

Towards A **Healthy**
And **Prosperous**
Future



Interim Report 2011

COASTAL 沿海
COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 01124

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
China Merchants Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

Tel: (852) 2877 9772
Fax: (852) 2524 0931

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
Mr. WANG Jun

Non-executive Directors

Mr. GUO Limin
Mr. LU Hua

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 condensed consolidated statement of comprehensive income, condensed 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 2011 together with the unaudited comparative figures for the last corresponding period and the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2011 together with the audited comparative figures as at 31 March 2011. The interim financial report for the six months ended 30 September 2011 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 condensed consolidated statement of financial position of Coastal Greenland Limited (the “Company”) and its subsidiaries as of 30 September 2011 and the related condensed consolidated statement of comprehensive income, condensed 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 34 “Interim Financial Reporting” (“HKAS 34”) 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 inquiries, 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 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

		Six months ended 30 September	
		2011	2010
	Notes	(unaudited) HK\$'000	(unaudited) HK\$'000
Revenue	4	2,108,347	547,865
Cost of sales		<u>(1,484,088)</u>	<u>(455,047)</u>
Gross profit		624,259	92,818
(Decrease) increase in fair value of investment properties		(2,919)	13,501
Fair value gain on warrants	16	960	9,320
Other income and gains	5	80,590	60,077
Marketing and selling expenses		(44,110)	(48,989)
Administrative expenses		(89,114)	(71,684)
Other expenses		(123,769)	(64,103)
Finance costs	6	(211,612)	(92,959)
Share of loss of associates		<u>(6,064)</u>	<u>(1,973)</u>
Profit (loss) before taxation		228,221	(103,992)
Taxation	7	<u>(184,297)</u>	<u>891</u>
Profit (loss) for the period	8	43,924	(103,101)
Other comprehensive income			
Exchange differences arising on translation to presentation currency		<u>141,863</u>	<u>55,816</u>
Total comprehensive income (expense) for the period		<u>185,787</u>	<u>(47,285)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(continued)

For the six months ended 30 September 2011

		Six months ended 30 September	
		2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
	Notes		
Profit (loss) for the period attributable to:			
Owners of the Company		47,392	(102,181)
Non-controlling interests		(3,468)	(920)
		<u>43,924</u>	<u>(103,101)</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		186,220	(48,128)
Non-controlling interests		(433)	843
		<u>185,787</u>	<u>(47,285)</u>
Earnings (loss) per share		HK cents	HK cents
Basic	9	<u>1.70</u>	<u>(3.66)</u>
Diluted		<u>1.70</u>	<u>Not applicable</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

	Notes	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	981,824	982,946
Investment properties	11	1,782,416	1,760,155
Prepaid land lease payments		56,202	55,084
Goodwill		89,630	86,771
Interests in associates		366,867	349,266
Available-for-sale investments		2,960	2,960
Pledged bank deposits		61,972	61,940
Total non-current assets		<u>3,341,871</u>	<u>3,299,122</u>
CURRENT ASSETS			
Properties under development		9,133,451	9,008,028
Completed properties for sale		1,472,026	1,423,624
Trade receivables	12	37,530	44,358
Prepayments, deposits and other receivables	13	2,757,421	1,853,299
Amounts due from associates	22(b)(i)	33,394	37,726
Prepaid income tax		281,398	167,206
Pledged bank deposits		582,640	543,668
Cash and bank balances		1,077,834	1,897,256
		<u>15,375,694</u>	<u>14,975,165</u>
Assets classified as held for sale		–	60,072
Total current assets		<u>15,375,694</u>	<u>15,035,237</u>
CURRENT LIABILITIES			
Trade payables	14	288,362	317,928
Deposits received from pre-sales of properties		4,075,215	4,973,372
Other payables and accruals		1,805,256	1,471,314
Amount due to a substantial shareholder of the Company	22(b)(ii)	11,025	12,156
Income tax payable		1,603,083	1,488,774
Interest-bearing bank and other borrowings	15	2,808,666	1,531,547
Derivative financial liability – warrants	16	–	960
Total current liabilities		<u>10,591,607</u>	<u>9,796,051</u>
NET CURRENT ASSETS		<u>4,784,087</u>	<u>5,239,186</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,125,958</u>	<u>8,538,308</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

