COASTAL 沿海

COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 01124

20 years

Interim Report 2010

CORPORATE INFORMATION

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Suite 1712-16, 17th Floor
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Hong Kong

Tel: (852) 2877 9772
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Principal Registrars

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Registrars in Hong Kong

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Company Website

http://www.coastal.com.cn

Investor Relations Website

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

Executive Directors

Mr. CHAN Boon Teong *(Chairman)*
Mr. JIANG Ming *(Vice Chairman and Managing Director)*
Mr. TAO Lin
Mr. CHENG Wing Bor
Mr. LIN Chen Hsin
Mr. CAI Shaobin
Mr. ZHENG Hong Qing

Non-executive Directors

Mr. GUO Limin
Mr. XU Ruxin

Independent Non-executive Directors

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

Company Secretary

Mr. CHENG Wing Bor FCCA, CPA

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Stock Code

1124

The Board of Directors of Coastal Greenland Limited (the "Company") herein presents the unaudited consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010 together with the unaudited comparative figures for the last corresponding period and the unaudited consolidated statement of financial position of the Group as at 30 September 2010 together with the audited comparative figures as at 31 March 2010. The interim financial report for the six months ended 30 September 2010 has been reviewed by the Company's Audit Committee and the Company's external auditor, Messrs. Deloitte Touche Tohmatsu.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

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

Introduction

We have reviewed the interim financial information set out on pages 5 to 29, which comprises the consolidated statement of financial position of Coastal Greenland Limited (the "Company") and its subsidiaries as of 30 September 2010 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 29 November 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Notes	Six months ended 30 September **2010** **(unaudited)** **HK$'000**	 2009 (unaudited) HK$'000
Revenue	4	**547,865**	1,976,820
Cost of sales		**(455,047)**	(1,610,674)
Gross profit		**92,818**	366,146
Increase in fair value of investment properties		**13,501**	75,387
Fair value gain (loss) on warrants	15	**9,320**	(16,245)
Other income and gains	5	**60,077**	5,919
Marketing and selling costs		**(48,989)**	(109,136)
Administrative expenses		**(71,684)**	(78,711)
Other expenses		**(64,103)**	(3,359)
Finance costs	6	**(92,959)**	(62,467)
Share of loss of associates		**(1,973)**	(2,584)
(Loss) profit before taxation		**(103,992)**	174,950
Taxation	7	**891**	(104,086)
(Loss) profit for the period	8	**(103,101)**	70,864
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**55,816**	19,537
Total comprehensive (expense) income for the period		**(47,285)**	90,401

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the six months ended 30 September 2010

	Note	Six months ended 30 September 2010 (unaudited) HK$'000	2009 (unaudited) HK$'000
(Loss) profit for the period attributable to:			
Owners of the Company		**(102,181)**	80,131
Non-controlling interests		**(920)**	(9,267)
		(103,101)	70,864
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(48,128)**	91,882
Non-controlling interests		**843**	(1,481)
		(47,285)	90,401
		HK cents	HK cents
(Loss) earnings per share	9		
Basic		**(3.66)**	2.87
Diluted		**Not applicable**	2.87

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	Notes	30 September 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**968,337**	975,991
Investment properties	11	**1,747,559**	1,712,070
Prepaid land lease payments		**54,383**	54,056
Goodwill		**84,637**	83,123
Interests in associates		**225,354**	223,285
Available-for-sale investments		**2,960**	2,960
Pledged bank deposits		**988,143**	971,522
Total non-current assets		**4,071,373**	4,023,007
CURRENT ASSETS			
Properties under development		**10,197,539**	7,768,062
Completed properties for sale		**967,295**	952,043
Trade receivables	12	**39,565**	50,872
Prepayments, deposits and other receivables		**954,901**	1,644,218
Amounts due from associates	21(b)(ii)	**28,282**	31,172
Prepaid tax		**86,295**	68,017
Pledged bank deposits		**151,471**	314,153
Cash and bank balances		**2,143,781**	1,898,271
Total current assets		**14,569,129**	12,726,808
CURRENT LIABILITIES			
Trade payables	13	**177,224**	182,193
Deposits received from pre-sales of properties and deferred revenue		**5,768,338**	3,905,288
Other payables and accruals		**1,466,196**	1,707,644
Amount due to a substantial shareholder of the Company	21(b)(i)	**12,535**	17,124
Amount due to a jointly controlled entity	21(b)(ii)	**–**	6,449
Tax payable		**911,383**	934,027
Interest-bearing bank and other borrowings	14	**568,548**	630,461
Derivative financial liability – warrants	15	**9,343**	18,663
Total current liabilities		**8,913,567**	7,401,849
NET CURRENT ASSETS		**5,655,562**	5,324,959
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,726,935**	9,347,966

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 30 September 2010

	Notes	30 September 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000 (restated)
CAPITAL AND RESERVES			
Share capital	16	**279,058**	279,058
Reserves		**3,056,703**	3,100,968
Equity attributable to owners of the Company		**3,335,761**	3,380,026
Non-controlling interests		**64,174**	63,331
Total equity		**3,399,935**	3,443,357
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	**5,591,031**	5,251,045
Long term payable	17	**115,809**	–
Deferred tax liabilities		**620,160**	653,564
Total non-current liabilities		**6,327,000**	5,904,609
		9,726,935	9,347,966

