



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

Interim Report
2006



CORPORATE INFORMATION

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong

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Central
Hong Kong

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Principal Registrars

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Registrars in Hong Kong

Tengis Limited
26 Floor Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong

Company Website

<http://www.coastal.com.cn>

Investor Relations Website

<http://www.irasia.com/listco/hk/coastal>

Executive Directors

Mr. CHAN Boon Teong (*Chairman*)
Mr. JIANG Ming (*Vice Chairman & Managing Director*)
Mr. TAO Lin
Mr. CHENG Wing Bor
Mr. LIN Chen Hsin

Non-executive Directors

Mr. ZHENG Hong Qing
Mr. Oliver P. WEISBERG
Mr. Christopher Chung-Yi HSU
(Resigned on 18th December, 2006)
Mr. William F. HARLEY III
(alias Mickey Harley)

Independent Non-executive Directors

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

Company Secretary

Mr. CHENG Wing Bor

Qualified Accountant

Ms. CHEUNG Yin

Auditors

Ernst & Young
Certified Public Accountants

Stock Code

1124



The Board of Directors of Coastal Greenland Limited (the “Company”) herein present the unaudited consolidated profit and loss account, consolidated statement of changes in equity and condensed consolidated cash flow statement of the Company and its subsidiaries (the “Group”) for the six months ended 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

	Notes	For the six months ended 30th September,	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) (As restated) HK\$'000
REVENUE			
Turnover	3	192,116	440,463
Cost of sales		(154,006)	(377,527)
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	(22,350)	(6,754)
PROFIT BEFORE TAX	6	76,650	71,266
Tax	7	233	(38,911)
PROFIT FOR THE PERIOD		76,883	32,355
Attributable to:			
Equity holders of the Company		77,521	31,791
Minority interests		(638)	564
		76,883	32,355
EARNINGS PER SHARE	8		
Basic		HK3.66 cents	HK1.57 cents
Diluted		HK3.64 cents	HK1.56 cents
		HK\$'000	HK\$'000
INTERIM DIVIDEND	9	23,155	21,053

**CONSOLIDATED BALANCE SHEET**

30th September, 2006

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



CONSOLIDATED BALANCE SHEET (continued)
30th September, 2006

	Notes	30th September, 2006 (Unaudited) HK\$'000	31st March, 2006 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	2,329,189	913,198
Long term payables		60,533	7,058
Deferred tax		949,806	730,184
Provision for long service payments		2,128	2,080
		<hr/>	<hr/>
Total non-current liabilities		3,341,656	1,652,520
		<hr/>	<hr/>
NET ASSETS		1,754,693	1,646,726
		<hr/>	<hr/>
EQUITY			
Equity attributable to equity holders of the Company:			
Issued capital	13	221,290	210,525
Share premium and reserves		1,475,939	1,373,444
Proposed dividend	9	23,155	22,129
		<hr/>	<hr/>
		1,720,384	1,606,098
Minority interests		34,309	40,628
		<hr/>	<hr/>
TOTAL EQUITY		1,754,693	1,646,726
		<hr/>	<hr/>