At 30 September 2011

		30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
	Notes		
CAPITAL AND RESERVES			
Share capital	17	279,058	279,058
Reserves		<u>3,613,611</u>	<u>3,424,575</u>
Equity attributable to owners of the Company		3,892,669	3,703,633
Non-controlling interests		<u>74,610</u>	<u>75,043</u>
Total equity		<u>3,967,279</u>	<u>3,778,676</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	3,670,007	4,215,043
Long term payable	18	61,320	59,365
Deferred tax liabilities		<u>427,352</u>	<u>485,224</u>
Total non-current liabilities		<u>4,158,679</u>	<u>4,759,632</u>
		<u>8,125,958</u>	<u>8,538,308</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2011

	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 2010 (audited)	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
At 1 April 2011 (audited)	279,058	1,126,800	37,560	929	47,805	605,349	9,697	55,886	1,540,549	3,703,633	75,043	3,778,676
Exchange differences arising on translation to presentation currency	-	-	-	-	-	138,828	-	-	-	138,828	3,035	141,863
Transferred to retained profits on disposal of buildings	-	-	-	-	(624)	-	-	-	624	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	47,392	47,392	(3,468)	43,924
Total comprehensive (expense) income for the period	-	-	-	-	(624)	138,828	-	-	48,016	186,220	(433)	185,787
Recognition of equity-settled share-based payment	-	-	-	-	-	-	-	2,816	-	2,816	-	2,816
At 30 September 2011 (unaudited)	279,058	1,126,800	37,560	929	47,181	744,177	9,697	58,702	1,588,565	3,892,669	74,610	3,967,279

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(continued)

For the six months ended 30 September 2011

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 2011

	Six months ended 30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash (used in) from operating activities		
Increase in properties under development	(1,329,038)	(598,719)
Decrease in completed properties for sales	1,481,243	441,460
(Decrease) increase in deposits received from pre-sales of properties	(1,061,986)	1,791,908
Other operating cash flows	(346,905)	(1,057,640)
	<u>(1,256,686)</u>	<u>577,009</u>
Net cash from (used in) investing activities		
Purchases of property, plant and equipment	(4,050)	(4,324)
Net proceeds from disposal of property, plant and equipment	4,513	6
Net proceeds from disposal of investment properties	34,457	9,259
Net proceeds from disposal of assets classified as held for sale	61,787	–
Acquisition of property-based subsidiaries	–	(468,544)
(Increase) decrease in pledged bank deposits	(39,004)	146,061
Other investing cash flows	(11,945)	2,890
	<u>45,758</u>	<u>(314,652)</u>
Net cash from (used in) financing activities		
New bank and other borrowings	1,201,879	1,498,570
Repayment of bank and other borrowings	(614,630)	(1,308,438)
Other financing cash flows	(234,852)	(228,072)
	<u>352,397</u>	<u>(37,940)</u>
Net (decrease) increase in cash and cash equivalents	(858,531)	224,417
Cash and cash equivalents at the beginning of period	1,897,256	1,898,271
Effect of foreign exchange rate changes	39,109	21,093
Cash and cash equivalents at the end of period	<u>1,077,834</u>	<u>2,143,781</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>1,077,834</u>	<u>2,143,781</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 revalued amounts or fair values, as appropriate.

The accounting policies and method of computation used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2011.

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 standards and interpretations (“new and revised HKFRSs”) issued by the HKICPA:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised 2009)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The applicable of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the condensed consolidated financial statements for the year ended 31 March 2011 were authorised for issuance and are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

The directors of the Company anticipate that the application of the above new or revised standards will not have a material impact on the results and the financial position of the Group.

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 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. 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.

4. SEGMENT INFORMATION (continued)

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 segment:

	Property development		Property investment		Property management		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2011	2010	2011	2010	2011	2010	2011	2010
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:								
Sales to external customers	<u>2,101,200</u>	<u>540,214</u>	<u>3,023</u>	<u>4,368</u>	<u>4,124</u>	<u>3,283</u>	<u>2,108,347</u>	<u>547,865</u>
Segment results	<u>462,618</u>	<u>4,100</u>	<u>544</u>	<u>15,115</u>	<u>1,825</u>	<u>(816)</u>	<u>464,987</u>	<u>18,399</u>
Net unallocated expenses							(28,551)	(23,871)
Income from hotel operation							39,814	25,205
Expenses of hotel operation							(62,444)	(60,436)
Net foreign exchange gains							29,156	21,018
Fair value gain on warrants							960	9,320
Interest income							1,975	1,305
Finance costs							(211,612)	(92,959)
Share of loss of associates							(6,064)	(1,973)
Profit (loss) before taxation							<u>228,221</u>	<u>(103,992)</u>

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 resource 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	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest income from banks	1,975	1,305
Income from hotel operation	39,814	25,205
Net foreign exchange gains	29,156	21,018
Net project management fee income from associates	570	8,673
Others	9,075	3,876
	80,590	60,077

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. Accordingly, expenses incurred for hotel operation are included in other expenses.

