COASTAL GREENLAND LIMITED

沿海綠色家園有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 01124)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

HIGHLIGHTS:

1. Revenue for the period amounted to HK$1,280.1 million, an increase of approximately 7% from the corresponding period in 2012.

2. Profit attributable to the owners of the Company was HK$34.2 million, a decrease of HK$51.8 million or 60% from the corresponding period in 2012.

3. Total comprehensive income attributable to owners of the Company was HK$160.5 million, an increase of approximately 210% from the corresponding period in 2012.

The Board of Directors (the "Board") of Coastal Greenland Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2013 together with the comparative figures for the corresponding period in 2012. The interim financial report for the six months ended 30 September 2013 has been reviewed by the Company's Audit Committee and the Company's external auditor, Messrs. Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September 2013

		Six months ended 30 September	
		2013	2012
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**1,280,123**	1,197,840
Cost of sales		**(973,218)**	(831,945)
Gross profit		**306,905**	365,895
Decrease in fair value of investment properties		**–**	(300,325)
Other income and gains	*4*	**95,284**	137,233
Marketing and selling expenses		**(48,676)**	(61,749)
Administrative expenses		**(142,136)**	(111,580)
Other expenses		**(41,790)**	(127,419)
Finance costs	*5*	**(210,869)**	(190,429)
Gain on disposal of a property-based subsidiary		**184,010**	–
Share of (loss) profit of associates		**(6,406)**	758
Share of loss of joint ventures		**(4,586)**	–
Gain on disposal of an associate		**–**	377,423
Profit before taxation		**131,736**	89,807
Taxation	*6*	**(98,892)**	(8,340)
Profit for the period	*7*	**32,844**	81,467
Other comprehensive income (expense)			
Item that will not be subsequently reclassified to profit or loss			
Exchange differences arising on translation to presentation currency		**128,691**	(35,242)
Total comprehensive income for the period		**161,535**	46,225
Profit (loss) for the period attributable to:			
Owners of the Company		**34,168**	85,987
Non-controlling interests		**(1,324)**	(4,520)
		32,844	81,467
Total comprehensive income (expense) attributable to:			
Owners of the Company		**160,529**	51,760
Non-controlling interests		**1,006**	(5,535)
		161,535	46,225
		HK cents	*HK cents*
Earnings per share	*8*		
Basic		**1.22**	3.08
Diluted		**N/A**	3.08

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2013

	Notes	30 September 2013 (unaudited) HK$'000	31 March 2013 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**248,620**	251,068
Investment properties		**230,416**	226,222
Prepaid land lease payments		**54,938**	54,641
Loan receivable		**378,372**	–
Interests in associates		**173,099**	178,124
Interests in joint ventures		**334,824**	159,897
Amount due from an associate		**245,729**	240,087
Amount due from a joint venture		**149,603**	123,828
Available-for-sale investments		**178,525**	175,329
Total non-current assets		**1,994,126**	1,409,196
CURRENT ASSETS			
Properties under development		**8,095,469**	6,865,152
Completed properties for sale		**1,450,102**	1,376,209
Trade receivables	9	**34,414**	37,755
Prepayments, deposits and other receivables		**2,065,981**	2,763,480
Amounts due from associates		**171,414**	155,360
Amounts due from joint ventures		**713,725**	75,535
Amount due from a customer for contract work		**40,574**	–
Held-for-trading investments		**25,700**	22,306
Prepaid income tax		**24,536**	4,481
Pledged bank deposits		**1,149,515**	831,631
Cash and bank balances		**1,560,708**	1,793,085
		15,332,138	13,924,994
Assets classified as held for sale		**–**	674,722
Total current assets		**15,332,138**	14,599,716
CURRENT LIABILITIES			
Trade payables	10	**436,656**	465,666
Deposits received from pre-sales of properties		**1,534,845**	1,362,164
Other payables and accruals		**1,192,937**	1,431,708
Amount due to a customer for contract work		**–**	14,351
Amount due to a substantial shareholder of the Company		**3,681**	16,638
Tax payable		**1,069,663**	1,439,737
Interest-bearing bank and other borrowings		**2,655,540**	1,062,761
		6,893,322	5,793,025
Liabilities classified as held for sale		**–**	557,891
Total current liabilities		**6,893,322**	6,350,916
NET CURRENT ASSETS		**8,438,816**	8,248,800
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,432,942**	9,657,996

