沿海綠色家園有限公司 *
COASTAL GREENLAND LIMITED
(incorporated in Bermuda with limited liability)
(Stock Code: 1124)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2007

HIGHLIGHTS:

1. The profit attributable to shareholders for the year is about HK$126.7 million, an increase of about 20.7% over that of last year.

2. Revenue for the year amounted to about HK$2,012.2 million, an increase of about 165.1% from last year.

3. The profit attributable to shareholders for the year of HK$126.7 million is after a non-operating charge of approximately HK$166.5 million arising from fair value adjustment for derivative liability in connection with the convertible bonds issued, a significant increase from last year's charge of about HK$26.6 million. Before such a charge, the profit attributable to shareholders is HK$293.2 million, an increase of 122.8% from last year on a same basis.

4. Final dividend of HK1 cent per share for the year was proposed by the Board of Directors.

RESULTS

The Board of Directors (the "Directors") of Coastal Greenland Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007 with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
REVENUE		**2,012,246**	759,107
Cost of sales		**(1,528,766)**	(538,574)
Gross profit		**483,480**	220,533
Increase in fair value of investment properties		**79,575**	1,681
Gain on disposal of property based subsidiaries		**39,420**	25,801
Gain on partial disposal of property based subsidiaries		**29,053**	–
Gain on disposal of investment properties		**–**	19,436
Other income		**51,482**	27,347
Marketing and selling costs		**(31,779)**	(1,185)
Administrative expenses		**(88,381)**	(66,402)
Fair value loss on derivative liability component of convertible bonds		**(166,484)**	(26,643)
Other expenses		**(6,192)**	(13,152)
Finance costs	3	**(34,778)**	(15,574)
Share of loss of an associate		**(906)**	–
PROFIT BEFORE TAXATION	4	**354,490**	171,842
Income tax expense	5	**(228,905)**	(65,781)
PROFIT FOR THE YEAR		**125,585**	106,061
Attributable to:			
Equity holders of the Company		**126,703**	105,035
Minority interests		**(1,118)**	1,026
		125,585	106,061
DIVIDENDS			
Interim		**23,155**	21,053
Proposed final		**27,594**	22,129
		50,749	43,182
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	6		
– Basic		**HK5.69 cents**	HK5.13 cents
– Diluted		**HK5.62 cents**	HK5.07 cents

CONSOLIDATED BALANCE SHEET
31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**88,327**	18,503
Investment properties		**507,321**	302,765
Prepaid land lease payments		**91,520**	4,819
Goodwill		**67,643**	66,247
Interest in an associate		**114,027**	–
Available-for-sale investments		**3,047**	560
Pledged bank deposits		**152,166**	60,209
Total non-current assets		**1,024,051**	453,103
CURRENT ASSETS			
Properties under development		**6,726,632**	3,785,205
Completed properties for sale		**427,547**	224,809
Trade receivables	7	**148,249**	66,027
Prepayments, deposits and other receivables		**707,905**	546,550
Amounts due from jointly-controlled entities		**10,425**	–
Tax recoverable		**4,624**	18,205
Pledged bank deposits		**219,339**	38,715
Cash and bank balances		**952,749**	265,754
Total current assets		**9,197,470**	4,945,265
CURRENT LIABILITIES			
Trade payables	8	**74,122**	171,276
Deposits received and deferred revenue		**1,085,906**	576,479
Other payables and accruals		**1,211,807**	433,834
Amount due to a substantial shareholder of the Company		**12,070**	44,503
Amounts due to jointly-controlled entities		**–**	78,911
Tax payable		**206,878**	66,604
Interest-bearing bank and other borrowings		**764,336**	701,850
Derivative liability component of convertible bonds		**154,839**	27,745
Total current liabilities		**3,509,958**	2,101,202
NET CURRENT ASSETS		**5,687,512**	2,844,063
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,711,563**	3,297,166

CAPITAL AND RESERVES		
Share capital	**231,552**	210,525
Reserves	**1,721,941**	1,373,444
Proposed final dividend	**27,594**	22,129
Equity attributable to equity holders of the Company	**1,981,087**	1,606,098
Minority interests	**430,929**	40,628
Total equity	**2,412,016**	1,646,726
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**3,359,250**	913,198
Long term payables	**230,278**	7,058
Deferred tax	**710,019**	730,184
Total non-current liabilities	**4,299,547**	1,650,440
	6,711,563	3,297,166