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserves HK\$'000	Leasehold building revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	PRC reserve fund HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Minority interests HK\$'000	Capital and reserves HK\$'000
Balance at 1st April, 2006 (audited)	210,525	347,771	88,621	929	3,974	55,181	9,697	867,271	22,129	1,606,098	40,628	1,646,726
Exchange realignment	-	-	-	-	-	19,462	-	-	-	19,462	97	19,559
Total income recognised directly in equity	-	-	-	-	-	19,462	-	-	-	19,462	97	19,559
Net profit for the period	-	-	-	-	-	-	-	77,521	-	77,521	(638)	76,883
Total income and expenses for the period	-	-	-	-	-	19,462	-	77,521	-	96,983	(541)	96,442
Payment of final dividend	-	-	-	-	-	-	-	-	(22,129)	(22,129)	-	(22,129)
Issue of shares upon conversion of convertible bonds	8,125	26,027	-	-	-	-	-	-	-	34,152	-	34,152
Issue of shares upon the exercise of share options	2,640	2,640	-	-	-	-	-	-	-	5,280	-	5,280
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	-	(5,778)	(5,778)
Interim dividend	-	-	(23,155)	-	-	-	-	-	23,155	-	-	-
Balance at 30th September, 2006 (unaudited)	221,290	376,438	65,466	929	3,974	74,643	9,697	944,792	23,155	1,720,384	34,309	1,754,693
Balance at 1st April, 2005 (audited)	202,400	330,080	131,803	929	4,339	(472)	9,697	762,236	-	1,441,012	59,315	1,500,327
Net profit for the period	-	-	-	-	-	-	-	31,791	-	31,791	564	32,355
Interim dividend	-	-	(21,053)	-	-	-	-	-	21,053	-	-	-
Balance as 30th September, 2005 (unaudited)	202,400	330,080	110,750	929	4,339	(472)	9,697	794,027	21,053	1,472,803	59,879	1,532,682



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2006

	For the six months ended 30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(389,282)	(431,770)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	(421,750)	182,447
NET CASH INFLOW FROM FINANCING ACTIVITIES	1,447,167	172,221
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	636,135	(77,102)
Cash and cash equivalents at beginning of period	304,469	260,283
Effect of foreign exchange rate changes, net	(4,295)	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	936,309	183,181
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Pledged deposits	128,141	–
Cash and bank balances	808,168	183,181
	936,309	183,181



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.



2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st May, 2006.

³ Effective for annual periods beginning on or after 1st June, 2006.

⁴ 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	<u>187,028</u>	429,003	<u>3,156</u>	9,712	<u>1,932</u>	1,748	-	-	<u>192,116</u>	440,463
Segment results	<u>9,883</u>	30,618	<u>1,979</u>	62,591	<u>397</u>	(417)	<u>82,012</u>	(15,027)	<u>94,271</u>	77,765
Interest income									<u>4,729</u>	255
Profit from operating activities									<u>99,000</u>	78,020
Finance costs									<u>(22,350)</u>	(6,754)
Profit before tax									<u>76,650</u>	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	
	30th September,	
	2006	2005
(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000
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	
	30th September,	
	2006	2005
(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000
Interest on convertible bonds	14,138	1,232
Interest on bank loans, overdrafts and other loans, including senior notes wholly repayable within five years	101,159	38,403
	<u>115,297</u>	<u>39,635</u>
Less: Amounts capitalised in properties 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	
	30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	1,520	2,087
Less: Amounts capitalised in properties under development	(834)	(571)
	686	1,516
Impairment loss of goodwill	–	999
Amortisation of leasehold land and land use rights	311	8,962

7. TAX

	For the six months ended	
	30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	(As restated) 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)
Total tax credit/(charge) for the period	233	(38,911)

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 as set out in note 17 to the condensed interim financial statements.

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:

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



11. TRADE PAYABLES

An aged analysis of the trade payables is as follows:

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30th September, 2006 (Unaudited) HK\$'000	31st March, 2006 (Audited) HK\$'000
Current		
Bank loans	446,906	451,668
Other loans	84,912	177,950
Liability component of convertible bonds	(Note a) <u>48,889</u>	<u>72,232</u>
	<u>580,707</u>	<u>701,850</u>
Non-current		
Bank loans	1,170,309	442,228
Other loans	358,312	335,172
Liability component of convertible bonds	(Note a) 230,579	–
Senior notes	(Note b) <u>569,989</u>	<u>135,798</u>
	<u>2,329,189</u>	<u>913,198</u>