6. FINANCE COSTS

	Six months ended 30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	84,602	94,309
Interest on bank loans not wholly repayable within five years	26,592	14,792
Interest on other loans wholly repayable within five years	63,443	33,843
Interest on senior notes	76,910	74,820
	251,547	217,764
Less: Amounts capitalised in properties under development	(39,935)	(124,805)
	211,612	92,959

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	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
PRC Enterprise Income Tax		
Provision for the period	177,895	31,555
Overprovision in prior years	–	(63)
PRC land appreciation tax ("LAT")	78,760	12,255
Deferred tax (Note)	(72,358)	(44,638)
	<u>184,297</u>	<u>(891)</u>
Total tax charge (credit) for the period		

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.

Note: The deferred tax credit recognised during the six months ended 30 September 2011 and 30 September 2010 mainly resulted from release of deferred tax liabilities arising from the fair value adjustments to the carrying amounts of properties under development upon acquisition of property holding subsidiaries under business combination. Such deferred tax liabilities were released upon the sale of properties by those subsidiaries.

8. PROFIT (LOSS) FOR THE PERIOD

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

	Six months ended	
	30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation of land and hotel property and other assets for hotel operation (included in "other expenses"*)	22,985	21,821
Depreciation of other property, plant and equipment	6,916	6,174
Less: Amounts capitalised in properties under development	(1,252)	(1,128)
	28,649	26,867
Amortisation of prepaid land lease payments	684	649
Interest compensation for late handover of completed properties (included in "other expenses"*)	57,839	–

* "Other expenses" in the condensed consolidated statement of comprehensive income included depreciation and other expenses incurred for hotel operation amounting to HK\$62,444,000 (2010: HK\$60,436,000) in aggregate.

9. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit for the period attributable to owners of the Company of HK\$47,392,000 (2010: loss attributable to owners of the Company of HK\$102,181,000) and the number of 2,790,582,857 (2010: 2,790,582,857) ordinary shares in issue.

The calculation of diluted earnings per share for the six months ended 30 September 2011 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. No diluted loss per share was presented for the six months ended 30 September 2010 since the Company's outstanding options and warrants were anti-dilutive to the loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2011, the Group acquired property, plant and equipment at a cost of HK\$4,050,000 (2010: HK\$4,324,000). In addition, the Group disposed of certain property, plant and equipment with a carrying value of HK\$4,341,000 (2010: HK\$266,000).

11. INVESTMENT PROPERTIES

	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
Completed investment properties – at fair value	1,562,643	1,548,817
Investment property under construction – at cost	219,773	211,338
	<u>1,782,416</u>	<u>1,760,155</u>

During the six months ended 30 September 2011, investment properties with a carrying value of HK\$34,457,000 (2010: HK\$9,259,000) were disposed of.

The fair values of the Group's completed investment properties at 30 September 2011 and 31 March 2011 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.

All of the Group's property interests held under operating leases to earn rentals or remained vacant and being held to be leased out or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties. At the end of the reporting period, the completed investment properties located in Suzhou Coastal International Centre, with aggregate carrying value of HK\$1,010,559,000 (31 March 2011: HK\$978,332,000) remained vacant. The directors of the Company are in the process of determining whether to continue holding the properties for leasing out and capital appreciation purpose or to dispose of the properties.

The investment property under construction at 30 September 2011 and 31 March 2011 was measured at cost as the development of the investment property is still at early stage and the fair value cannot be reliably determined. As the Group is considering a possible disposal of its interests in this investment property under construction, no further development cost was incurred during the period/year.

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 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
0 – 30 days	7,333	3,694
31 – 60 days	1,440	1,015
61 – 90 days	1,443	1,022
Over 90 days	<u>27,314</u>	<u>38,627</u>
	<u>37,530</u>	<u>44,358</u>

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
Deposits for future acquisition of land use rights (Note a)	1,714,908	1,129,635
Other receivables	586,443	261,850
Prepayments and other deposits	272,109	295,593
Loans receivable (Note b)	<u>183,961</u>	<u>166,221</u>
	<u>2,757,421</u>	<u>1,853,299</u>

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

- (a) The Group entered into certain cooperative agreements with independent third parties for assisting the Group to acquire certain land use rights in the PRC which will be developed for sales purpose. The amount represents payments made as deposits to those counterparties for commencing the acquisition procedures. Included in the amount is an amount of HK\$679,430,000 (31 March 2011: HK\$286,138,000) paid to a single counterparty and accordingly, the Group has concentration of credit risks as 40% (31 March 2011: 25%) of the total amounts is paid to such counterparty, which is a PRC local enterprise.