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS:

In the current year, the Group has applied, for the first time, a number of new standards, amendment and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results and financial positions for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1(Amendment)	Capital Disclosures[1]
HKAS 23(Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions[6]
HK(IFRIC)-Int 12	Service Concession Arrangements[7]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 May 2006
4 Effective for annual periods beginning on or after 1 June 2006
5 Effective for annual periods beginning on or after 1 November 2006
6 Effective for annual periods beginning on or after 1 March 2007
7 Effective for annual periods beginning on or after 1 January 2008

3. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**233,484**	108,012
Interest on convertible bonds	**46,675**	5,085
Interest on other borrowings wholly repayable within five years	**46,380**	9,239
Interest on other borrowings not wholly repayable within five years	**620**	378
	327,159	122,714
Less: Amounts capitalised in properties under development	**(292,381)**	(107,140)
	34,778	15,574

4. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging (crediting):

	Group	
	2007	2006
	HK$'000	*HK$'000*
Cost of properties for sale sold	**1,422,935**	499,671
Depreciation of property, plant and equipment	**5,500**	6,533
Less: Amounts capitalised in properties under development	**(2,625)**	(1,290)
	2,875	5,243
Minimum lease payments under operating leases for land and buildings	**6,075**	3,286
Less: Amounts capitalised in properties under development	**(2,933)**	(1,462)
	3,142	1,824
Auditors' remuneration	**2,400**	1,600
Staff costs (including directors' remuneration)	**63,986**	33,821
Pension scheme contributions	**6,653**	3,012
Less: Amounts capitalised in properties under development	**(31,214)**	(12,041)
	39,425	24,792
Share of tax of jointly controlled entities@	**137,372**	–
Provision for long service payments	**271**	190
Provision (write-back of provision) for other receivables and prepayment*	**1,477**	(4,355)
Loss (gain) on disposal of items of property, plant and equipment	**284**	(35)
Release of prepaid land lease payments**	**1,256**	114
Bank interest income#	**(6,601)**	(312)
Foreign exchange differences, net	**1,419**	3,366
Gross rental income	**(6,101)**	(12,601)
Less: Outgoings	**1,268**	5,415
Net rental income	**(4,833)**	(7,186)
Reversal of business tax provision#	**(1,051)**	(7,901)
Waiver of other payable	**(3,250)**	–
Discount on acquisition of additional interest in a subsidiary	**–**	(17,323)

@ *Included in "Income tax expense" of the consolidated income statement.*

* *Included in "Other expenses" of the consolidated income statement.*

** *Included in "Administrative expenses" of the consolidated income statement.*

Included in "Other income" of the consolidated income statement.

5. INCOME TAX EXPENSE

	Group	
	2007	2006
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
Provision for the year	**208,434**	81,162
Overprovision in prior year	**–**	(3,396)
PRC land appreciation tax	**46,617**	–
Deferred tax	**(26,146)**	(11,985)
Total tax charge for the year	**228,905**	65,781

6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

Earnings

	2007	2006
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company and earnings for the purposes of basic and diluted earnings per share	**126,703**	105,035

Number of shares

	2007	2006
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,224,893,397**	2,047,595,890
Effect of dilutive potential ordinary shares – share option	**28,322,978**	22,789,268
Weighted average number of ordinary shares for the purposes of diluted earnings per shares	**2,253,216,375**	2,070,385,158

The calculation of diluted earnings per share has not taken into account the conversion of the Company's convertible bonds as it would result in an increase in the earnings per share for the year and prior year.

7. TRADE RECEIVABLES

The Group's credit policy is set on a project-by-project basis taking into account the prevailing market situations for each project. The trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date based on contract date, net of provisions for bad and doubtful debts, is as follows:

	2007		2006	
	Balance *HK$'000*	**Percentage**	Balance *HK$'000*	Percentage
0 – 30 days	**75,688**	**51**	35,074	53
31 – 60 days	**52,268**	**35**	1,676	3
61 – 90 days	**10,241**	**7**	1,991	3
Over 90 days	**10,052**	**7**	27,286	41
	148,249	**100**	66,027	100

8. TRADE PAYABLES

An aged analysis of the trade payables which are non-interest bearing as at the balance sheet date based on invoice date is as follows:

	2007		2006	
	Balance *HK$'000*	**Percentage**	Balance *HK$'000*	Percentage
0 – 30 days	**18,394**	**24**	43,383	25
31 – 60 days	**445**	**1**	578	-
61 – 90 days	**416**	**1**	6,494	4
Over 90 days	**54,867**	**74**	120,821	71
	74,122	**100**	171,276	100

9. SEGMENT INFORMATION

Business segments

The following table presents revenue and profit for the Group's business segments.

