



CGI
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 30 SEPTEMBER 2007

HIGHLIGHTS:

1. Turnover for the period amounted to about HK\$1,503.1 million, an increase of about 682% from the last corresponding period.
2. Before a non-cash charge of HK\$222.5 million (2006: HK\$6.6 million) arising from fair value adjustment for derivative liability component of the convertible bonds issued by the Company, profit attributable to equity holders of the Company is HK\$209.0 million while there was a loss of HK\$22.6 million for the last corresponding period on the same basis.
3. Presale of properties under development as at 30 September 2007 amounted to HK\$1,330 million of which about HK\$1,123 million is generated from development projects which are expected to be completed in the second half of the financial year.
4. Subsequent to the balance sheet date, the Company has issued US\$150 million senior notes due 2012 attached with warrants for ordinary shares of the Company. The net proceeds are used to redeem the senior notes of US\$77.5 million, to finance property development project acquisitions and for general working capital purpose of the Group.

The Board of Directors of Coastal Greenland Limited (the “Company”) herein present the unaudited consolidated income statement of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007 together with the unaudited comparative figures for the last corresponding period and the unaudited consolidated balance sheet of the Group as at 30 September 2007 together with the audited comparative figures as at 31 March 2007. The interim report for the six months ended 30 September 2007 has been reviewed by the Company’s Audit Committee and the Company’s external auditors, Deloitte Touche Tohmatsu.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

		Six months ended 30 September	
		2007 (unaudited) <i>HK\$'000</i>	2006 (unaudited) (restated) <i>HK\$'000</i>
	<i>Notes</i>		
Revenue	3	1,503,071	192,116
Cost of sales		(1,078,826)	(154,006)
Gross profit		424,245	38,110
Increase in fair value of investment properties		14,745	–
Gain on disposal of property based subsidiaries		38,962	–
Other income	4	28,076	13,234
Marketing and selling costs		(32,666)	(1,239)
Administrative expenses		(61,296)	(42,773)
Fair value loss on derivative liability component of convertible bonds		(222,503)	(6,550)
Fair value loss on currency swap contract		(30,973)	–
Other expenses		(30,089)	(8,245)
Finance costs	5	(17,747)	(22,350)
Share of loss of associates		(1,246)	–
Profit (loss) before taxation		109,508	(29,813)
Taxation	6	(119,959)	(27)
Loss for the period	7	<u>(10,451)</u>	<u>(29,840)</u>
Attributable to:			
Equity holders of the Company		(13,541)	(29,202)
Minority interests		3,090	(638)
		<u>(10,451)</u>	<u>(29,840)</u>
Dividends			
Final dividend paid		<u>27,906</u>	<u>22,129</u>
Interim dividend proposed	8	<u>–</u>	<u>23,155</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	9		
Basic		<u>(0.54)</u>	<u>(1.38)</u>

CONSOLIDATED BALANCE SHEET

At 30 September 2007

		30 September 2007 (unaudited) HK\$'000	31 March 2007 (audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		92,908	88,327
Investment properties		481,339	507,321
Prepaid land lease payments		91,261	91,520
Goodwill		68,156	67,643
Interests in associates		177,369	114,027
Available-for-sale investments		2,960	3,047
Pledged bank deposits		–	152,166
		<hr/>	<hr/>
Total non-current assets		913,993	1,024,051
		<hr/>	<hr/>
CURRENT ASSETS			
Properties under development		5,542,604	6,726,632
Completed properties for sale		1,236,349	427,547
Trade receivables	<i>10</i>	409,345	148,249
Prepayments, deposits and other receivables		1,001,219	707,905
Amounts due from jointly-controlled entities		21,059	10,425
Amounts due from associates		57,010	–
Tax recoverable		2,173	4,624
Pledged bank deposits		133,431	219,339
Cash and bank balances		1,140,734	952,749
		<hr/>	<hr/>
Total current assets		9,543,924	9,197,470
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	<i>11</i>	105,172	74,122
Deposits received and deferred revenue		1,273,444	1,085,906
Other payables and accruals		1,111,094	1,211,807
Amount due to a substantial shareholder of the Company		10,798	12,070
Amounts due to jointly-controlled entities		8,755	–
Tax payable		349,491	206,878
Interest-bearing bank and other borrowings		2,228,458	764,336
Derivative liability component of convertible bonds		–	154,839
Derivative financial liabilities		30,973	–
		<hr/>	<hr/>
Total current liabilities		5,118,185	3,509,958
		<hr/>	<hr/>
NET CURRENT ASSETS		4,425,739	5,687,512
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,339,732	6,711,563
		<hr/> <hr/>	<hr/> <hr/>