	30 September 2013 (unaudited) *HK$'000*	31 March 2013 (audited) *HK$'000*
CAPITAL AND RESERVES		
Share capital	**279,058**	279,058
Reserves	**4,306,441**	4,145,912
Equity attributable to owners of the Company	**4,585,499**	4,424,970
Non-controlling interests	**90,656**	80,036
Total equity	**4,676,155**	4,505,006
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**5,356,208**	4,735,904
Deferred tax liabilities	**400,579**	417,086
Total non-current liabilities	**5,756,787**	5,152,990
	10,432,942	9,657,996

NOTES

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013.

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

- Amendments to HKFRSs — *Annual Improvements to HKFRSs 2009 – 2011 Cycle except for the amendments to HKAS 1*
- Amendments to HKFRS 7 — *Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance*
- HKFRS 10 — *Consolidated Financial Statements*

- HKFRS 11 *Joint Arrangements*
- HKFRS 12 *Disclosure of Interests in Other Entities*
- HKFRS 13 *Fair Value Measurement*
- HKAS 19 (as revised in 2011) *Employee Benefits*
- HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*
- Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*
- HK(IFRIC) – Int 20 *Stripping Costs in the Production Phase of a Surface Mine*

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

HKFRS 10 "Consolidated Financial Statements"

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and Separate Financial Statements" relating to the preparation of consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not have any material impact on the financial position and the financial result of the Group.

HKFRS 11 "Joint Arrangements"

HKFRS 11, which replaces HKAS 31 "Interests in Joint Ventures", divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's condensed consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

HKFRS 13 "Fair Value Measurement"

HKFRS 13 replaces existing guidance in individual standards with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the condensed consolidated financial statements. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". In addition, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 "Interim Financial Reporting"

The Group has applied the amendments to HKAS 34 "Interim Financial Reporting" as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since there is no material change from the amounts disclosed in the Group's last annual financial statements for any reportable segment, the Group has not included total asset and liability information as part of segment information.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Operating segments are identified on the basis of internal report about components of the Group that are regularly reviewed by the Board of Directors of the Company, being the chief operating decision maker (the "CODM") in order to allocate resources to segments and to assess their performance. During the six months ended 30 September 2013, the Group identified a new operating segment – project investment services in relation to its investment in property development/land development projects and subsequent sale of the whole or a partial of the equity interests in such projects which are usually transacted in the form of the acquisition and disposal of property-based entities in the People's Republic of China (the "PRC"). Summary details of the Group's reportable and operating segments are as follows:

(a) the property development segment engages in the development of properties for sale in the PRC;

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

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

(d) the project management and construction segment engages in the provision of project management and construction services in the PRC; and

(e) the project investment services segment engages in the investment in and sale of property development/land development projects in the PRC.

Segment revenue and results

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

	Property development Six months ended 30 September		Property investment Six months ended 30 September		Property management Six months ended 30 September		Project management and construction Six months ended 30 September		Project investment services Six months ended 30 September		Total Six months ended 30 September		Elimination Six months ended 30 September		Consolidated Six months ended 30 September	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***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	**1,081,173**	1,192,381	**304**	1,762	**3,815**	3,697	**194,831**	–	**–**	–	**1,280,123**	1,197,840	**–**	–	**1,280,123**	1,197,840
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**131,550**	–	**–**	–	**131,550**	–	**(131,550)**	–	**–**	–
Total	**1,081,173**	1,192,381	**304**	1,762	**3,815**	3,697	**326,381**	–	**–**	–	**1,411,673**	1,197,840	**(131,550)**	–	**1,280,123**	1,197,840
Segment profits (losses)	**172,195**	211,041	**(209)**	(299,169)	**3,614**	2,981	**40,052**	–	**184,010**	–	**399,662**	(85,147)	**(14,258)**	–	**385,404**	(85,147)
Income from hotel operation															**–**	50,472
Expenses of hotel operation															**–**	(57,258)
Net foreign exchange gains (losses)															**3,301**	(8,072)
Interest income															**1,657**	26,692
Finance costs															**(210,869)**	(190,429)
Share of (loss) profit of associates															**(6,406)**	758
Share of loss of joint ventures															**(4,586)**	–
Gain on disposal of an associate															**–**	377,423
Other net unallocated expenses															**(36,765)**	(24,632)
Profit before taxation															**131,736**	89,807

Inter-segment revenue is charged at amounts agreed amongst the transacting segment parties.