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2010

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Leasehold property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2009 (audited) (originally stated)	279,058	1,126,800	37,560	929	16,075	439,044	9,697	40,204	1,178,397	3,127,764	490,046	3,617,810
Adoption of amendment to HKAS 17 (note 3)	–	–	–	–	5,115	–	–	–	–	5,115	–	5,115
At 1 April 2009 (restated)	279,058	1,126,800	37,560	929	21,190	439,044	9,697	40,204	1,178,397	3,132,879	490,046	3,622,925
Exchange differences arising on translation to presentation currency	–	–	–	–	–	11,751	–	–	–	11,751	7,786	19,537
Profit for the period	–	–	–	–	–	–	–	–	80,131	80,131	(9,267)	70,864
Total comprehensive income (expense) for the period	–	–	–	–	–	11,751	–	–	80,131	91,882	(1,481)	90,401
Recognition of equity-settled share-based payment	–	–	–	–	–	–	–	5,994	–	5,994	–	5,994
Acquisition of property-based subsidiaries (note 18)	–	–	–	–	–	–	–	–	–	–	37,452	37,452
At 30 September 2009 (unaudited)	279,058	1,126,800	37,560	929	21,190	450,795	9,697	46,198	1,258,528	3,230,755	526,017	3,756,772
At 1 April 2010 (audited) (originally stated)	**279,058**	**1,126,800**	**37,560**	**929**	**23,599**	**457,768**	**9,697**	**48,476**	**1,392,010**	**3,375,897**	**63,331**	**3,439,228**
Adoption of amendment to HKAS 17 (note 3)	**–**	**–**	**–**	**–**	**4,129**	**–**	**–**	**–**	**–**	**4,129**	**–**	**4,129**
At 1 April 2010 (restated)	**279,058**	**1,126,800**	**37,560**	**929**	**27,728**	**457,768**	**9,697**	**48,476**	**1,392,010**	**3,380,026**	**63,331**	**3,443,357**
Exchange differences arising on translation to presentation currency	**–**	**–**	**–**	**–**	**–**	**54,053**	**–**	**–**	**–**	**54,053**	**1,763**	**55,816**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(102,181)**	**(102,181)**	**(920)**	**(103,101)**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**–**	**54,053**	**–**	**–**	**(102,181)**	**(48,128)**	**843**	**(47,285)**
Recognition of equity-settled share-based payment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,863**	**–**	**3,863**	**–**	**3,863**
At 30 September 2010 (unaudited)	**279,058**	**1,126,800**	**37,560**	**929**	**27,728**	**511,821**	**9,697**	**52,339**	**1,289,829**	**3,335,761**	**64,174**	**3,399,935**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the six months ended 30 September 2010

The contributed surplus of the Group represents the surpluses arising from the issue of shares by Coastal Realty (BVI) Limited, the intermediate holding company of the Group, (i) in the acquisition of Coastal Realty Development Co. Limited, the former holding company of the Group in 1995; and (ii) at a premium to third parties in 1997, less dividends paid to shareholders in previous years.

PRC reserve funds are reserves required by the relevant laws in the People's Republic of China ("PRC") applicable to the Company's PRC subsidiaries for staff welfare and expansion of working capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	Note	Six months ended 30 September 2010 (unaudited) HK$'000	2009 (unaudited) HK$'000
Net cash from operating activities		**359,975**	669,739
Net cash used in investing activities			
Purchases of property, plant and equipment		**(4,324)**	(149,932)
Purchases of investment properties		**–**	(51,883)
Net proceeds from disposal of investment properties		**9,259**	4,869
Acquisition of property-based subsidiaries	18	**(468,544)**	(154,596)
Decrease (increase) in pledged bank deposits		**146,061**	(61,956)
Other investing cash flows		**2,896**	(50,306)
		(314,652)	(463,804)
Net cash from financing activities			
New bank and other borrowings		**1,498,570**	1,607,009
Repayment of bank and other borrowings		**(1,308,438)**	(1,350,647)
Other financing cash flows		**(11,038)**	(721)
		179,094	255,641
Net increase in cash and cash equivalents		**224,417**	461,576
Cash and cash equivalents at the beginning of period		**1,898,271**	1,654,690
Effect of foreign exchange rate changes		**21,093**	13,834
Cash and cash equivalents at the end of period		**2,143,781**	2,130,100
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**2,143,781**	2,130,100

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2010

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" 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 2010 except as described in note 3 below.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) – Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised 2008)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

3. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")** (continued)

The Group applies HKFRS 3 (Revised 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised 2008) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interest in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised 2008) and HKAS 27 (Revised 2008) are applicable, the application of HKFRS 3 (Revised 2008), HKAS 27 (Revised 2008) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised 2008), HKAS 27 (Revised 2008) and the consequential amendments to the other HKFRSs are applicable.

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid land lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid land lease payments to property, plant and equipment retrospectively.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The adoption of amendment to HKAS 17 had no material effect on the results of the Group for the current and prior accounting periods. The effect of adoption of amendment to HKAS 17 on the financial position of the Group is as follows:

	As at 31 March 2010 (originally stated) HK$'000	**Adjustments HK$'000**	**As at 31 March 2010 (restated) HK$'000**
Property, plant and equipment	**906,169**	**69,822**	**975,991**
Prepaid land lease payments – non-current	**119,148**	**(65,092)**	**54,056**
Prepaid land lease payments – current (included in prepayments, deposits and other receivables)	**1,888**	**(601)**	**1,287**
	1,027,205	**4,129**	**1,031,334**
Leasehold property revaluation reserve	**23,599**	**4,129**	**27,728**

	As at 1 April 2009 (originally stated) HK$'000	Adjustments HK$'000	As at 1 April 2009 (restated) HK$'000
Property, plant and equipment	1,124,619	9,030	1,133,649
Prepaid land lease payments – non-current	97,507	(3,813)	93,694
Prepaid land lease payments – current (included in prepayments, deposits and other receivables)	2,279	(102)	2,177
	1,224,405	5,115	1,229,520
Leasehold property revaluation reserve	16,075	5,115	21,190

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 January 2011.
[4] Effective for annual periods beginning on or after 1 July 2011.
[5] Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. 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 chief operating decision maker (the "CODM") in order to allocate resources to segments and to assess their performance. Summary details of the Group's operating and reportable segments are as follows:

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

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

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

There were no intersegment sales and transfers for both periods.