	Property development		**Property investment**		**Property management**		**Consolidated**	
	2007 *HK$'000*	2006 *HK$'000*	**2007** *HK$'000*	2006 *HK$'000*	**2007** *HK$'000*	2006 *HK$'000*	**2007** *HK$'000*	2006 *HK$'000*
Segment revenue:								
Sales to external customers	**2,002,712**	742,927	**6,101**	12,601	**3,433**	3,579	**2,012,246**	759,107
Segment results	**598,769**	175,433	**75,280**	45,056	**(2,034)**	(1,050)	**672,015**	219,439
Unallocated corporate expense							**(288,442)**	(32,335)
Interest income							**6,601**	312
Finance costs							**(34,778)**	(15,574)
Share of loss of an associate							**(906)**	–
Profit before tax							**354,490**	171,842
Income tax expense							**(228,905)**	(65,781)
Profit for the year							**125,585**	106,061

10. COMPARATIVE FIGURES

In current year, comparative figures have been reclassified so as to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the financial year ended 31 March 2007, the Group recorded a revenue of approximately HK$2,012.2 million, an increase of about 165.1% as compared to HK$759.1 million last year. Profit before taxation rose by about 106.3% to HK$354.5 million. Profit attributable to shareholders increased by about 20.6% to approximately HK$126.7 million, after a non-operating charge of approximately HK$166.5 million arising from fair value adjustment for derivative liability in connection with the convertible bonds issued by the Company, a significant increase from last year's charge of about HK$26.6 million which is attributable to additional convertible bonds issued and the increase in the share price of the Company's shares during the year. Before such a charge, the profit attributable to shareholders is HK$293.2 million, an increase of 122.8% as compared to that of last year on a same basis. During the year under review, the Group's profit was mainly derived from the sale and completion of properties in Beijing Sunvilla Realhouse, Beijing Silo City, Anshan Greenland IT City , Wuhan Lakeside Apartment and Jiangxi Riviera Garden.

BUSINESS ANALYSIS

Revenue

The following table sets out the breakdown of the Group's revenue together with the contribution to operating results by activities:

	Year ended 31 March			
	2007		2006	
	Revenue	**Contribution to operating results**	Revenue	Contribution to operating results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Sale of properties	**2,002,712**	**598,769**	742,927	175,433
Rental income	**6,101**	**75,280**	12,601	45,056 *(Note)*
Property management	**3,433**	**(2,034)**	3,579	(1,050)
Total	**2,012,246**	**672,015**	759,107	219,439

Note: Including an amount of about HK$79.6 million (2006: HK$ Nil) surplus arising from revaluation of properties completed during the year which are held as investment properties. For the year ended 31 March 2006, the amount included an amount of about HK$19.4 million gain on disposal of investment properties.

The Group's revenue for the year was mainly derived from operations in the mainland of the People's Republic of China.

Property Sale

Riding on a thriving property market, the Group's property sale has hit its record high, registering a sale revenue of HK$2,002.7 million, a 169.6% increase from last year. The revenue mainly came from Phases I and II of Beijing Sunvilla Realhouse, Phases I and II of Beijing Silo City, Phases I and II of Jiangxi Riviera Garden, Anshan Greenland IT City and Wuhan Lakeside Apartment, which respectively accounted for about 18.5%, 62.6%, 9.7%, 6.3% and 2.0% of the revenue for property sale. The remaining 0.9% was derived from sales of remaining inventory of the Group's old development projects.

Property Rental

As for the leasing business, revenue from property rental decreased by 51.6% to approximately HK$6.1 million from about HK$12.6 million last year. The decrease was mainly due to the disposal of the remaining area of Wuhan Wah Zhong Trade Plaza in last year, which was the major rental income generator of the Group in the previous year. Rental income for the year was mainly derived from the properties held by the Group in Shanghai Golden Bridge Mansion and Shenyang Dongbei Furniture and Ornaments Plaza.