Segment results represents the profit before taxation made by each reportable segment without allocation of income and expenses of the Group's head office and hotel operation, net foreign exchange differences, interest income, finance costs, share of results of associates, share of results of joint ventures and gain on disposal of an associate. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

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

4. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest income from banks	**1,657**	26,692
Income from hotel operation *(note a)*	**–**	50,472
Net foreign exchange gains	**3,301**	–
Project management fee income from associates	**–**	11,750
Subsidies from the local government	**675**	20,364
Reversal of provision for legal claims *(note b)*	**71,644**	–
Others	**18,007**	27,955
	95,284	137,233

Notes:

(a) The Group regarded the hotel operation as incidental to its main revenue-generating activities and accordingly, income from hotel operation generated during the six months ended 30 September 2012 was not regarded as revenue. Accordingly, expenses incurred for hotel operation in the same period were included in other expenses.

(b) During the period ended 30 September 2013, the legal claims have been settled based on the finalisation of the amount claimed and the type of properties compensated to the plaintiffs under the litigation.

5. FINANCE COSTS

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**105,657**	62,514
Interest on bank loans not wholly repayable within five years	**–**	34,394
Interest on other loans wholly repayable within five years	**286,736**	54,260
Interest on senior notes	**–**	77,691
	392,393	228,859
Less: Amounts capitalised in properties under development	**(181,524)**	(38,430)
	210,869	190,429

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

6. TAXATION

	Six months ended 30 September 2013 (unaudited) HK$'000	2012 (unaudited) HK$'000
Current tax:		
PRC Enterprise Income Tax ("EIT")		
Provision for the period	**71,230**	126,089
PRC Land Appreciation Tax ("LAT")	**51,821**	69,432
	123,051	195,521
Deferred tax *(Note)*		
PRC LAT	**(1,937)**	(85,466)
Other	**(22,222)**	(101,715)
	(24,159)	(187,181)
Total tax charge for the period	**98,892**	8,340

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

The Group's income tax expense represents tax charges on the assessable profits of subsidiaries operating in the PRC calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory tax rate of the Company's PRC subsidiaries is 25% from 1 January 2008 onwards.

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Note: The deferred tax credit recognised during the six months ended 30 September 2013 and 30 September 2012 mainly resulted from the combined effect relating to (i) release of deferred tax liabilities arising from the reversal of temporary differences relating to fair value adjustments to the carrying amounts of properties under development at the time of acquisition of property holding subsidiaries under business combination. Such deferred tax liabilities were released upon the sale of properties by those subsidiaries; (ii) release of deferred tax liabilities arising from the decrease in fair value of investment properties; and (iii) recognition of deferred tax liabilities arising from unrealised gain on disposal of an associate.

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 September 2013 (unaudited) HK$'000	2012 (unaudited) HK$'000
Depreciation of land and hotel property and other assets for hotel operation (included in "other expenses"#)	**–**	23,397
Depreciation of other property, plant and equipment	**2,152**	6,400
Less: Amounts capitalised in properties under development	**(1,954)**	(2,164)
	198	27,633
Amortisation of prepaid land lease payments	**712**	697
Net exchange (gain) losses	**(3,301)**	8,072
Loss on disposal of properties, plant and equipment	**929**	84
Impairment loss of other receivables (included in "other expenses")	**5,281**	5,333
Impairment loss on completed properties for sale (included in "other expenses") *(Note)*	**–**	33,137
Interest compensation for late handover of completed properties (included in "other expenses"#)	**12,694**	–

\# During the six months ended 30 September 2012, "other expenses" in the condensed consolidated statement of comprehensive income included depreciation and other expenses incurred for hotel operation amounting to HK$57,258,000 in aggregate.

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

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK$34,168,000 (2012: HK$85,987,000) and the number of 2,790,582,857 (2012: 2,790,582,857) ordinary shares in issue.