Segment revenue and results

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

	Property development Six months ended 30 September		Property investment Six months ended 30 September		Property management Six months ended 30 September		Consolidated Six months ended 30 September	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	(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	**540,214**	1,968,493	**4,368**	6,163	**3,283**	2,164	**547,865**	1,976,820
Segment results	**4,100**	200,458	**15,115**	76,746	**(816)**	229	**18,399**	277,433
Net unallocated expenses							**(23,871)**	(22,798)
Income from hotel operation							**25,205**	–
Expenses of hotel operation							**(60,436)**	–
Net foreign exchange gains							**21,018**	907
Fair value gain (loss) on warrants							**9,320**	(16,245)
Interest income							**1,305**	704
Finance costs							**(92,959)**	(62,467)
Share of loss of associates							**(1,973)**	(2,584)
(Loss) profit before taxation							**(103,992)**	174,950

4. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Segment results represents the profit (loss) made by each reportable segment without allocation of income and expenses of the Group's head office and hotel operation, net foreign exchange differences, change in fair value of warrants, interest income, finance costs, share of results of associates and taxation. 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.

5. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Interest income from banks	**1,305**	704
Income from hotel operation	**25,205**	–
Net foreign exchange gains	**21,018**	907
Net project management fee income from associates	**8,673**	–
Others	**3,876**	4,308
	60,077	5,919

The Group regards the hotel operation as incidental to its main revenue-generating activities and accordingly, income from hotel operation is not regarded as revenue.

6. FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**94,309**	107,192
Interest on bank loans not wholly repayable within five years	**14,792**	–
Interest on other loans wholly repayable within five years	**33,843**	41,303
Interest on senior notes	**74,820**	72,912
Imputed interest expenses on long term payables	**–**	7,556
	217,764	228,963
Less: Amounts capitalised in properties under development, investment properties under construction and property, plant and equipment under construction	**(124,805)**	(166,496)
	92,959	62,467

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

7. TAXATION

	Six months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	HK$'000
PRC Enterprise Income Tax		
Provision for the period	**31,555**	59,507
Overprovision in prior years	**(63)**	(769)
PRC land appreciation tax ("LAT")	**12,255**	25,600
Deferred tax (Note)	**(44,638)**	19,748
Total tax (credit) charge for the period	**(891)**	104,086

Note: The significant deferred tax credit recognised during the six months ended 30 September 2010 mainly resulted from release of deferred tax liabilities which arose from the fair value adjustments to the carrying amounts of properties under development held by property-based subsidiaries acquired. Such deferred tax liabilities were released upon the sale of the properties by those subsidiaries.

7. **TAXATION** (continued)

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

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

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

8. **(LOSS) PROFIT FOR THE PERIOD**

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

	Six months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	HK$'000
		(restated)
Depreciation of land and hotel property and other assets for hotel operation (included in "other expenses"#)	**21,821**	–
Depreciation of other property, plant and equipment	**6,174**	6,067
Less: Amounts capitalised in properties under development	**(1,128)**	(1,193)
	26,867	4,874
Amortisation of prepaid land lease payments	**649**	1,092

"Other expenses" in the consolidated statement of comprehensive income included depreciation and other expenses incurred for hotel operation amounting to HK$60,436,000 in aggregate (2009: nil).

9. **(LOSS) EARNINGS PER SHARE**

The calculation of the basic (loss) earnings per share is based on the loss for the period attributable to owners of the Company of HK$102,181,000 (2009: profit attributable to owners of the Company of HK$80,131,000) and the number of 2,790,582,857 (2009: 2,790,582,857) ordinary shares in issue.

Since the Company's outstanding options and warrants are anti-dilutive to the loss per share, no diluted loss per share is presented for the six months ended 30 September 2010. The calculation of diluted earnings per share for the six months ended 30 September 2009 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 that period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2010, the Group acquired property, plant and equipment at a cost of HK$4,324,000 (2009: HK$149,932,000).

11. INVESTMENT PROPERTIES

	30 September 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000
Completed investment properties – at fair value	**1,541,419**	1,509,618
Investment property under construction – at cost	**206,140**	202,452
	1,747,559	1,712,070

During the six months ended 30 September 2010, investment properties with the carrying value of HK$9,259,000 (2009: HK$4,869,000) were disposed of.

The fair values of completed investment properties at 30 September 2010 and 31 March 2010 have been arrived at on the basis of valuations carried out on those dates by DTZ Debenham Tie Leung Limited, independent professional valuers not connected with the Group. The valuation report on these properties was signed by a director of DTZ Debenham Tie Leung Limited who is a member of The Hong Kong Institute of Surveyors.

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

The investment property under construction is measured at cost as the development of the investment property is still at early stage and the fair value cannot be reliably determined.