The plan for setting up an agricultural products market for Shenyang Dongbei Furniture and Ornaments Plaza has not proceeded as detailed terms of cooperation with the agricultural products chain store franchise owner cannot be reached. The Group is studying alternative business plans for this property.

During the year the Group has completed the commercial area in Phases I and II of Beijing Silo City and a majority part of the commercial area with a GFA of about 12,500 sq.m. is being held by the Group as investment property. Leasing of the commercial area to retail shop operators is underway and the Group plans to launch the grand opening of the shopping arcade in October 2007.

Property Management

The Group's property management operations had recorded a loss of about HK$2.0 million as compared to last year's loss of HK$1.1 million. The Group is committed to provide integrated and value added property management services to foster good relations with tenants and owners and strengthen its brand image.

Gross Profit Margin

As most of the properties completed during the year are projects in initial phases of development, their profit margins are in general lower than that of later phases of development. As a result, the overall gross profit margin of the Group decreased to about 24% from 29% in last year. However, the Group believes that the average selling price and hence the gross profit margin of subsequent phases of the development projects will improve in the coming years.

Increase in Fair Value of Investment Properties

This represented the surplus arose from revaluation of the 12,500 sq.m. of commercial areas in Phases I and II of Beijing Silo City which were completed during the year and are held by the Group as investment properties.

Gain on Disposal of Property Based Subsidiaries

The gain for the current year mainly arose from the disposal of the remaining property interests in Anshan Greenland IT City and Shanghai Riviera Villa. The gain recorded in last year mainly came from the disposal of the remaining property interests in Wuhan Wah Zhong Trade Plaza. The disposals were made by means of disposal of the equity interests in the relevant project holding companies.

Gain on Partial Disposal of Property Based Subsidiaries

This mainly represented the gain on the disposal of 50% equity interest in Dalian Xinghai Bay Project.

Gain on Disposal of Investment Properties

The gain recorded last year came from the disposal of certain investment properties in Wuhan Wah Zhong Trade Plaza.

Marketing and Selling Costs

Marketing and selling costs increased to HK$31.8 million from HK$1.2 million last year as a result of the increase in revenue. Also, starting from current year, marketing and selling costs capitalized in properties under development were included in marketing and selling costs in the income statements upon project completion while in last year such costs were included in the cost of properties sold.

Administrative Expenses

To support business expansion, the Group continued to recruit high-calibre staff to join the management team both at its headquarters and project company level. The Group moved into its 2,862 sq. m. new headquarters in a new office building in Shenzhen in April 2006. As a result of increased operating activities, administrative expenses increased by about 33.1% to about HK$88.4 million as compared to last year.

Fair Value Loss on Derivative Liability Component of Convertible Bonds

Fair value loss on derivative liability component of convertible bonds increased by about 525.9% to HK$166.5 million from HK$26.6 million as a result of the significant increase in the share price of the Company and additional convertible bonds issued during the year. This is a non-operating loss and does not involve any cash outflow. All the outstanding convertible bonds have been converted into shares of the Company subsequent to the balance sheet date.

Finance Costs

During the year, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings, including senior notes and convertible bonds) of HK$327.2 million, an increase of about 166.7% as compared to HK$122.6 million last year. The increase was mainly due to an overall increase in the total amount of bank and other borrowings to fund business expansion including development of ongoing projects and acquisition of new development projects.

Share of Loss of an Associate

This represented the share of loss of an associate acquired during the year, Shanghai Fenghwa Group Company Limited ("Shanghai Fenghwa"), as its development projects have not been completed during the year.

Gross Floor Area Completion

For the financial year the Group had completed development projects with gross floor area ("GFA") totaling about 489,041 sq.m. of which about 436,851 sq.m. is attributable to the Group, about 65% and 50% increases from the respective GFA of about 296,600 sq.m. and 291,374 sq.m. last year.

Acquisitions of New Projects

During the year under review, the Group acquired interests in the following projects:

Projects	**Estimated gross floor area**	**Group's interests**	**Type of development**
Dalian Xinghai Bay Project	343,900 sq.m.	100%	Residential/Commercial
Beijing Shunyi Project *(Note)*	203,000 sq.m.	70.8%	Residential with attached commercial
Chengdu Dujiangyan Project *(Note)*	505,357 sq.m.	100%	Residential with attached commercial
Shenyang Hunnan Project	533,600 sq.m.	100%	Residential/Commercial

Note: These projects are at land development stage which involves arrangement for resettlement of existing residents and designing and proposing property development plan for approval by relevant government authorities etc., and the Group has interests in the land development. The further acquisitions of the land use rights of these projects for property development will be subject to public tender or auction process.