The Company has no potential ordinary share outstanding during the six months ended 30 September 2013. Accordingly, no diluted earnings per share information is presented.

The calculation of diluted earnings per share for the six months ended 30 September 2012 did not assume the exercise of the Company's options and warrants as the exercise prices of the options and warrants were higher than the average market price of the Company's shares for the period and therefore anti-dilutive to the earnings per share.

9. TRADE RECEIVABLES

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

An aged analysis of trade receivables as at the end of the reporting period based on invoice date, which approximate revenue recognition date, net of allowance for bad and doubtful debts, is as follows:

	30 September 2013 (unaudited) *HK$'000*	31 March 2013 (audited) *HK$'000*
0 – 30 days	**1,683**	7,923
31 – 60 days	**838**	1,123
61 – 90 days	**283**	118
Over 90 days	**31,610**	28,591
	34,414	37,755

10. TRADE PAYABLES

An aged analysis of trade payables as at the end of the reporting period based on invoice date is as follows:

	30 September 2013 (unaudited) *HK$'000*	31 March 2013 (audited) *HK$'000*
0 – 30 days	**122,834**	218,424
31 – 60 days	**33,258**	39,730
61 – 90 days	**86,125**	54,660
Over 90 days	**194,439**	152,852
	436,656	465,666

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2013 (2012: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the first half of the financial year, the Group has recorded a revenue of HK$1,280.1 million, an increase of approximately 7% as compared to the HK$1,197.8 million for the corresponding period in 2012. This increase was mainly attributable to the project management and construction service revenue of HK$194.8 million. The Group commenced this operating segment in the second half of last year.

Profit before taxation for the period was HK$131.7 million, an increase of approximately 47% from the corresponding period in 2012. Profit for the period attributable to owners of the Company was HK$34.2 million, a decrease of approximately 60% from the corresponding period in 2012.

Property Development

During the period under review, the recognised revenue from property development segment was HK$1,081.2 million, a decrease from HK$1,192.4 million or approximately 9% from the corresponding period in 2012, whereas total GFA delivered by the Group increased to 145,161 sq.m. from 86,538 sq.m. in 2012. The property revenue for the period mainly came from the sale of Phase II section B1 of Dalian Jianzhu Project, Phase III of Anshan Wisdom New City, Phase IV of Dongguan Riviera Villa, Phase I of Dalian Coastal International Centre and Phase V section AB of Wuhan Silo City which respectively represented approximately 58%, 10%, 6%, 5% and 5% of the total property revenue. The remaining 16% was derived from sale of the prior phases of completed development projects.

During the period, the Group recorded contracted revenue of HK$1,554 million and a total GFA of 170,158 sq.m., versus contracted revenue of HK$1,958 million and a total GFA of 177,775 sq.m. for the corresponding period in 2012.

As at 30 September 2013, the Group has generated a total revenue of HK$1,509 million from pre-sale of its properties under development with a total GFA of 168,172 sq.m., contributing mainly from Phase IV western sections A1 and A2 of Beijing Silo City, Phase VI of Dongguan Riviera Villa, Phase VI section A of Wuhan Silo City and Phase II section B2 of Dalian Jianzhu Project which are expected to be completed and delivered in the coming two years.

Property Investment

Revenue from property rental decreased by approximately 83% to HK$0.3 million from HK$1.8 million for the corresponding period in 2012. Rental income for the period mainly derived from retail shops in Beijing Silo City. The decrease was mainly due to the disposal of certain retail shops in Beijing Silo City towards the end of the second half of last year.

The loss for the property investment segment was HK$0.2 million whereas the loss for the corresponding period was HK$299.2 million, which was mainly caused by a revaluation deficit of HK$300.3 million.

Property Management

The Group's property management operation recorded a profit of HK$3.6 million for the period as compared to HK$3.0 million for the corresponding period in 2012. The Group is committed to providing integrated and value-added property management services to foster good relations with tenants and owners and strengthen its brand image.

Project Management and Construction Service

In the second half of last year, the Group established project management and construction as one of its operating segments. Revenue and profit generated by this segment were HK$194.8 million and HK$40.1 million respectively.

Under the current business strategy, the Group will continue to devote efforts and resources in order to boost the business of this segment.