12. TRADE RECEIVABLES

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

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

	30 September 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000
0 – 30 days	**2,322**	6,718
31 – 60 days	**5,499**	86
61 – 90 days	**1,179**	1,108
Over 90 days	**30,565**	42,960
	39,565	50,872

13. 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 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000
0 – 30 days	**26,396**	98,063
31 – 60 days	**7,881**	9,064
61 – 90 days	**11,218**	21,163
Over 90 days	**131,729**	53,903
	177,224	182,193

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000
CURRENT		
Bank loans – secured	**472,154**	387,996
Bank loans – unsecured	**23,162**	56,869
Other loans – secured	**3,747**	3,617
Other loans – unsecured	**69,485**	181,979
	568,548	630,461
NON-CURRENT		
Bank loans – secured	**3,823,930**	4,112,888
Other loans – secured	**813,247**	197,743
Senior notes	**953,854**	940,414
	5,591,031	5,251,045
	6,159,579	5,881,506
Analysed into:		
Bank loans repayable:		
Within one year	**495,316**	444,865
In the second year	**2,956,814**	1,803,403
In the third to fifth years inclusive	**578,176**	1,975,845
Beyond five years	**288,940**	333,640
	4,319,246	4,557,753
Other borrowings repayable:		
Within one year	**73,232**	185,596
In the second year	**810,516**	193,142
In the third to fifth years inclusive	**956,585**	945,015
	1,840,333	1,323,753
	6,159,579	5,881,506

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

Notes:

(a) Certain of the Group's bank loans as at 30 September 2010 are secured by:

(i) certain land and buildings of the Group with an aggregate carrying value of approximately HK$122 million (31 March 2010: HK$87 million (restated));

(ii) certain land and hotel property of the Group with an aggregate carrying value of approximately HK$415 million (31 March 2010: HK$413 million);

(iii) certain investment properties of the Group with an aggregate carrying value of approximately HK$874 million (31 March 2010: HK$828 million);

(iv) certain prepaid land lease payments of the Group with an aggregate carrying value of approximately HK$55 million (31 March 2010: HK$55 million (restated));

(v) certain bank deposits of the Group with an aggregate carrying value of approximately HK$926 million (31 March 2010: HK$1,071 million);

(vi) certain properties under development of the Group with an aggregate carrying value of approximately HK$4,970 million (31 March 2010: HK$4,910 million);

(vii) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK$40 million (31 March 2010: HK$77 million); and

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

(b) Certain of the Group's other loans as at 30 September 2010 are secured by:

(i) certain land and buildings of the Group with an aggregate carrying value of approximately HK$20 million (31 March 2010: HK$20 million);

(ii) certain investment properties of the Group with an aggregate carrying value of approximately HK$138 million (31 March 2010: HK$65 million);

(iii) certain properties under development of the Group with an aggregate carrying value of approximately HK$2,354 million (31 March 2010: HK$543 million);

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

Notes: (continued)

(b) (continued)

(iv) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK$33 million (31 March 2010: nil);

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

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

(c) Senior notes

The senior notes as at 30 September 2010 are secured by certain bank deposits of the Group amounting to approximately HK$62 million (31 March 2010: HK$62 million) and share charges over the entire issued share capital of certain wholly-owned subsidiaries of the Group.

15. DERIVATIVE FINANCIAL LIABILITY – WARRANTS

At 30 September 2010, the Company had outstanding 111,622,500 (31 March 2010: 111,622,500) unlisted warrants conferring rights to subscribe for up to 111,622,500 (31 March 2010: 111,622,500) new ordinary shares of HK$0.10 each in the Company at the adjusted exercise price of HK$1.23 per share (subject to adjustments) at any time on or before 8 November 2012.

These warrants are classified as derivative financial liabilities which are measured at fair value with movement recognised in profit or loss.

The fair values of warrants as at 30 September 2010 and 31 March 2010 were HK$9,343,000 and HK$18,663,000 respectively, which were calculated using binomial option pricing model developed by Cox, Ross, and Rubinstein in 1979. The inputs into the model were as follows:

	30 September 2010	31 March 2010
Exercise price	**HK$1.23**	HK$1.23
Share price	**HK$0.44**	HK$0.55
Volatility	**81.34%**	82.80%
Risk free rate	**0.543%**	1.100%
Dividend yield	**0%**	0%

Since the model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

16. SHARE CAPITAL

	Number of ordinary shares	Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.10 each at 31 March 2010 and 30 September 2010	**7,000,000,000**	**700,000**
Issued and fully paid:		
Ordinary shares of HK$0.10 each at 31 March 2010 and 30 September 2010	**2,790,582,857**	**279,058**

17. LONG TERM PAYABLE

The long term payable represents a payable to the local PRC government of HK$115,809,000 in connection with a property development project acquired in prior year. In accordance with the supplementary agreement entered into between the Group and the local PRC government during the period, the amount is repayable by instalments and carries interest at market rate. The repayment term is analysed into:

	30 September 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000
Within one year	**57,905**	177,592
In the second year	**57,905**	–
In the third to fifth years inclusive	**57,904**	–
	173,714	177,592
Less: Amount due within one year included in other payables and accruals	**(57,905)**	(177,592)
	115,809	–

18. ACQUISITION OF PROPERTY-BASED SUBSIDIARIES

(a) During the six months ended 30 September 2010, the Group acquired certain properties under development in the PRC and their related assets and liabilities at a consideration of HK$1,437,588,000 from an independent third party. The acquisition was made by way of acquiring the 100% equity interest in Shenyang Zhong Guang Bei Fang Ying Shi Cheng Co., Ltd. The transaction was accounted for as purchases of assets and liabilities, rather than as business combination as the subsidiary acquired is a property holding company which is not a business.