Other than an amount of HK\$61,320,000 (31 March 2011: HK\$59,365,000) paid to a non-controlling interest which is fully secured by a land use right pledged to the Group and an amount of HK\$356,189,000 placed in a bank account in the PRC under joint custody of the Group and the counterparty at 31 March 2011, no assets were pledged to the Group to secure the amounts paid by the Group at the end of the reporting period.

The directors of the Company closely monitor the progress of the acquisition for each deposit paid and consider no provision for impairment is required at the end of the reporting period.

- (b) At the end of the reporting period, loans receivable of HK\$183,961,000 (31 March 2011: HK\$166,221,000) are interest free, secured by the equity interests of certain PRC companies that are independent third parties to the Group and expected to be repaid within one year.

14. 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 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
0 – 30 days	15,713	152,126
31 – 60 days	131,149	37,277
61 – 90 days	12,957	55,355
Over 90 days	128,543	73,170
	288,362	317,928

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
CURRENT		
Bank loans – secured	2,306,523	1,234,084
Bank loans – unsecured	–	23,746
Other loans – secured	502,143	273,717
	<u>2,808,666</u>	<u>1,531,547</u>
NON-CURRENT		
Bank loans – secured	1,038,767	2,387,652
Other loans – secured	1,643,495	855,280
Senior notes	987,745	972,111
	<u>3,670,007</u>	<u>4,215,043</u>
	<u>6,478,673</u>	<u>5,746,590</u>
Analysed into:		
Bank loans repayable:		
Within one year	2,279,023	1,229,230
In the second year	345,847	1,716,830
In the third to fifth years inclusive	286,427	277,293
Beyond five years	406,493	393,529
	3,317,790	3,616,882
Bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	27,500	28,600
	<u>3,345,290</u>	<u>3,645,482</u>
Other borrowings repayable:		
Within one year	502,143	273,717
In the second year	2,631,240	1,827,277
In the third to fifth years inclusive	–	114
	<u>3,133,383</u>	<u>2,101,108</u>
	<u>6,478,673</u>	<u>5,746,590</u>

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

Notes:

- (a) Included in other loans is an amount of HK\$1,127,927,000 (31 March 2011: HK\$498,308,000) in relation to trust arrangements with PRC trust companies. The trust arrangements in general involve (i) the transfer of the Group's equity interests in a particular project company to a trust company in return of a fixed consideration; (ii) the Group retaining control over, and hence the residual interest in, the project company; (iii) the trust company receives fixed income during a pre-set period; (iv) the Group committed to repurchase while the trust company has the obligation to sell such equity interests within the pre-set period. Accordingly, such trust arrangements have been accounted for as financing arrangements rather than disposals of equity interests in project companies.

During the period, a trust arrangement of HK\$613,204,000 was entered into by the Group and such arrangement carries interest at rate of 17.30% per annum and has term of 18 months. The trust arrangement carried forward from 31 March 2011 carried interest at rate of 14.19% per annum and has term of 24 months.

- (b) The Group's remaining other loans as at 30 September 2011 are borrowed from PRC trust companies and carry interest ranging from 12.82% to 17.55% (31 March 2011: 12.82% to 13.56%) per annum and have terms ranging from 15 months to 3 years (31 March 2011: 15 months to 3 years). These other loans are secured by:
- (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK\$9 million (31 March 2011: HK\$9 million);
 - (ii) certain investment properties of the Group with an aggregate carrying value of approximately HK\$91 million (31 March 2011: HK\$77 million);
 - (iii) certain properties under development of the Group with an aggregate carrying value of approximately HK\$567 million (31 March 2011: HK\$464 million);
 - (iv) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$38 million (31 March 2011: HK\$37 million);
 - (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.