Project Investment Services

In recent years, the Group has been searching for co-investment opportunities in the development projects such that it can enlarge its property portfolio without escalating its financial burden.

During the period, the Group has established a new operating segment – project investment services in relation to its investment in property development/land development projects and subsequent sale of the whole or a partial of the equity interests in such projects which are usually transacted in the form of the acquisition and disposal of property-based entities in the PRC.

During the period under review, the Group generated a profit of about HK$184.0 million from the operations of this segment. See the details in the following paragraph headed "Gain on disposal of a property-based subsidiary".

Gross Profit Margin

The gross profit margin for the current period deteriorated to 24% from 30% for the same period in 2012. The decrease was mainly due to a lower selling price during the period and the increased proportion for the revenue of the relative low-profit-margin project management and construction service to the total revenue.

The gross profit margin for the current period was the same as the whole financial year of 2012.

Other Income and Gains

Other income and gains for the current period was HK$95.3 million as compared to HK$137.2 million for the corresponding period in 2012. Other income for the period mainly represented the reversal of provision of legal claims of HK$71.6 million (2012: nil), the interest income from banks of HK$1.7 million (2012: HK$26.7 million), subsidies from the local government of HK$0.7 million (2012: HK$20.4 million) and the net foreign exchange gain of HK$3.3 million (2012: nil) on translation of the Company's United States dollar denominated debts into the Company's functional currency, Renminbi. Included in the last period's other income was the income of HK$50.5 million from hotel operation of Marriott hotel at Suzhou Coastal International Centre which was disposed of in the second half of last year.

Marketing, Selling and Administrative Expenses

Marketing and selling expenses decreased to HK$48.7 million from HK$61.7 million as a result of the decrease in the Group's selling activities. The contracted revenue for the period decreased to HK$1,554 million from HK$1,958 million for the corresponding period in 2012.

Administrative expenses for the period was HK$142.1 million as compared to HK$111.6 million for the corresponding period in 2012. The increase was attributable to increase in staff costs. The Group will continue to implement cost control measures so as to enhance its operational efficiency and competitiveness.

Other Expenses

Other expenses for the period decreased to HK$41.8 million from HK$127.4 million for the corresponding period in 2012. Other expenses mainly represented the interest compensation of HK$12.7 million (2012: nil) for a delay in the handover of certain completed properties to the purchasers, other compensation of HK$8.0 million (2012: HK$1.4 million) to the property purchasers, and impairment loss recognised on trade and other receivables of HK$5.3 million (2012: nil). Included in the last period's other expenses were depreciation provided for and hotel operation expenses of Marriott hotel in Suzhou amounting to HK$57.3 million which was disposed of in the second half of last year and impairment loss on completed properties for sale of HK$33.1 million.

Finance Costs

During the period, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings) of HK$392.4 million, representing an increase of approximately 71% as compared to the HK$228.9 million incurred for last period. Interest expenses charged to profit or loss for the period were HK$210.9 million as compared to last period's HK$190.4 million. The increase was mainly attributable to an overall increase in the average level of bank and other borrowings as compared to last period.

Gain on disposal of a property-based subsidiary

In March 2013, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 60% equity interest in a subsidiary, which holds a piece of land in the PRC, for a cash consideration of RMB280.0 million (equivalent to HK$353.1 million). The disposal was completed during the period and realised a profit of about HK$184.0 million.

Gain on disposal of an associate

During the corresponding period in 2012, the Group entered into a sale and purchase agreement to dispose of 20.05% interest in Shanghai Fenghwa Group Co., Ltd. ("Shanghai Fenghwa") to a third party for a total consideration of RMB452.4 million (equivalent to approximately HK$553.2 million). The Group realised a profit of HK$377.4 million in 2012.

Corporate Brand

Coastal Greenland, the corporate brand, had been ranked among the top ten most valuable Chinese real estate company brands for the ten consecutive years between 2004 and 2013 by an authoritative PRC real estate research team formed by the Development Research Center of the State Council, the Tsinghua University Real Estate Research Center and the China Index Research Team.

FINANCIAL REVIEW

Financial Resources and Liquidity

The Group's principal source of fund is the cashflow generated from property sales and leasings, and provision of project management and construction services and project investment services supplemented by bank and other borrowings.