(b) During the six months ended 30 September 2009, the Group acquired certain properties under development in the PRC and their related assets and liabilities at a consideration of HK$212,225,000 from an independent third party. The acquisition was made by way of acquiring the 85% equity interest in Shenyang Coastal Huicheng Real Estate Co., Ltd. The subsidiary acquired is a property holding company which is not a business and the acquisition was accounted for as purchases of assets and liabilities, rather than as business combination.

18. ACQUISITION OF PROPERTY-BASED SUBSIDIARIES (continued)

(c) The net assets acquired in these transactions are as follows:

	Six months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Net assets acquired:		
Property, plant and equipment	**305**	5,137
Properties under development	**1,631,334**	269,622
Prepayments, deposits and other receivables	**–**	58,148
Cash and bank balances	**3,039**	884
Other payables and accruals	**(197,090)**	(84,114)
	1,437,588	249,677
Less: Amount attributable to non-controlling interests	**–**	(37,452)
	1,437,588	212,225
Satisfied by:		
Cash	**471,583**	155,480
Deposits paid in prior years	**826,831**	56,745
Other payables	**139,174**	–
	1,437,588	212,225

(d) An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of property-based subsidiaries is as follows:

	Six months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Cash consideration	**(471,583)**	(155,480)
Cash and bank balances acquired	**3,039**	884
Net outflow of cash and cash equivalents in respect of the acquisition of property-based subsidiaries	**(468,544)**	(154,596)

During the six months ended 30 September 2010 and 30 September 2009, other than the consideration paid for the acquisition of property-based subsidiaries, the subsidiaries acquired had no significant impact on the Group's consolidated revenue or profit after taxation, operating, investing and financing cash flows for the period.

19. CONTINGENT LIABILITIES

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

	30 September 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000
Guarantees given to banks in connection with:		
– mortgage loans granted to property purchasers	**4,366,786**	3,610,783
– banking facilities granted to an associate	**115,809**	170,606
Guarantee given to a financial institution in connection with a loan granted to a target company in relation to acquisition of property-based subsidiaries	**–**	345,477
	4,482,595	4,126,866

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

(b) Previously, the PRC government has re-emphasised the enforcement of the regulations on idle land confiscation which was issued by the Ministry of Land Resources of the PRC on 26 April 1999. As at 30 September 2010, the Group has a property under development with carrying value of HK$144,612,000 (31 March 2010: HK$142,041,000) of which its development is still pending on the finalisation of the overall town planning and zoning of local government. The Group believes that under such circumstances, it is unlikely that the project will fall into the category of idle land. The Group is negotiating with the local authorities to approve the project development plan in line with the overall town planning and zoning. With reference to the current situation and based on a legal advice sought by the Group, the directors of the Company have assessed the issue and consider no provision is required for impairment in value of the land.

20. CAPITAL COMMITMENTS

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

	30 September 2010 (unaudited) HK$'000	31 March 2010 (audited) HK$'000
Contracted but not provided for:		
Acquisition of property-based subsidiaries	**14,360**	608,937
Authorised but not contracted for:		
Acquisition of investment properties	**199,192**	195,628

21. RELATED PARTY TRANSACTIONS

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

(i) Prior to 2005, the Group obtained the refinancing of a loan in respect of certain completed properties for sale situated in the PRC (the "Properties") through the arrangement of individual mortgage loans in aggregate amounting to HK$35.9 million (the "Loans") taken out by certain senior management personnel of the Company's subsidiaries (the "Senior Management Personnel"). Under the refinancing arrangement, the Group disposed of the Properties to the Senior Management Personnel for their arrangement of the individual mortgage loans with a bank, the proceeds of which were used to settle the consideration payable to the Group. The Group is responsible for the interest and principal payments of the Loans and the Group retains the beneficial ownership of the Properties and the associated benefits through certain trust deeds and other arrangements. In the opinion of the directors, the Group retains the significant risks and rewards associated with the Properties and the Loans. As such, the Group continued to recognise the Properties and recorded the proceeds received from the Senior Management Personnel as other loans in the condensed consolidated financial statements to reflect the commercial substance of the aforesaid refinancing arrangement. As at 30 September 2010, the aggregate carrying value of the Properties and the balance of the Loans carried in the consolidated statement of financial position amounted to approximately HK$91.7 million (31 March 2010: HK$85.2 million) and HK$10.4 million (31 March 2010: HK$12.0 million) respectively.

(ii) During the six months ended 30 September 2010, the Group received the net project management fee income of HK$8,673,000 (2009: nil) from associates.

21. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

(i) The amount due to a substantial shareholder of the Company represents amount due to Coastal International Holdings Limited ("CIH"). The amount is unsecured, interest-free and repayable on demand. Certain directors of the Company have significant influence over CIH in making financial and operating decisions.

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

(c) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Short term benefits	**5,872**	7,218
Share-based payments	**1,465**	3,782
Post-employment benefits	**18**	159
Total compensation paid to key management personnel	**7,355**	11,159

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the first half of the financial year, the Group has recorded a revenue of HK$548 million, a decrease of about 72% as compared to the HK$1,977 million for the corresponding period of last year. The decrease in the revenue for the period was attributable to lesser amount of properties were completed and delivered to purchasers during the period. Notably, only two development projects, namely Phase II of Shanghai Riviera Garden and Phase III section B of Wuhan Silo City, with a total GFA of about 89,400 sq.m. were completed during the period.