	30 September 2007 (unaudited) HK\$'000	31 March 2007 (audited) HK\$'000
CAPITAL AND RESERVES		
Share capital	279,058	231,552
Reserves	2,396,382	1,721,941
Proposed dividend	–	27,594
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	2,675,440	1,981,087
Minority interests	414,159	430,929
	<hr/>	<hr/>
Total equity	3,089,599	2,412,016
	<hr/>	<hr/>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,470,373	3,359,250
Long term payables	104,066	230,278
Deferred tax liabilities	675,694	710,019
	<hr/>	<hr/>
Total non-current liabilities	2,250,133	4,299,547
	<hr/>	<hr/>
	5,339,732	6,711,563
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NOTES

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2007.

In the current interim period, the Group has applied, for the first time, a number of new standards, an amendment and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 April 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

Potential impact arising on the new accounting standards not yet effective

The Group has not early adopted the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 12	Service Concession Arrangements ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

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

² Effective for annual periods beginning on or after 1 January 2008

³ Effective for annual periods beginning on or after 1 July 2008

3. SEGMENT INFORMATION

The Group's revenue and results were substantially derived from operations in the mainland of the People's Republic of China (the "PRC"). The following is an analysis of the Group's revenue and results by business segment for the period under review:

	Property development		Property investment		Property management		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2007	2006	2007	2006	2007	2006	2007	2006
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>1,498,533</u>	<u>187,028</u>	<u>3,070</u>	<u>3,156</u>	<u>1,468</u>	<u>1,932</u>	<u>1,503,071</u>	<u>192,116</u>
Segment results	<u>350,778</u>	<u>9,883</u>	<u>14,224</u>	<u>1,979</u>	<u>487</u>	<u>397</u>	<u>365,489</u>	<u>12,259</u>
Unallocated corporate expenses							(27,035)	(17,901)
Gain on disposal of property based subsidiaries							38,962	-
Fair value loss on derivative liability component of convertible bonds							(222,503)	(6,550)
Fair value loss on currency swap contract							(30,973)	-
Interest income							4,561	4,729
Finance costs							(17,747)	(22,350)
Share of loss of associates							(1,246)	-
Profit (loss) before taxation							109,508	(29,813)
Taxation							(119,959)	(27)
Loss for the period							<u>(10,451)</u>	<u>(29,840)</u>

4. OTHER INCOME

	Six months ended 30 September	
	2007	2006
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Service income (Note)	17,016	-
Interest income	4,561	4,729
Bad debts recovered	-	1,479
Others	6,499	7,026
	<u>28,076</u>	<u>13,234</u>

Note:

Service income for the period represents the amount received for providing levelling and clearance services for a parcel of land jointly developed by the Group and the PRC government.