At 30 September 2013, the Group's cash and bank deposits amounted to approximately HK$2,710.2 million (31 March 2013: HK$2,624.7 million). An analysis by currency denomination of the cash and bank deposits is as follows:

	30 September 2013	31 March 2013
	HK$'000	*HK$'000*
Renminbi	**2,698,806**	2,202,557
Hong Kong dollar	**2,827**	238,332
United States dollar	**8,590**	183,827
	2,710,223	2,624,716

At 30 September 2013, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to approximately HK$5,301.5 million (31 March 2013: HK$3,173.9 million). Net debt to total equity ratio, which is expressed as a percentage of net borrowings over total equity of the Group, increased from 70% as at 31 March 2013 to 113% as at 30 September 2013. The increase in net debt to total equity ratio was mainly due to the increase in borrowings of the Group at 30 September 2013.

Borrowings and Charges

At 30 September 2013, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	30 September 2013	31 March 2013
	HK$'000	*HK$'000*
Bank loans repayable:		
Within one year	**720,490**	779,335
In the second year	**1,511,300**	92,872
In the third to fifth years inclusive	**1,520,048**	1,979,271
Bank loan that is repayable within one year from the end of the reporting period and contain a repayment on demand clause	**205,889**	119,590
	3,957,727	2,971,068
Other borrowings repayable:		
Within one year	**1,729,161**	163,836
In the second year	**1,908,651**	2,663,761
In the third to fifth year inclusive	**416,209**	–
	4,054,021	2,827,597
	8,011,748	5,798,665

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

	30 September 2013	31 March 2013
	HK$'000	*HK$'000*
Renminbi	**6,755,458**	4,692,571
Hong Kong dollar	**197,490**	119,590
United States dollar	**1,058,800**	986,504
	8,011,748	5,798,665

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

(a) Certain of the Group's bank and other loans as at 30 September 2013 were secured by:

(i) certain land and buildings of the Group with an aggregate carrying value of approximately HK$170 million (31 March 2013: HK$219 million);

(ii) certain bank deposits of the Group with an aggregate carrying value of approximately HK$763 million (31 March 2013: HK$724 million);

(iii) certain properties under development of the Group with an aggregate carrying value of approximately HK$3,443 million (31 March 2013: HK$2,444 million);

(iv) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK$281 million (31 March 2013: nil);

(v) the Group's 100% equity interests in three property-based subsidiaries;

(vi) corporate guarantees from the Company and certain of its subsidiaries; and

(vii) share charge over the entire issued capital of certain wholly-owned subsidiaries of the Group.

Exposure to Fluctuations in Exchange Rates

The Group's operations are principally in the PRC and accordingly a majority part of its income and expenditure is denominated in Renminbi. Renminbi continued to appreciate against Hong Kong dollars and United States dollar. The Group's major assets, mainly property development projects, are located in the PRC and will generate Renminbi revenue to the Group. Except certain bank and other loans which are denominated in United States dollar or Hong Kong dollar, most of the Group's liabilities are denominated in Renminbi. Therefore, the Directors do not foresee that movement in the exchange rates of foreign currencies against Renminbi in the foreseeable future will cause a material adverse impact on the Group's operations.

Contingent Liabilities

At 30 September 2013, the Group had given guarantees to the extent of approximately HK$3,730.1 million (2013: HK$4,043.0 million) to banks in respect of mortgage loan facilities granted to the property purchasers. The Group had also given guarantees amounting to approximately HK$214.4 million (2013: HK$222.9 million) to banks in connection with banking facility granted to the associate, against which a counter-guaranteed was given by the associate to the Group.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of approximately 1,800 employees in the mainland China and Hong Kong. Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage, housing allowances and share options.

PROSPECTS

In the first half of 2013, the government continuously implemented various tightening policies, such as the restrictions on acquisition of commodity houses, the mortgage policy and the additional decree of taxation on property transactions, with a view to regulating and tempering the property market. However, due to robust demand, both the prices and the number of transactions continued to rise despite these austerity measures were in place. Property developers' appetite in the land acquisition remained strong. The Group considers that the property developers will continue to face a challenging environment because of the intense competition and a volatile real estate market.