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

Notes: (continued)

- (c) The Group's bank loans as at 30 September 2011 are secured by:
- (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK\$137 million (31 March 2011: HK\$135 million);
 - (ii) certain land and hotel property of the Group with an aggregate carrying value of approximately HK\$433 million (31 March 2011: HK\$419 million);
 - (iii) certain investment properties of the Group with an aggregate carrying value of approximately HK\$1,011 million (31 March 2011: HK\$978 million);
 - (iv) certain prepaid land lease payments of the Group with an aggregate carrying value of approximately HK\$57 million (31 March 2011: HK\$56 million);
 - (v) certain bank deposits of the Group with an aggregate carrying value of approximately HK\$415 million (31 March 2011: HK\$401 million);
 - (vi) certain properties under development of the Group with an aggregate carrying value of approximately HK\$5,454 million (31 March 2011: HK\$5,175 million);
 - (vii) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$95 million (31 March 2011: HK\$166 million); and
 - (viii) corporate guarantees from the Company and certain of its subsidiaries.
- (d) The ranges of effective interest rates (which are also approximate to contracted interest rates) on the Group's interest-bearing bank and other borrowings, other than the senior notes, are as follows:

	30 September 2011		31 March 2011	
	Borrowings HK\$'000	Interest rate	Borrowings HK\$'000	Interest rate
Effective interest rate:				
Fixed-rate borrowings	1,776,574	6.44% to 17.55%	795,132	6.44% to 14.19%
Variable-rate borrowings	3,714,354	1.46% to 14.78%	3,979,347	1.39% to 13.56%

The effective interest rate of variable-rate borrowings is based on the People's Bank of China prescribed interest rate or Hong Kong Interbank Offered Rate or London Interbank Offered Rate plus a specified margin.

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

Notes: (continued)

(e) Senior notes

The senior notes as at 30 September 2011 are secured by certain bank deposits of the Group amounting to approximately HK\$62 million (31 March 2011: HK\$62 million) and share charges over the entire issued share capital of certain wholly-owned subsidiaries of the Group.

16. DERIVATIVE FINANCIAL LIABILITY – WARRANTS

At 30 September 2011, the Company had outstanding 111,622,500 (31 March 2011: 111,622,500) unlisted warrants conferring rights to subscribe for up to 111,622,500 (31 March 2011: 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 2011 and 31 March 2011 were HK\$nil and HK\$960,000 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 2011	31 March 2011
Exercise price	HK\$1.23	HK\$1.23
Share price	HK\$0.305	HK\$0.49
Volatility	37.54%	43.67%
Risk free rate	0.150%	0.537%
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.

17. SHARE CAPITAL

	Number of ordinary shares	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 31 March 2011 and 30 September 2011	<u>7,000,000,000</u>	<u>700,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 31 March 2011 and 30 September 2011	<u>2,790,582,857</u>	<u>279,058</u>

18. LONG TERM PAYABLE

The long term payable represented the non-current portion of a payable to the local PRC government of HK\$61,320,000 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 six months ended 30 September 2010, the amount is repayable by instalments and bears interest at market rate. The repayment term is analysed into:

	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
Within one year	61,320	59,365
In the second year	<u>61,320</u>	<u>59,365</u>
	122,640	118,730
Less: Amount due within one year included in other payables and accruals under current liabilities	<u>(61,320)</u>	<u>(59,365)</u>
Amount due after one year shown under non-current liabilities	<u>61,320</u>	<u>59,365</u>

19. ACQUISITION OF A PROPERTY-BASED SUBSIDIARY

- (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 the 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 acquisition 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) The net assets acquired in such transaction are as follows:

	Six months ended 30 September 2010 (unaudited) HK\$'000
Net assets acquired:	
Property, plant and equipment	305
Properties under development	1,631,334
Cash and bank balances	3,039
Other payables and accruals	(197,090)
	1,437,588
Satisfied by:	
Cash	471,583
Deposits paid in prior years	826,831
Other payables	139,174
	1,437,588

19. ACQUISITION OF A PROPERTY-BASED SUBSIDIARY (continued)

- (c) An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a property-based subsidiary was as follows:

	Six months ended 30 September 2010 (unaudited) HK\$'000
Cash consideration	(471,583)
Cash and bank balances acquired	<u>3,039</u>
Net outflow of cash and cash equivalents in respect of the acquisition of a property-based subsidiary	<u>(468,544)</u>

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

20. CONTINGENT LIABILITIES

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

	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
Guarantees given to banks in connection with:		
– mortgage loans granted to property purchasers	4,566,544	4,419,387
– banking facilities granted to an associate	<u>122,641</u>	<u>59,365</u>
	<u>4,689,185</u>	<u>4,478,752</u>

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.

21. CAPITAL COMMITMENTS

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

	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
Contracted but not provided for:		
Acquisition of property-based subsidiaries	<u>61,320</u>	<u>59,365</u>
Authorised but not contracted for:		
Acquisition of investment properties	<u>210,942</u>	<u>204,215</u>

22. 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 2011, the aggregate carrying value of the Properties and the balance of the Loans carried in the condensed consolidated statement of financial position amounted to approximately HK\$9.2 million (31 March 2011: HK\$8.9 million) and HK\$1.1 million (31 March 2011: HK\$1.4 million) respectively.
 - (ii) During the six months ended 30 September 2011, the Group received the net project management fee income of HK\$570,000 (2010: HK\$8,673,000) from associates.