As at 30 September 2010, the Group has generated total sales revenue of about HK$6,645 million from pre-sale of its properties under development with a total GFA of about 435,600 sq.m., contributing from Phase IV of Beijing Silo City, Phase III of Beijing Sunvilla Realhouse, Phase I of Dalian Coastal International Centre, Phase I of Dalian Jianzhu Project (formerly known as Dalian Qi Hang Project), Phase III of Dongguan Riviera Villa, Phase II of Shanghai Riviera Garden and Phase III of Wuhan Silo City. About HK$5,216 million of the HK$6,645 million pre-sale revenue is generated from development projects which are expected to be completed and delivered in the second half of the financial year.

Loss before taxation for the period was HK$104 million as compared to the profit of HK$175 million for the last corresponding period. Loss for the period attributable to owners of the Company was HK$102.2 million comparing to a profit of HK$80.1 million for the last corresponding period.

BUSINESS REVIEW (continued)

Property Development

During the period under review, the sales revenue from property development segment recognised was HK$540 million, representing a decrease of about 73% from last corresponding period's HK$1,968 million, which corresponds to an about 72% decrease in the total GFA delivered by the Group to 75,300 sq.m. for the period (2009: 264,800 sq.m.). The property sales revenue for the period mainly came from the completion and delivery of Phase II of Shanghai Riviera Garden and Phase III section B of Wuhan Silo City which respectively represented about 48% and 35% of the total property sales revenue. The remaining 17% was derived from sale of remaining inventory of the Group's completed development projects namely Beijing Silo City, Phases I and II of Wuhan Silo City and Dongguan Riviera Villa which respectively accounted for about 8%, 6% and 3% of the property sales revenue.

During the period, the Group recorded contracted sales of HK$2,442 million (2009: HK$2,502 million), which corresponds to a total GFA of about 180,300 sq.m. (2009: 256,000 sq.m.).

Property Investment

Revenue from property rental decreased by about 29% to HK$4.4 million from last period's HK$6.2 million. Rental income for the period was mainly derived from the properties in Shanghai Golden Bridge Mansion, Shenyang Dongbei Furniture and Ornaments Plaza, Suzhou Coastal International Centre and retail shops in Phases I and II of Beijing Silo City. The decrease was mainly due to the disposal of the property at Shenzhen Noble Centre made last year.

The profit contribution from property investment segment decreased to HK$15.1 million as compared to the last corresponding period's HK$76.7 million because of a lesser amount of revaluation surplus of investment properties for the period of HK$13.5 million as compared to HK$75.4 million for last corresponding period.

Property Management

The Group's property management operations recorded a loss of about HK$0.8 million for the period as compared to last period's profit of HK$0.2 million. The Group is committed to providing integrated and value-added property management services to foster good relations with tenants and owners and strengthen its brand image.

BUSINESS REVIEW (continued)

Gross Profit Margin

The gross profit margin for the period was about 17% which was lower than the overall gross profit margin for the last whole financial year's about 21% (see annual report for the year ended 31 March 2010) because the gross profit margin for Phase III section B of Wuhan Silo City, which is one of the major revenue contributors for the period, was relatively lower than the other development projects of the Group.

Fair Value Gain on Warrants

At 30 September 2010, the Company had outstanding 111,622,500 unlisted warrants conferring rights to subscribe for up to 111,622,500 new ordinary shares of HK$0.10 each in the Company at the adjusted exercise price of HK$1.23 per share (subject to adjustments) at any time on or before 8 November 2012. These warrants are classified as derivative financial liabilities which are measured at fair value with movement recognised in profit or loss. The fair value gain on warrants arose as a result of the decrease in the share price of the Company during the period.

Other Income and Expenses

Other income for the current period was HK$60.1 million as compared to HK$5.9 million for last period. Other income for the period mainly represented the income of HK$25.2 million (2009: nil) from hotel operation of Marriott hotel at Suzhou Coastal International Centre which has commenced business since December of 2009, the net project management fee income of HK$8.7 million (2009: nil) from associates and the net foreign exchange gain of HK$21.0 million (2009: HK$0.9 million) on translation of the Company's United States dollars denominated debts into the Company's functional currency, Renminbi, which has appreciated against United States dollars during the period.

Other expenses for the period was HK$64.1 million as compared to last period's HK$3.4 million. Included in the period's other expenses were mainly the start-up costs, depreciation and hotel operation expenses of Marriott hotel at Suzhou Coastal International Centre amounting to about HK$60.4 million (2009: nil).

BUSINESS REVIEW (continued)

Marketing, Selling and Administrative Expenses

Marketing and selling costs decreased significantly by about 55% to HK$49.0 million from HK$109.1 million in last period. Administrative expenses decreased by 9% to HK$71.7 million from last period's HK$78.7 million. The decreases in the expenses reflected the result of the cost reduction programs implemented. The Group will continue to implement cost control measures so as to enhance its operational efficiency and competitive edges.

Finance Costs

During the period, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings, including senior notes) of HK$217.8 million, representing a decrease of about 5% as compared to the HK$229.0 million incurred for last period. The decrease was mainly attributable to the lower interest rates for the period as compared to last period.

Interest expenses charged to profit or loss for the period was HK$93.0 million as compared to last period's HK$62.5 million. The increase was mainly due to the decrease in the capitalisation of bank loans and senior notes interests following the completion of Suzhou Coastal International Centre in December 2009.