5. FINANCE COSTS

	Six months ended 30 September	
	2007 (unaudited)	2006 (unaudited) (restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	74,883	61,081
Interest on other loans wholly repayable within five years	38,081	21,583
Interest on other loans not wholly repayable within five years	637	–
Interest on senior notes	35,929	36,223
Interest on convertible bonds	19,754	14,138
Imputed interest expense	19,512	25,599
	<u>188,796</u>	<u>158,624</u>
Less: Amounts capitalised in properties under development	(171,049)	(136,274)
	<u><u>17,747</u></u>	<u><u>22,350</u></u>

6. TAXATION

	Six months ended 30 September	
	2007 (unaudited)	2006 (unaudited) (restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC Enterprise Income Tax		
Provision for the period	151,598	4,546
Overprovision in prior years	(11,465)	(11,475)
PRC land appreciation tax (“LAT”)	29,457	–
Deferred tax		
Current period	88,482	6,956
Attributable to change in tax rate	(138,113)	–
	<u>119,959</u>	<u>27</u>
Total tax charge for the period	<u><u>119,959</u></u>	<u><u>27</u></u>

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits for both periods.

The Group’s income tax expense represents tax charges on the assessable profits of subsidiaries and jointly-controlled entities operating in the PRC calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group’s subsidiaries enjoy reductions and preferential tax rates.

Pursuant to the PRC Enterprise Income Tax law and its detailed implementation rules promulgated on 16 March 2007 and 11 December 2007 respectively, for those subsidiaries without preferential tax rates, the new tax rate for domestic and foreign enterprises is unified at 25% and will be effective from 1 January 2008 and for those subsidiaries enjoying a preferential tax rate of 15%, the new tax rate will increase from 15% over 5 years to 25% as a result of the grandfathering provisions. Deferred tax is recognised based on the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

At 30 September 2006, the Group recognised provisional LAT paid, calculated according to certain rates (varying from 0.5% to 3%) of sales amounts assessed by local tax bureaux. Full provision for LAT was not made in the interim condensed consolidated financial statements. However, for the financial year ended 31 March 2007 and thereafter, the Group has provided for LAT in full in the financial statements in accordance with the requirements of The State Administration of Taxation of the PRC.

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended	
	30 September	
	2007	2006
	(unaudited)	(unaudited)
		(restated)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	3,527	1,572
Less: Amounts capitalised in properties under development	<u>(1,143)</u>	<u>(886)</u>
	2,384	686
Amortisation of prepaid land lease payments	2,138	311
Net foreign exchange differences	<u>(445)</u>	<u>6</u>

8. INTERIM DIVIDEND PROPOSED

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: HK1 cent per share).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to equity holders of the Company of HK\$13,541,000 (2006: HK\$29,202,000 (restated)) and on the weighted average of 2,491,782,295 (2006: 2,120,657,213) ordinary shares.

No diluted loss per share for both periods is presented as the exercise of the potential dilutive ordinary shares would result in a reduction in loss per share for both periods.

10. TRADE RECEIVABLES

Except for the proceeds from sales of properties and rental income from lease of properties which are payable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

The following is an aged analysis of trade receivables net of allowance for bad and doubtful debts at the balance sheet date based on contract date:

	30 September	31 March
	2007	2007
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	139,009	75,688
31 – 60 days	153,594	52,268
61 – 90 days	31,139	10,241
Over 90 days	<u>85,603</u>	<u>10,052</u>
	409,345	148,249

11. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date based on invoice date:

	30 September 2007 (unaudited) HK\$'000	31 March 2007 (audited) HK\$'000
0 – 30 days	11,037	18,394
31 – 60 days	1,486	445
61 – 90 days	207	416
Over 90 days	92,442	54,867
	<hr/> 105,172 <hr/>	<hr/> 74,122 <hr/>

12. COMPARATIVE FIGURES

In the unaudited condensed consolidated financial statements for the six months ended 30 September 2006, an amount of HK\$106 million was recorded in the consolidated income statement as negative goodwill on acquisition of subsidiaries. In addition, an acquisition of an additional interest in a property based jointly-controlled entity was not recognised in the consolidated balance sheet. In preparing the consolidated financial statements of the Group for the year ended 31 March 2007, the fair values of the property based subsidiaries acquired were reassessed and as a result the negative goodwill on acquisition was eliminated. In addition, the acquisition of the additional interest in the property based jointly-controlled entity, which had no material impact on the consolidated income statement for the six months ended 30 September 2006, has been accounted for since the effective date of acquisition which was during the period ended 30 September 2006. Accordingly, the comparative amounts for the period ended 30 September 2006 have been restated.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: HK1 cent per share).