22. RELATED PARTY TRANSACTIONS (continued)

- (b) Outstanding balances with related parties:
- (i) The Group's balances with its associates are unsecured, interest-free and repayable on demand.
 - (ii) The amount due to a substantial shareholder of the Company represents amount due to Coastal International Holdings Limited ("CIH") which holds 36.58% interests of the Company. 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.
- (c) Compensation of key management personnel of the Group

	Six months ended	
	30 September	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Short term benefits	8,698	5,872
Share-based payments	733	1,465
Post-employment benefits	58	18
	<hr/>	<hr/>
Total compensation paid to key management personnel	9,489	7,355
	<hr/>	<hr/>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the first half of the financial year, the Group has recorded a revenue of HK\$2,108 million, an increase of about 285% as compared to the HK\$548 million for the corresponding period of last year. The increase in the revenue for the period was attributable to more amount of properties were delivered to purchasers during the period. Notably, three development projects, namely Western section of Phase IV of Beijing Silo City, Phase III section A of Wuhan Silo City and Phase III of Beijing Sunvilla Realhouse, with a total GFA of about 134,081 sq.m. were completed and delivered during the period.

Profit before taxation for the period was HK\$228 million as compared to the loss of HK\$104 million for the last corresponding period. Profit for the period attributable to owners of the Company was HK\$47.4 million comparing to a loss of HK\$102.2 million for the last corresponding period.

Property Development

During the period under review, the recognised sales revenue from property development segment was HK\$2,101 million, representing an increase of about 289% from last corresponding period's HK\$540 million, which corresponds to an increase by 106% in the total GFA delivered by the Group of 155,157 sq.m. (2010: 75,300 sq.m.). The property sales revenue for the period mainly came from the completion and delivery of Western section of Phase IV of Beijing Silo City, Phase III section A of Wuhan Silo City and Phase III of Beijing Sunvilla Realhouse which respectively represented about 41%, 24% and 19% of the total property sales revenue. The remaining 16% was derived from sale of remaining inventory in the prior phases of the Group's completed development projects namely Beijing Silo City, Shanghai Riviera Garden and Wuhan Silo City which respectively accounted for about 8%, 6% and 2% of the property sales revenue.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Property Development (continued)

As at 30 September 2011, the Group has generated total sales revenue of about HK\$4,214 million from pre-sale of its properties under development with a total GFA of about 371,350 sq.m., contributing from Phase I of Dalian Coastal International Centre, Phase I of Dalian Jianzhu Project, Phase II of Shanghai Riviera Garden and Phase IV section A of Wuhan Silo City which are expected to be completed and delivered in the second half of the financial year.

The Group completed development projects, namely Western section of Phase IV of Beijing Silo City, Phase III section A of Wuhan Silo City and Phase III of Beijing Sunvilla Realhouse, with a total GFA of approximately 157,200 sq.m. during the period.

Property Investment

Revenue from property rental decreased by about 32% to HK\$3.0 million from last period's HK\$4.4 million. Rental income for the period was mainly derived from the properties in Suzhou Coastal International Centre and retail shops in Beijing Silo City. The decrease was mainly due to the disposal of the Shanghai Golden Bridge Mansion and certain retail shops in Beijing Silo City at the beginning of the period.

The profit contribution from property investment segment decreased to HK\$0.5 million for the period as compared to last corresponding period of HK\$15.1 million because of a revaluation deficit of investment properties of HK\$2.9 million for the period as compared to a revaluation surplus of investment properties of HK\$13.5 million for last corresponding period.

Property Management

The Group's property management operations recorded a profit of about HK\$1.8 million for the period as compared to last period's loss of HK\$0.8 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Gross Profit Margin

The gross profit margin for the period was about 30% which was higher than the overall gross profit margin for the last whole financial year's about 28% (see annual report for the year ended 31 March 2011). The increase was mainly due to a higher level of selling price attained for the properties completed and delivered to purchasers during the period.

Fair Value Gain on Warrants

At 30 September 2011, 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

Other income for the current period was HK\$80.6 million as compared to HK\$60.1 million for last period. Other income for the period mainly represented the income of HK\$39.8 million (2010: 25.2 million) from hotel operation of Marriott hotel at Suzhou Coastal International Centre, the net foreign exchange gain of HK\$29.2 million (2010: HK\$21.0 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. Included in the current period's other income were also the interest income from banks of HK\$2.0 million (2010: HK\$1.3 million) and the net project management fee income of HK\$0.6 million (2010: HK\$8.7 million) from associates.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Marketing, Selling and Administrative Expenses

Marketing and selling costs decreased by about 10% to HK\$44.1 million from HK\$49.0 million in last period.