Acquisition of New Development Projects

During the period under review, the Group completed the acquisition of the following development projects:

Project	Estimated GFA of the development *sq.m.*	Group's interest	Type of development
Dalian Jianzhu Project	147,700	100%	Residential
Shenyang Sujiatun Project	1,914,900	100%	Residential/commercial
	2,062,600		

BUSINESS REVIEW (continued)

Acquisition of New Development Projects (continued)

Upon the completion of acquisition of the above development projects, the deposits paid in prior years for the acquisition of these development projects, which were included in deposits, prepayments and other receivables as at 31 March 2010, were transferred to properties under development during the period. Therefore, the deposits, prepayments and other receivables as at 30 September 2010 decreased while the properties under development increased significantly.

Corporate Brand

Coastal Greenland, the corporate brand, had been ranked among the top ten most valuable Chinese real estate company brands for the seven consecutive years between 2004 and 2010 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, supplemented by bank and other borrowings.

At 30 September 2010, the Group's cash and bank deposits amounted to approximately HK$3,283 million (31 March 2010: HK$3,184 million). An analysis by currency denomination of the cash and bank deposits is as follows:

	30 September 2010 HK$'000	31 March 2010 HK$'000
Renminbi	**3,173,993**	2,848,722
Hong Kong dollars	**1,744**	2,197
United States dollars	**107,658**	333,027
	3,283,395	3,183,946

FINANCIAL REVIEW (continued)

Financial Resources and Liquidity (continued)

At 30 September 2010, 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$2,876 million (31 March 2010: HK$2,698 million). Net debt to total equity ratio, which is expressed as a percentage of net borrowings over total equity of the Group, increased by about 7% to 85% from 78% as at 31 March 2010. The increase in net debt to total equity ratio was mainly due to the increase in the net borrowings of the Group at 30 September 2010.

Borrowings and Charges

At 30 September 2010, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	30 September 2010 HK$'000	31 March 2010 HK$'000
Bank loans repayable:		
Within one year	**495,316**	444,865
In the second year	**2,956,814**	1,803,403
In the third to fifth years inclusive	**578,176**	1,975,845
Beyond five years	**288,940**	333,640
	4,319,246	4,557,753
Other borrowings (including senior notes) repayable:		
Within one year	**73,232**	185,596
In the second year	**810,516**	193,142
In the third to fifth years inclusive	**956,585**	945,015
	1,840,333	1,323,753
	6,159,579	5,881,506

FINANCIAL REVIEW (continued)

Borrowings and Charges (continued)

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

	30 September 2010 HK$'000	31 March 2010 HK$'000
Renminbi	**4,355,425**	4,089,692
Hong Kong dollars	**31,900**	33,000
United States dollars	**1,772,254**	1,758,814
	6,159,579	5,881,506

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 2010 were secured by:

(i) certain land and buildings of the Group with an aggregate carrying value of approximately HK$142 million (31 March 2010: HK$107 million (restated));

(ii) certain land and hotel property of the Group with an aggregate carrying value of approximately HK$415 million (31 March 2010: HK$413 million);

(iii) certain investment properties of the Group with an aggregate carrying value of approximately HK$1,012 million (31 March 2010: HK$893 million);

(iv) certain prepaid land lease payments of the Group with an aggregate carrying value of approximately HK$55 million (31 March 2010: HK$55 million (restated));

(v) certain bank deposits of the Group with an aggregate carrying value of approximately HK$926 million (31 March 2010: HK$1,071 million);

FINANCIAL REVIEW (continued)

Borrowings and Charges (continued)

(a) (continued)

(vi) certain properties under development of the Group with an aggregate carrying value of approximately HK$7,324 million (31 March 2010: HK$5,453 million);

(vii) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK$73 million (31 March 2010: HK$77 million);

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

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

(b) The senior notes (included in other borrowings) as at 30 September 2010 were secured by certain bank deposits of the Group amounting to approximately HK$62 million (31 March 2010: HK$62 million) and share charges over the entire issued share 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. The exchange rates of Renminbi against Hong Kong dollars and United States dollars have been on an overall rising trend, 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. Except the senior notes and certain bank loans which are denominated in United States dollars or Hong Kong dollars, most of the Group's liabilities are denominated in Renminbi. Therefore, the directors of the Company 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.

FINANCIAL REVIEW (continued)

Contingent Liabilities

At 30 September 2010, the Group had given guarantees to the extent of approximately HK$4,367 million (31 March 2010: HK$3,611 million) to banks in respect of mortgage loan facilities granted to the property purchasers. The Group had also given guarantees amounting to approximately HK$116 million (31 March 2010: HK$171 million) to banks in connection with banking facilities granted to an associate. As at 31 March 2010, the guarantee given to a financial institution in connection with a loan granted to a target company in relation to acquisition of property-based subsidiaries amounted to approximately HK$345 million.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 1,814 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

With the introduction of various measures by the central government to cool the PRC property market in 2010, the Group has seen a volatile property market in the past period. Credit policy for the property sector has been tightening up over the past period. The Group expects that the central government will continue its efforts to avoid a property bubble and may introduce further measures to curb the property sector. In the short term, the PRC property market is subject to uncertainties of government policies. Nevertheless, with the positive outlook of Renminbi appreciation, continual development of urbanisation and increasing household income level, the Group is positive about the long-term development of the PRC property market. The Group will closely monitor its business strategy with respect to the changes in the economic and regulatory environment and the property market sentiment in the PRC.