BUSINESS REVIEW

Results of Operations

For the first half financial year, the Group has recorded a revenue of HK\$1,503.1 million, an increase of about 682% as compared to HK\$192.1 million for the corresponding period of last year. Profit before taxation amounted to HK\$109.5 million while there was loss before taxation of HK\$29.8 million (restated) for last period. Loss attributable to the equity holders of the Company was reduced to HK\$13.5 million from the last corresponding period's loss of HK\$29.2 million (restated), after a non-cash charge of HK\$222.5 million (2006: HK\$6.6 million) arising from fair value adjustment for derivative liability component of the convertible bonds issued by the Company as a result of the increase in the share price of the Company's shares during the period. Before such a charge, profit attributable to equity holders of the Company is HK\$209.0 million while there was a loss of HK\$22.6 million (restated) for the last corresponding period on the same basis.

As at 30 September 2007, the Group has generated a total sales revenue of HK\$1,330 million from presale of its properties under development, namely Phases V and VII of Beijing Silo City, Phase IIB of Beijing Sunvilla Realhouse, Phase IB of Dongguan Riviera Villa and Phase III of Jiangxi Riviera Garden, which will be wholly attributable to the Group. About HK\$1,123 million of the presale revenue is from development projects which are expected to be completed in the second half of the financial year.

Property Development

For the current period, revenue from sale of properties increased significantly to HK\$1,498.5 million which mainly came from the sale and completion of four development projects, namely Phase III of Beijing Silo City, Phase I of Shanghai Riviera Garden, Phase IA of Dongguan Riviera Villa and Phase IA of Wuhan Silo City which respectively accounted for about 35.8%, 20.4%, 19.1% and 18.4% of the revenue of property sale. The remaining 6.3% was derived from sales of remaining inventory of the Group's completed development projects such as Phase II of Jiangxi Riviera Garden and certain commercial area and car park spaces in Xiamen Lu Jiang New City.

The gross floor area of the developments completed during the six months ended 30 September 2007 is approximately 350,400 sq.m. (2006: 46,800 sq.m.)

During the period, the Group disposed of 80% equity interest in Shenyang Hunnan residential development project to a connected party who is the 50% joint venture partner in the Group's Dalian Xinghai Bay Project, resulting in a disposal gain of property based subsidiaries of HK\$39.0 million.

Property Investment

For leasing business, revenue from property rental decreased slightly by about 3% as compared to last corresponding period to about HK\$3.1 million. Rental income for the current period was derived from the properties held by the Group in Shanghai Golden Bridge Mansion and Shenyang Dongbei Furniture and Ornaments Plaza. The recently completed retail shops in Phases I and II of Beijing Silo City with a total gross floor area of about 10,000 square meters have started to contribute rental income in the second half of the year.

The contribution from property investment segment increases significantly to HK\$14.2 million for the current period mainly because of the revaluation surplus of the retail shops in Phases I and II of Beijing Silo City.

Property Management

The Group's property management operations recorded a profit of about HK\$0.5 million as compared to last period's profit of HK\$0.4 million. The Group is committed to provide integrated and value added property management services to foster good relations with tenants and owners and strengthen its brand image.

Gross Profit Margin

The overall gross profit margin achieved for the period is about 28% which is higher than the overall gross profit margin for the last whole financial year's about 24% (see annual report for the year ended 31 March 2007). The improvement was mainly due to better profit margin achieved from the properties completed during the period such as Phase III of Beijing Silo City which had a higher profit margin than the Phases I and II completed in last financial year.

Other Income and Expenses

Other income for the current period mainly came from service income of HK\$17.0 million received from providing levelling and clearance services for a parcel of land jointly developed by the Group and the PRC government in Dujiangyan, the PRC.