Notwithstanding the opaque circumstances, the Group is optimistic about the real estate market which is buttressed by the government's macro-economic policy, namely 'stabilizing growth, restructuring the economy and promoting reforms'. Other long term favorable factors include steady economic growth, continuous urbanization growth leading to increasing the number of first-time home-buyers and the middle-class' desire to improve living conditions. The Group will consistently review and evaluate its business strategy in view of the evolving economic and regulatory environment. In recent years, the Group has been searching for co-investment opportunities in the development projects such that it can enlarge its property portfolio without escalating its financial burden. The Group is keen to promote its new business segment of project investment service as well as project management and construction.

The Group has a pre-eminent brand and consummate experience in the property market. It will heed its geographically well-distributed and diversified prominent property portfolio. It will continue to optimizes the land reserves, ameliorate the competitiveness of its products and the project management and construction services. Finally, the Group will strenuously appraise various sources of funding so as to consolidate its financial capability for sustainable development in the foreseeable future.

CORPORATE GOVERNANCE

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

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual for a balance of power and authority. Mr. Jiang Ming is the chairman and managing director of the Company. Mr. Jiang Ming is the founder and a substantial shareholder of the Company and has considerable industry experience. The board of directors of the Company (the "Board") considers that this situation will not impair the balance of power and authority between the Board and the management of the Company. This is because the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals with demonstrated integrity. Further, decisions of the Board are made by way of majority voting. The Board believes that this structure is conductive to strong, prompt response and efficient management and implementation.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Two non-executive directors were unable to attend the annual general meeting of the Company held on 3 September 2013 due to other important engagement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the requirements as set out in the Model Code during the six months ended 30 September 2013.

COMMITTEES

Audit Committee

The Audit Committee was established with specific written terms of reference which were revised in December 2005 to align with the CG Code requirements. The Audit Committee's primary roles are to review the Group's financial reporting process, internal control system and corporate governance issues and to make relevant recommendations to the Board.

All the Audit Committee members are independent non-executive directors. The members of the Committee are Mr. Chen Xiaotian (Committee Chairman), Mr. Wong Kai Cheong and Mr. Yang Jian Gang.

Remuneration Committee

The Remuneration Committee was established with specific written terms of reference. The Remuneration Committee's principal roles are to make recommendations to the Board on the remuneration policy and structure for directors and senior management and to review and determine the specific remuneration packages of all executive directors and senior management.

The Remuneration Committee consists of two independent non-executive directors (including the Committee Chairman) and one executive director. The current members are Mr. Yang Jian Gang (Committee Chairman), Mr. Wong Kai Cheong and Mr. Jiang Ming.

Nomination Committee

The Nomination Committee comprises one executive director, Mr. Jiang Ming (Committee Chairman), and two independent non-executive directors, Mr. Chen Xiaotian and Mr. Wong Kai Cheong. The Nomination Committee is provided with sufficient resources to discharge its duties and can access to independent external professional advice in accordance with the Company's policy if considered necessary.

The primary duties of the Nomination Committee are, inter alias, to review the structure, size and composition of the Board, identify individuals suitably qualified to become Board members, assess the independence of independent non-executive directors and make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors.

Investment Committee

The Investment Committee was established with specific written terms of reference. The Investment Committee's principal roles are to review, pursue and evaluate investment opportunities in property development and investment projects and to approve and execute such investments within the limit as delegated and authorised by the Board from time to time.

The members of the Committee are Mr. Tao Lin (Committee Chairman), Mr. Cai Shaobin and Ms. Wang Hongmei.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2013.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a general review of the unaudited interim financial report for the six months ended 30 September 2013.

REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2013 have been reviewed by the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report of the Company for the six months ended 30 September 2013 containing all the information required by Appendix 16 to the Listing Rules will be published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.coastal.com.cn) in due course.

By Order of the Board
Jiang Ming
Chairman

Hong Kong, 28 November 2013

As at the date of this announcement, the board of Directors comprises Mr. Jiang Ming, Mr. Tao Lin, Mr. Cai Shaobin and Ms. Wang Hongmei as executive Directors, Mr. Lu Jiqiang and Dr. Dai Jingming as non-executive Directors and Mr. Chen Xiaotian, Mr. Wong Kai Cheong and Mr. Yang Jian Gang as independent non-executive Directors.

* *For identification purpose only*