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

(a) Convertible bonds

In prior period, pursuant to a subscription agreement dated 7th July, 2005, the Company issued convertible bonds of an amount of US\$12.5 million (equivalent to approximately HK\$97.5 million) on 5th August, 2005 to an independent third party, in four tranches as subsequently amended on 10th November, 2005, each in the amount of US\$3,125,000 (equivalent to approximately HK\$24,375,000). The conversion price for tranches 1 and 2 is HK\$0.3 per share and for tranches 3 and 4 is HK\$0.5 per share. The conversion period of tranches 1, 2, 3 and 4 shall expire up to and including the 11th business day prior to 31st December, 2005, 30th June, 2006, 31st December, 2006 and 31st December, 2006 respectively. The convertible bonds bear interest at LIBOR plus 1.5% per annum. The convertible bonds 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. As at 30th September, 2006 tranches 1 and 2 had been converted into share capital of the Company and tranches 3 and 4 of the convertible bonds were outstanding. As at 31st March, 2006, tranche 1 had been converted into share capital of the Company and tranches 2, 3 and 4 of the convertible bonds were outstanding.

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. As at 30th September, 2006 the US\$40 million convertible bonds were outstanding.

The fair values of the embedded derivatives of the convertible bonds denominated in foreign currency were determined, upon issuance, and are carried as financial liabilities which are measured at fair value with movement to profit or loss. The remainders of the proceeds were allocated to the liability component of the convertible bonds and are carried as liabilities on the amortised cost basis.



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

(b) Senior notes

In prior period, pursuant to a subscription agreement dated 7th July, 2005, the Company issued senior notes of an amount of US\$17.5 million (equivalent to approximately HK\$136.5 million) on 5th August, 2005 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 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.

The carrying amounts of the senior notes at 30th September, 2006 approximates their corresponding fair values.



13. SHARE CAPITAL

(a) Shares

	30th September, 2006 (Unaudited) HK\$'000	31st March, 2006 (Audited) HK\$'000
Authorised:		
3,000,000,000 (31st March, 2006: 3,000,000,000) ordinary shares of HK\$0.10 each	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:		
2,212,900,000 (31st March, 2006: 2,105,250,000) ordinary shares of HK\$0.10 each	<u>221,290</u>	<u>210,525</u>

During the period, convertible bonds with an aggregate nominal amount of approximately HK\$24,375,000 were converted into 81,250,000 shares in the Company of HK\$0.10 each.

During the period, the Company has allotted and issued 26,400,000 shares in the Company of HK\$0.1 each pursuant to the exercise of 26,400,000 share options granted under the Company's share option scheme adopted on 20th September, 1997.

(b) Share options

Details of the Company's share option schemes and the share options granted under the schemes are set out in the "Share Option Schemes" section on page 32 of this interim report.

14. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

	30th September, 2006 (Unaudited) HK\$'000	31st March, 2006 (Audited) HK\$'000
Due to controlling shareholder of the Company	<u>4,294</u>	<u>44,503</u>

The amount due to controlling shareholder of the Company is unsecured, interest-free and is repayable on demand.



14. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

	For the six months ended 30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and allowance	6,113	5,213
Retirement contributions	61	81
	<u>6,174</u>	<u>5,294</u>
Total compensation for key management personnel	<u>6,174</u>	<u>5,294</u>

- (c) In the prior period, 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 aggregating 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 recognize the Properties and recorded the proceeds received from the Senior Management Personnel as an other loan in the consolidated financial statements to reflect the commercial substance of the aforesaid refinancing arrangement. As at 30th September, 2006, the aggregate carrying value of the Properties and the balance of the Loans carried in the consolidated balance sheet amounted to HK\$48.7 million (31st March, 2006: HK\$41.9 million) and HK\$27.4 million (31st March, 2006: HK\$28.7 million), respectively.
- (d) During the period, the Group had given corporate guarantees for certain borrowings of a jointly-controlled entity amounting to approximately HK\$571 million (2005: HK\$185 million), which was net of the amount of the guarantees attributable to the Group as the Group has proportionately consolidated the accounts of the jointly-controlled entity including the Group's share of the borrowings of the jointly-controlled entity for the period.



15. 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 for the period. See also note 14(d).

16. COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	30th September, 2006 (Unaudited) HK\$'000	31st March, 2006 (Audited) HK\$'000
Property development expenditure: Contracted, but not provided for	350,155	1,019,884
Acquisition of an additional interest in a subsidiary	–	25,121
Acquisition of an additional interest in a jointly-controlled entity	–	7,986
Capital contribution payable to an investment	68,999	–
	419,154	1,052,991



17. POST BALANCE SHEET EVENTS

Subsequent to 30th September, 2006, on 18th December, 2006, the holder of the tranches 3 and 4 of the convertible bonds issued on 5th August, 2005 had exercised the conversion right in respect of the tranches 3 and 4 convertible bonds whereby 97,500,000 shares of HK\$0.1 each were allotted and issued upon conversion at a conversion price of HK\$0.5 per share. The 97,500,000 shares represent approximately 4.2% of the enlarged issued share capital of the Company and rank pari passu in all respects with the existing issued shares of the Company. Details of the convertible bonds are set out in note 12 (a) to the condensed interim financial statements.

Subsequent to 30th September, 2006, on 4th December, 2006, the holders of 5,120,000 share options granted under the share option scheme adopted on 20th September, 1997 had exercised the rights attached to the share options whereby 5,120,000 shares of HK\$0.1 each were allotted and issued at an exercise price of HK\$0.2 per share. The 5,120,000 shares represent approximately 0.2% of the enlarged issued share capital of the Company and rank pari passu in all respects with the existing issued shares of the Company. Details of the Company's share option schemes and share options granted under the schemes are set out in the "Share Option Schemes" section on page 32 of this interim report.

18. 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.

19. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved and authorised for issue by the Board of Directors on 22nd December, 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 entire 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 entire issued share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.



FINANCIAL RESOURCES AND LIQUIDITY (continued)

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:

	HK\$'000
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
	<u>1,776,733</u>
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
	<u>1,133,163</u>
Total	<u>2,909,896</u>

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

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

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

**BORROWINGS AND CHARGES** (continued)

- (a) Certain of the Group's bank 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 entired 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.



REVIEW OF OPERATIONS (continued)

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.



REVIEW OF OPERATIONS (continued)

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

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

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.



DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30th September, 2006, the interests or short positions of the directors in the shares, underlying shares or debentures of the Company or its associated companies (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO")), as recorded in the register required to be maintained under Section 352 of the SFO or 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 Companies (the “Model Code”) under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) were as follows:

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

- (i) Long positions in the ordinary shares of the Company

Name of directors	Notes	Number of shares held, capacity and nature of interest		Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporation	
Chan Boon Teong	(a), (b) and (c)	–	1,027,890,527	46.45
Jiang Ming	(a), (b) and (c)	–	1,027,890,527	46.45
Tao Lin	(a), (b) and (c)	–	1,027,890,527	46.45
Cheng Wing Bor	(a), (b) and (c)	–	1,027,890,527	46.45
Lin Chen Hsin	(a), (b) and (c)	480,000	1,027,890,527	46.47

- (ii) The interests of the directors in the share options of the Company are separately disclosed under the heading “Share option schemes” below.

**DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES** (continued)**(B) Interests in shares of associated corporations of the Company**

Long positions in shares of Coastal International Holdings Limited (the holding company of the Company)

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



DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

(B) Interests in shares of associated corporations of the Company (continued)

Notes:

- (a) 497,600,000 shares are beneficially owned by Coastal International Holdings Limited ("CIH") of which the issued voting share capital is held as to 20% by Chan Boon Teong, 35% by Jiang Ming, 12% by Tao Lin, 5% by Cheng Wing Bor, 3% by Lin Chen Hsin, 25% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Jiang Ming). These 497,600,000 shares represent an aggregate of approximately 22.49% of the issued share capital of the Company.
- (b) 46,080,000 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 46,080,000 shares represent an aggregate of approximately 2.08% 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 21.88% of the issued share capital of the Company.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option schemes" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.