Administrative expenses increased by 24% to HK\$89.1 million from last period's HK\$71.7 million mainly due to increase in staff costs as a result of increase in headcount and annual salary adjustment. The Group will continue to implement cost control measures so as to enhance its operational efficiency and competitive edges.

Other Expenses

Other expenses for the period was HK\$123.8 million as compared to last period's HK\$64.1 million. Other expenses mainly represented the depreciation and hotel operation expenses of Marriott hotel in Suzhou amounting to HK\$62.4 million (2010: HK\$60.4 million) and interest compensation of HK\$57.8 million (2010: nil) for a delay in the handover of certain completed properties to the purchasers.

Finance Costs

During the period, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings, including senior notes) of HK\$251.5 million, representing an increase of about 15% as compared to the HK\$217.8 million incurred for last period.

Interest expenses charged to profit or loss for the period were HK\$211.6 million as compared to last period's HK\$93.0 million. The increase was mainly due to the fact that certain interest expenses on borrowings used for financing the deposits for acquisition of land use rights were not qualified for capitalisation.

Corporate Brand

Coastal Greenland, the corporate brand, had been ranked among the top ten most valuable Chinese real estate company brands for the eight consecutive years between 2004 and 2011 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**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 2011, the Group's cash and bank deposits amounted to approximately HK\$1,722 million (31 March 2011: HK\$2,503 million). An analysis by currency denomination of the cash and bank deposits is as follows:

	30 September 2011 HK\$'000	31 March 2011 HK\$'000
Renminbi	1,643,961	2,384,440
Hong Kong dollars	1,699	1,407
United States dollars	76,786	117,017
	<u>1,722,446</u>	<u>2,502,864</u>

At 30 September 2011, 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\$4,756 million (31 March 2011: HK\$3,244 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 34% to 120% from 86% as at 31 March 2011. 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 2011.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**FINANCIAL REVIEW** (continued)**Borrowings and Charges**

At 30 September 2011, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	30 September 2011 HK\$'000	31 March 2011 HK\$'000
Bank loans repayable:		
Within one year	2,279,023	1,229,230
In the second year	345,847	1,716,830
In the third to fifth years inclusive	286,427	277,293
Beyond five years	406,493	393,529
	<u>3,317,790</u>	<u>3,616,882</u>
Bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<u>27,500</u>	<u>28,600</u>
Other borrowings repayable:		
Within one year	502,143	273,717
In the second year	2,631,240	1,827,277
In the third to fifth years inclusive	–	114
	<u>3,133,383</u>	<u>2,101,108</u>
	<u>6,478,673</u>	<u>5,746,590</u>

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Borrowings and Charges (continued)

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

	30 September 2011 HK\$'000	31 March 2011 HK\$'000
Renminbi	4,639,659	3,922,111
Hong Kong dollars	29,700	30,800
United States dollars	1,809,314	1,793,679
	<u>6,478,673</u>	<u>5,746,590</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Borrowings and Charges (continued)

- (a) The Group's bank and other loans as at 30 September 2011 were secured by:
- (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK\$146 million (31 March 2011: HK\$144 million);
 - (ii) certain land and hotel property of the Group with an aggregate carrying value of approximately HK\$433 million (31 March 2011: HK\$419 million);
 - (iii) certain investment properties of the Group with an aggregate carrying value of approximately HK\$1,102 million (31 March 2011: HK\$1,055 million);
 - (iv) certain prepaid land lease payments of the Group with an aggregate carrying value of approximately HK\$57 million (31 March 2011: HK\$56 million);
 - (v) certain bank deposits of the Group with an aggregate carrying value of approximately HK\$415 million (31 March 2011: HK\$401 million);
 - (vi) certain properties under development of the Group with an aggregate carrying value of approximately HK\$6,021 million (31 March 2011: HK\$5,639 million);
 - (vii) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$133 million (31 March 2011: HK\$203 million);
 - (viii) the Group's 49%, 90%, 90% and 100% equity interests respectively in four 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 2011 are secured by certain bank deposits of the Group amounting to approximately HK\$62 million (31 March 2011: HK\$62 million) and share charges over the entire issued share capital of certain wholly-owned subsidiaries of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

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 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 2011, the Group had given guarantees to the extent of approximately HK\$4,567 million (31 March 2011: HK\$4,419 million) to banks in respect of mortgage loan facilities granted to the property purchasers. The Group had also given guarantees amounting to approximately HK\$123 million (31 March 2011: HK\$59 million) to a bank in connection with banking facility granted to an associate.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 2,600 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECTS

In the first half of 2011, the central government has implemented a series of austerity measures such as home purchase restriction, price control and tightened monetary policy, resulting in a slowdown in the volume of transactions in the market and a downward adjustment in housing price in general.