Other expenses for the current period mainly represented an interest compensation of HK\$27.2 million for a delay in the handover of completed properties in Phases I and II of Beijing Silo City to the property purchasers.

There was also a fair value loss of HK\$31.0 million on a currency swap contract. The currency swap contract was subsequently unwound upon the repayment of US\$77.5 million senior notes.

Marketing, Selling and Administrative Expenses

Marketing and selling costs increased to HK\$32.7 million from HK\$1.2 million in last period as a result of the increase in the Group's property development and selling activities. Also, marketing and selling costs capitalised in properties under development were stated as marketing and selling costs in the consolidated income statement upon project completion while in last period such costs were included in the cost of properties sold.

Administrative expenses increased to HK\$61.3 million from HK\$42.8 million as a result of the business expansion of the Group. The Group has continued to recruit high-calibre staff to join the management team both at headquarters and project company level. As an incentive and reward to the Group's staff, the Company granted 125,940,000 share options to the directors and employees of the Group during the period and the related share-based payment amounting to HK\$10.3 million has been included in administrative expenses for the current period.

Finance Costs

During the period, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings, including senior notes and convertible bonds) of HK\$188.8 million, representing an increase of about 19% as compared to last period. The increase was mainly due to an overall increase in the average amount of bank and other borrowings for the current period to fund the business expansion including development of ongoing projects and acquisition of new development projects.

Corporate Brand

Coastal Greenland, the corporate brand, has continually been ranked from 2004 to 2007 as amongst the top ten most valuable Chinese real estate company brand by authoritative PRC real estate research team formed by the Development Research Center of the State Council, the Tsinghua University Real Estate Research Center and the China Index Research Team.

FINANCIAL REVIEW

Financial Resources and Liquidity

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

At 30 September 2007, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to about HK\$2,425 million (31 March 2007: HK\$2,799 million). Net debt to total equity ratio, which is expressed as a percentage of net borrowings over total equity of the Group, decreased by about 38% to about 78% from 116% as at 31 March 2007. The improvement in net debt to total equity ratio was mainly due to (i) the conversion of convertible bonds of US\$40 million (equivalent to approximately HK\$311 million) into 443,862,857 ordinary shares of the Company during the period, (ii) significant profits made before the charge of the HK\$222.5 million non-cash fair value loss on the derivative liability component of convertible bonds and (iii) a further issue of shares pursuant to the exercise of the share options granted as detailed in the following paragraph.

The 443,862,857 shares issued pursuant to the conversion of the convertible bonds represent approximately 15.9% of the enlarged issued share capital of the Company and rank pari passu in all respects with the existing issued shares of the Company. During the period, the holders of 31,200,000 share options granted under the share option scheme adopted on 20 September 1997 had exercised the rights attached to the share options whereby 31,200,000 shares of HK\$0.10 each were allotted and issued at an exercise price of HK\$0.20 per share. The 31,200,000 shares represent approximately 1.1% of the enlarged issued share capital of the Company and rank pari passu in all respects with the existing issued shares of the Company.

Subsequent to the balance sheet date, the Company has issued 1,500 units consisting of US\$150 million (equivalent to approximately HK\$1,170 million) principal amount of 12% guaranteed senior notes due 2012 and 111,622,500 warrants for 111,622,500 ordinary shares of HK\$0.10 each in the Company. The net proceeds are used to redeem the senior notes of US\$77.5 million (equivalent to approximately HK\$604.5 million), to finance property development project acquisitions and for general working capital purpose of the Group. Taking into account the issuance of the new senior notes and the redemption of the existing senior notes, the pro forma net debt to total equity ratio would be 97%, a 19% improvement from the 31 March 2007 level of 116%.