SHARE OPTION SCHEMES

On 20th September, 1997, the Company adopted a share option scheme (the "Scheme 1997"). Following the amendments to the Listing Rules regarding share option scheme announced by the Stock Exchange, the Company terminated the Scheme 1997 on 30th August, 2002 and adopted a new share option scheme (the "Scheme 2002") in compliance with the amendments to the Listing Rules on 24th September, 2002 at the Company's annual general meeting. All the outstanding share options granted under the Scheme 1997 prior to its termination shall continue to be valid and exercisable in accordance with the provisions of the Scheme 1997.

The purpose of the Scheme 2002 is to provide incentives or rewards to Participants (as defined in the Scheme 2002, and include the employees and directors of the Company and its subsidiaries) thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. The principal terms of the Scheme 2002 are summarised in appendix II to the Company's circular dated 30th August, 2002 and in note 33 to the financial statements of the Company and the Group for the year ended 31st March, 2006 which are contained in the Company's 2005-2006 annual report.



SHARE OPTION SCHEMES (continued)

The following share options were exercised or outstanding under the Scheme 1997 during the period:

Name or category of participant	At 1st April, 2006	Number of share options			At 30th September, 2006	Date of grant of share options ⁽¹⁾	Exercise period of share options ⁽³⁾	Exercise price of share options ⁽²⁾ HK\$
		Granted during the period	Exercised during the period	Lapsed during the period				
Directors								
Chan Boon Teong	6,400,000	-	-	-	6,400,000	20th May, 2000	1st October, 2000 to 19th September, 2007	0.20
Jiang Ming	6,400,000	-	-	-	6,400,000	20th May, 2000	1st October, 2000 to 19th September, 2007	0.20
Tao Lin	6,400,000	-	-	-	6,400,000	20th May, 2000	1st October, 2000 to 19th September, 2007	0.20
Cheng Wing Bor	6,400,000	-	-	-	6,400,000	20th May, 2000	1st October, 2000 to 19th September, 2007	0.20
Lin Chen Hsin	1,600,000	-	-	-	1,600,000	20th May, 2000	1st October, 2000 to 19th September, 2007	0.20
Other employees								
In aggregate	35,520,000	-	26,400,000	-	9,120,000	20th May, 2000	1st October, 2000 to 19th September, 2007	0.20
	<u>62,720,000</u>	<u>-</u>	<u>26,400,000</u>	<u>-</u>	<u>36,320,000</u>			

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The 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.
- (3) The share options are exercisable in tranches during the period from 1st October, 2000 to 19th September, 2007, as specified in the share option certificates.

At 30th September, 2006, the Company had 36,320,000 share options outstanding under the Scheme 1997. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 36,320,000 additional ordinary shares of the Company and additional share capital of HK\$3,632,000 and share premium of HK\$3,632,000 (before issue expenses).

**SHARE OPTION SCHEMES** (continued)

Up to the date of this report, no options under the Scheme 2002 were granted since its adoption on 24th September, 2002.

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

Apart from the interests of CIH as disclosed in the "Directors' interests in shares and underlying shares" section, the register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th September, 2006, the Company had been notified of the following substantial shareholder's interests, being 5% or more in the issued share capital of the Company:

Name	Nature of interest	Number of ordinary shares	Number of underlying shares in respect of share options	Number of underlying shares in respect of convertible bonds	Percentage of the Company's share capital
Yang Sun Xin	Family (Note)	1,027,890,527	6,400,000	-	46.74
Mellon HBV Master Global Event Driven Fund LP	Corporate	162,500,000	-	97,500,000	11.75
Citadel Equity Fund	Corporate	-	-	443,862,857	20.06

Notes: Yang Sun Xin is the spouse of Jiang Ming (a director of the Company) and deemed to be interested in 1,027,890,527 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 in the "Directors' interests in shares and underlying shares" section, and in the 6,400,000 outstanding share options held by Jiang Ming as disclosed in the "Share option schemes" section.

Save as disclosed above, as at 30th September 2006, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.



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.

By Order of the Board
Chan Boon Teong
Chairman

Hong Kong, 22nd December, 2006