The Group will seek opportunities to expand its geographically well-diversed land portfolio and continue to strengthen its product competitiveness by enhancing product quality and adopting stringent cost control measures. The Group will also leverage on its well-recognised corporate brand for boosting its sales.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2010, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

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

Name of director	Notes	Number of shares held or short positions, capacity and nature of interest: Directly beneficially owned	Through controlled corporation	Percentage of the Company's issued share capital
Mr. Chan Boon Teong	(a), (b) and (c)	6,400,000 (L)	1,020,841,319 (L)	36.81%
	(d)	–	102,666,667 (S)	3.68%
Mr. Jiang Ming	(a), (b) and (c)	–	1,020,841,319 (L)	36.58%
	(d)	–	102,666,667 (S)	3.68%
Mr. Tao Lin	(a), (b) and (c)	–	1,020,841,319 (L)	36.58%
	(d)	–	102,666,667 (S)	3.68%
Mr. Cheng Wing Bor	(a), (b) and (c)	6,400,000 (L)	1,020,841,319 (L)	36.81%
	(d)	–	102,666,667 (S)	3.68%
Mr. Lin Chen Hsin	(a), (b) and (c)	2,080,000 (L)	1,020,841,319 (L)	36.66%
	(d)	–	102,666,667 (S)	3.68%

L: Long position
S: Short position

Notes:

(a) 484,280,792 shares are beneficially owned by Coastal International Holdings Limited ("CIH"), of which the entire issued voting share capital is held as to 20% by Mr. Chan Boon Teong, 35% by Mr. Jiang Ming, 12% by Mr. Tao Lin, 5% by Mr. Cheng Wing Bor, 3% by Mr. Lin Chen Hsin and 25% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Mr. Jiang Ming). These 484,280,792 shares represent an aggregate of approximately 17.35% of the issued share capital of the Company.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

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

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

Notes: (continued)

(b) 52,350,000 shares are beneficially owned by Glory View Investments Limited, of which the entire issued voting share capital is held by CIH. The issued voting share capital of CIH is held in the manner as stated in the foregoing note (a). These 52,350,000 shares represent an aggregate of approximately 1.88% of the issued share capital of the Company.

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

(d) CIH has a short position in 102,666,667 shares pursuant to the issue of 102,666,667 warrants to acquire 102,666,667 shares held by CIH in the Company to an independent third party.

(ii) The interests of the directors in the share options of the Company are separately disclosed under the heading "Share option scheme" below.

(B) Interests in shares of the associated corporation of the Company

Long positions in shares of Coastal International Holdings Limited (a substantial shareholder of the Company)

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

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

Long positions in shares of Coastal International Holdings Limited (a substantial shareholder of the Company) (continued)

Save as disclosed above, as at 30 September 2010, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme 2002") in compliance with the amendments to the Listing Rules regarding share option scheme announced by the Stock Exchange at the Company's annual general meeting held on 24 September 2002. The purposes of the Scheme 2002 are to provide incentives or rewards to eligible participants ("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 30 August 2002 and in note 35 to the audited consolidated financial statements of the Company for the year ended 31 March 2010 which are contained in the Company's 2009-2010 annual report.

SHARE OPTION SCHEME (continued)

Details of the movements of the outstanding share options during the six months ended 30 September 2010 under the Scheme 2002 are as follows:

Name or category of Participant	Number of share options: At 1 April 2010	Granted during the period	Exercised during the period	Lapsed during the period	At 30 September 2010	Date of grant of share options[1]	Exercise period of share options[2]	Exercise price of share options[3] HK$
Directors								
Mr. Chan Boon Teong	10,000,000	–	–	–	10,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Jiang Ming	10,000,000	–	–	–	10,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Tao Lin	10,000,000	–	–	–	10,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Cheng Wing Bor	10,000,000	–	–	–	10,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Lin Chen Hsin	2,500,000	–	–	–	2,500,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Tang Lap Yan	2,500,000	–	–	–	2,500,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Law Kin Ho	2,000,000	–	–	–	2,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Mr. Wong Kai Cheong	2,000,000	–	–	–	2,000,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
Other employees								
In aggregate	58,040,000	–	–	–	58,040,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
	107,040,000	–	–	–	107,040,000			

Notes:

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

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

(3) 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.

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

Apart from the interests of CIH as disclosed under the heading "Directors' interests in shares and underlying shares" above, the register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 September 2010, the Company had been notified of the following interests of 5% or more in the issued share capital of the Company:

Name	Nature of interest	Number of ordinary shares held or short positions	Number of underlying shares held in respect of share options	Percentage of the Company's issued share capital
Ms. Yang Sun Xin	Family (Note)	1,020,841,319 (L)	10,000,000 (L)	36.94%
		102,666,667 (S)	–	3.68%
Shenzhen Investment Limited	Corporate	631,092,857 (L)	–	22.62%

L: Long position
S: Short position

Note: Ms. Yang Sun Xin is the spouse of Mr. Jiang Ming (a director of the Company) and is deemed to be interested in the 1,020,841,319 shares of the Company, which is the aggregate number of shares that CIH and its wholly-owned subsidiaries, Glory View Investments Limited and Coastal Enterprise Group Limited, are interested in the issued share capital of the Company and have a short position in 102,666,667 shares of the Company as disclosed under the heading "Directors' interests in shares and underlying shares" above, and in the 10,000,000 outstanding share options held by Mr. Jiang Ming as disclosed in the "Share option scheme" section.

Save as disclosed above, as at 30 September 2010, no persons, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the maintenance of good corporate governance practices and procedures. The Company has complied throughout the six months ended 30 September 2010 with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 of the Company, the directors confirmed that they have complied with the requirements as set out in the Model Code during the six months ended 30 September 2010.

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 2010.

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 2010.

REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2010 have been reviewed by the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

By Order of the Board
Chan Boon Teong
Chairman

Hong Kong, 29 November 2010