The Group expects that the central government will not in near future relieve the regulatory measures imposed. Developers will continue to expose to the austerity control pressure from the central government. Although facing an uncertain external environment, the Group is positive about the long term prospects of the PRC property market, with the optimistic outlook of Renminbi appreciation, continual development of urbanization and increasing household income level. 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 continue to focus on the development of its geographically well diversified quality property portfolio, optimise its land reserve and strengthen its product competitiveness. The Group will also leverage on its well-recognised corporate brand and its long experience in the PRC property market. Besides, under the tight credit environment, the Group will actively seek funding alternatives so as to broaden its financial resources and support the sustainable development of the Group.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2011, 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 of Hong Kong Limited (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		Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporation	
Mr. Chan Boon Teong	(a), (b) and (c)	6,400,000 (L)	1,020,841,319 (L)	36.81%
Mr. Jiang Ming	(a), (b) and (c)	-	1,020,841,319 (L)	36.58%
Mr. Tao Lin	(a), (b) and (c)	-	1,020,841,319 (L)	36.58%
Mr. Cheng Wing Bor	(a), (b) and (c)	6,400,000 (L)	1,020,841,319 (L)	36.81%
Mr. Lin Chen Hsin	(a), (b) and (c)	2,080,000 (L)	1,020,841,319 (L)	36.66%

L: Long position

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:

- (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 21.56% by Mr. Chan Boon Teong, 37.58% by Mr. Jiang Ming, 5.38% by Mr. Tao Lin, 5.38% by Mr. Cheng Wing Bor, 3.30% by Mr. Lin Chen Hsin, 21.42% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Mr. Jiang Ming) and 5.38% by Ms. Wang Hungmei. These 484,280,792 shares represent an aggregate of approximately 17.35% of the issued share capital of the Company.
- (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.
- (ii) The interests of the directors in the share options of the Company are separately disclosed under the heading "Share option scheme" below.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)**(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	2,156	Directly beneficially owned	21.56%
Mr. Jiang Ming	3,758	Directly beneficially owned	37.58%
	2,142	Through controlled corporation	21.42%
Mr. Tao Lin	538	Directly beneficially owned	5.38%
Mr. Cheng Wing Bor	538	Directly beneficially owned	5.38%
Mr. Lin Chen Hsin	330	Directly beneficially owned	3.30%

Save as disclosed above, as at 30 September 2011, 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

On 24 September 2002, 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, the Company terminated the Scheme 2002 as the Scheme 2002 is due to expire on 23 September 2012. The Company adopted a new share option scheme (the "Scheme 2011") on 14 September 2011 at the Company's annual general meeting. All the outstanding share options granted under the Scheme 2002 prior to its termination shall continue to valid and exercisable in accordance with the provisions of the Scheme 2002.

The purpose of the Scheme 2011 is to replace the Scheme 2002 and to enable the Company to continue to provide incentives or rewards to eligible participants ("Participants") (as defined in the Scheme 2011, and include the employees and directors of the Company and its subsidiaries) thereunder for their contribution to the Group. The principal terms of the Scheme 2011 are summarised in appendix III to the Company's circular dated 25 July 2011.

SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme 2002 during the period:

Name or category of Participant	Number of share options					Date of grant of share options ⁽¹⁾	Exercise period of share options ⁽²⁾	Exercise price of share options ⁽³⁾ HK\$
	At 1 April 2011	Granted during the period	Exercised during the period	Lapsed during the period	At 30 September 2011			
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	-	-	(23,200,000)	34,840,000	14 May 2007	15 May 2008 to 23 September 2012	1.20
	<u>107,040,000</u>	<u>-</u>	<u>-</u>	<u>(23,200,000)</u>	<u>83,840,000</u>			

Notes:

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

Up to the date of this report, no options under the Scheme 2011 were granted since its adoption on 14 September 2011.

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 2011, 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%
Shenzhen Investment Limited	Corporate	631,092,857 (L)	–	22.62%

L: Long 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 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 2011, 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 2011 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 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 2011.

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 2011.

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 2011.

REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2011 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 2011