\$3 million. The decrease was mainly due to that the remaining area of the major rental income generating property namely, Wuhan Wah Zhong Trade Plaza, was all disposed of in last year. The current period's rental revenue contribution mainly came from the commercial/office area held in Shanghai Golden Bridge Mansion. The plan for setting up an agricultural products market for Shenyang Dongbei Furniture and Ornaments Plaza has not proceeded as detailed terms of cooperation with the agricultural products chain store franchise owner cannot be reached. The Group is studying alternative business plans for this property. The rental income generated from this property was not significant for the period.

Performance of property management operations has improved slightly that the turnover has increased by about 11% as compared to last corresponding period and a profit of about HK\$0.4 million was recorded for the period.

The overall gross profit margin achieved for the period is about 20% which is less than the overall gross profit margin for the last whole financial year's about 29% (see annual report for the year ended 31st March, 2006) because in current period the gross profit margin for Phase I of Jiangxi Riviera Garden, the only development project completed during the period, has a gross profit margin of about 16% which is lower than other development projects of the Group.

Other income and gains for the current period mainly came from negative goodwill arising from the acquisition of an interest in a property development project in Dalian, the PRC, as the fair value of the property development project held by the project company acquired is higher than the cost of acquisition.

Other operating expenses for the current period mainly represented a non-operating charge of about HK\$6.6 million arising from fair value adjustment for the derivative liability in connection with the convertible bonds issued by the Company.

As part of the Group's business expansion program, the Group has continued to recruit high-calibre staff to join the management team both at headquarters and project company level. Also, the Group has moved its headquarters to a new office building in Shenzhen in which the Group has acquired 2,862 sq.m. office space in April 2006. As a result of higher level of business activities, administrative expenses increased by about 76% to about HK\$43 million as compared to last corresponding period.

Comparing to last corresponding period, the amount of finance costs (mainly interest for bank and other borrowings, including senior notes and convertible bonds) before capitalisation increased by about 191% to about HK\$115 million. The increase is mainly due to an overall increase in the total amount of bank and other borrowings for financing the development of ongoing projects and acquisition of new development projects.

In respect of acquisition of new development projects, during the period the Group has acquired interests in the following three development projects:

|     |                            | <b>Estimated gross<br/>floor area</b> | <b>Group's<br/>interests</b> | <b>Type of development</b>  |
|-----|----------------------------|---------------------------------------|------------------------------|-----------------------------|
| (1) | Dalian Xinghai Bay project | 300,000 sq.m.                         | 100%                         | Residential/commercial      |
| (2) | Beijing Shunyi project     | 180,000 sq.m.                         | 70.8%                        | Residential ( <i>Note</i> ) |
| (3) | Chengdu Dujiangyan project | 340,000 sq.m.                         | 100%                         | Residential ( <i>Note</i> ) |

*Note:* These projects are at land development stage which involves arrangement for resettlement of existing residents and designing and proposing property development plan for approval by relevant government authorities etc., and the Group has interests in the land development. The further acquisitions of the land use rights of these projects for property development will be subject to public tender or auction process.

During the period, the Group has acquired an equity interest of 21.13% in the Shanghai Fenghua Group Company Limited, a company listed on the Shanghai Stock Exchange for a consideration of about HK\$64 million through a public auction. The acquisition is made as a strategic move for the Group to hold a substantial equity stake in a listed company in the PRC so as to readily position itself to capture opportunities that may evolve from the PRC capital market in the coming future.

During the period, the Company has issued certain senior notes and convertible bonds to certain independent third parties for a total amount of US\$100 million (equivalent to approximately HK\$780 million) which provide additional working capital to the Group for its operations. The details of the transactions are set out in the section headed “Financial Resources and Liquidity”.

Coastal Greenland, the corporate brand, has continually been ranked as amongst the top ten most valuable Chinese real estate company brand by authoritative PRC real estate research team formed by the Ministry Corporate Research Center, the Tsinghua University Real Estate Research Center and the China Index Research Center in 2006.

The net profit attributable to shareholders for the period has registered a growth of about 144% over that of last corresponding period, which was contributed from the operations of the Group as set out in the foregoing paragraphs.

## **PROSPECTS**

Amid the implementation of various macro economic measures by the PRC central government, the PRC economy has registered a growth of 10.9% in the GDP for the first half of 2006. It is expected that the economy of the PRC will continue its positive development and the Group will benefit from the continuous booming economy. The austerity measures imposed on the real estate sector, which include on areas of property development orientation, taxation, financing and land supply etc, are expected to bring to the real estate industry a more stable and sustainable market in the long term. With more stringent requirements and financial demands imposed on property developers, it is expected that smaller developers will become less competitive in the marketplace and more opportunities will be available to larger developers with more resources. The Group believes that it is well positioned to take on the new challenges and capture the new opportunities as the Group has a well experienced and qualified management team, a well recognised corporate brand in the real estate industry, the resources of financing from both internal and external sources, including access to domestic and overseas financial markets, and a quality and geographically well diversified property development portfolio on hand.

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

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

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

The Company has adopted a code of conduct regarding securities transactions by directors (the “Code”) on terms no less exacting than the required standard set out in the Model Code. The Company, having made specific enquiry of all directors, confirms that the directors have complied with the required standards set out in the Model Code and the Code for the period.



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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2006.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Wednesday, 17th January, 2007 to Friday, 19th January, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend which is expected to be paid on or around Wednesday, 7th February, 2007, all transfers accompanied by the relevant share certificates and transfer forms must be lodged for registration no later than 4:00 p.m. on Tuesday, 16th January, 2007 with Tengis Limited, which is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the condensed interim financial statements for the six months ended 30th September, 2006 which have not been audited.

## **PUBLICATION OF RESULTS ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")'S WEBSITE**

The unaudited interim report of the Group containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be subsequently published on the website of the Stock Exchange in due course.

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

Hong Kong, 22nd December, 2006

*As at the date of this announcement, the Board comprises Mr. Chan Boon Teong, Mr. Jiang Ming, Mr. Tao Lin, Mr. Cheng Wing Bor and Mr. Lin Chen Hsin, as executive directors, Mr. Zheng Hong Qing, Mr. Oliver P. Weisberg and Mr. William F. Harley III (alias Mickey Harley), as non-executive directors, and Mr. Tang Lap Yan, Mr. Law Kin Ho and Mr. Wong Kai Cheong as independent non-executive directors.*