Borrowings and Charges

At 30 September 2007, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	30 September 2007 <i>HK\$'000</i>	31 March 2007 <i>HK\$'000</i>
Bank loans repayable:		
Within one year or on demand	1,121,301	559,443
In the second year	760,787	983,706
In the third to fifth years inclusive	322,407	636,630
	<hr/> 2,204,495 <hr/>	<hr/> 2,179,779 <hr/>
Other borrowings (including senior notes and convertible bonds) repayable:		
Within one year or on demand	1,107,157	204,893
In the second year	374,863	1,451,003
In the third to fifth years inclusive	8,414	281,520
Beyond five years	3,902	6,391
	<hr/> 1,494,336 <hr/>	<hr/> 1,943,807 <hr/>
	<hr/> 3,698,831 <hr/>	<hr/> 4,123,586 <hr/>

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

	30 September 2007 <i>HK\$'000</i>	31 March 2007 <i>HK\$'000</i>
Renminbi	3,110,879	3,271,333
United States dollars	587,952	852,253
	<hr/> 3,698,831 <hr/>	<hr/> 4,123,586 <hr/>

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

- (a) Certain of the Group's borrowings as at 30 September 2007 are secured by:
- (i) Certain properties under development of the Group with an aggregate carrying value of approximately HK\$3,843 million (31 March 2007: HK\$4,284 million);
 - (ii) Certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$834 million (31 March 2007: HK\$211 million);
 - (iii) Certain prepaid land lease payments with an aggregate carrying value of approximately HK\$89 million (31 March 2007: HK\$89 million);

- (iv) Certain property, plant and equipment with an aggregate carrying value of approximately HK\$35 million (31 March 2007: HK\$34 million);
 - (v) Certain bank deposits of the Group amounting to approximately HK\$67 million (31 March 2007: HK\$325 million); and
 - (vi) Corporate guarantees from the Company and certain of its subsidiaries.
- (b) Certain other loans are secured by the 85% equity interest in Shanghai Xinhongda Real Estate Ltd., a wholly owned subsidiary of the Company.
- (c) The senior notes (included in other borrowings) 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"). The majority 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 4 April 2006, the Company enter into a currency swap contract with an independent third party financial institution whereby, on 5 August 2008, the Company will pay Renminbi 461,207,500 notional amount (with a fixed interest rate of 6.33% per annum payable semi-annually) and will receive United States dollars 57,500,000 notional amount (with a fixed interest rate 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. The currency swap contract was subsequently unwound upon the repayment of such borrowings.

Contingent Liabilities

At 30 September 2007, the Group had given guarantees to the extent of approximately HK\$1,206 million (31 March 2007: HK\$890 million) 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. The Group had also given guarantees amounting to approximately HK\$176 million (31 March 2007: HK\$23 million) to banks in connection with facilities granted to associates.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 1,890 employees in the mainland China and Hong Kong. Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage, housing allowances and share options.

PROSPECTS

The implementation of various macro economic measures, such as tightening of credit by the PRC central government and 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, 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 PRACTICES

The Company is committed to high standards of corporate governance. The Company has complied throughout the six months ended 30 September 2007 with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors of the Company, the directors confirmed that they have complied with the required standard as set out in the Model Code throughout 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 30 September 2007.

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 a general review of the unaudited interim financial report for the six months ended 30 September 2007.

REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2007 have been reviewed by the Company’s external auditor, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM 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 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, 27 December 2007

As at the date of this announcement, the board of Directors comprises Mr. Chan Boon Teong, Mr. Jiang Ming, Mr. Tao Lin, Mr. Cheng Wing Bor, Mr. Lin Chen Hsin, Mr. Wu Xin and Mr. Xin Xiangdong as executive Directors, Mr. Zheng Hong Qing, Mr. Oliver P. Weisberg, Mr. Hu Aimin, Mr. Zhang Yijun and Mr. Zhang Huaqiao as non-executive Directors and Mr. Tang Lap Yan, Mr. Law Kin Ho and Mr. Wong Kai Cheong as independent non-executive Directors.