Other Acquisitions

During the year, the Group acquired 21.13% of the issued share capital of Shanghai Fenghwa, a listed company on the Shanghai Stock Exchange, and became the largest shareholder in Shanghai Fenghwa. This is a strategic move of the Group to secure a substantial equity stake in a PRC listed company. The move has leveraged the Group the capability to capture opportunities in the PRC capital market. The investment is accounted for by the Group at cost. The Group's 21.13% shareholding or 39,719,503 shares in Shanghai Fenghwa have a lock-up period of 3 years commencing 1 March 2007 pursuant to the share restructuring scheme adopted by Shanghai Fenghwa's shareholders on 29 December 2006. As at 31 March 2007, the closing share price of Shanghai Fenghwa as quoted on the Shanghai Stock Exchange is RMB9.87 per share, about 247% higher than the carrying cost per share as stated in the Group's financial statements.

During the year, the Group acquired all the other 50.25% equity interest in its Beijing Silo City development project from the joint venture parties. The acquisition increased the Group's equity stake in this substantial development project with a promising prospect to 100%.

Senior Notes and Convertible Bonds

During the year, the Group issued certain senior notes and convertible bonds to certain independent third parties for a total amount of US$100 million (equivalent to approximately HK$780 million) which provide the Group with additional working capital for its operations. The details of the transactions are set out in the section headed "Financial Resources and Liquidity".

Corporate Brand

In 2006, the corporate brand "Coastal Greenland" has again made it among the top ten most valuable Chinese real estate company brands for the third consecutive year. The list is published by the 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 Chinese Index Research Center. The Group has also made the list of one of the most influential brands in China published by the World Brand Lab in 2006.

OUTLOOK

The PRC economy has registered a growth of 10.7% in the GDP for 2006. It is expected that the economy of the PRC will continue its positive development and the Group will benefit from the continuous booming economy. The austerity measures imposed on the real estate sector, which include on areas of property development orientation, taxation, financing and land supply etc, are expected to bring to the real estate industry a more stable and sustainable market in the long term. With more stringent requirements and financial demands imposed on property developers, it is expected that smaller developers will become less competitive in the marketplace and more opportunities will be available to larger developers with more resources. The Group believes that it is well positioned to take on the new challenges and capture the new opportunities as the Group has a well experienced and qualified management team, a well recognised corporate brand in the real estate industry, the resources of financing from both internal and external sources, including access to domestic and overseas financial markets, and a quality and geographically well diversified property development portfolio on hand.

PROPOSED FINAL DIVIDEND

The Directors recommend a final dividend of HK1 cent per share payable to shareholders on the register of members on 7 September 2007.

The dividend is subject to approval by the shareholders of the Company in the coming annual general meeting.

FINANCIAL RESOURCES AND LIQUIDITY

The principal source of fund for the Group came from the cashflow generated from property sales and leasings supplemented by bank and other borrowings.

At 31 March 2007, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to about HK$2,799.3 million. Net debt to equity ratio, which is expressed as a percentage of the net borrowings over the net assets of the Group, increased by about 40.1% to about 116.1% from about 75.9% last year. Net debt to total assets ratio is about 27.4% compared to 23.2% last year. The increase in the ratios is mainly due to the increase in borrowings of the Company from issue of senior notes and convertible bonds during the year as detailed below.

Note: Subsequent to the year end date on 23 July 2007, the holder of the US$40 million (approximately HK$312 million) convertible bonds converted all the US$40 million convertible bonds into 443,862,857 ordinary shares of the Company. The conversion has significantly improved the debt to equity ratio of the Group.

Pursuant to a subscription agreement dated 30 March 2006, the Company issued senior notes of an amount of US$40 million (equivalent to approximately HK$312 million) on 4 April 2006 to certain independent third parties. The senior notes bear interest at 9% per annum and is wholly repayable on 4 August 2008. The senior notes are secured by a share charge over the 100% of the entire issued share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.

Pursuant to a subscription agreement dated 30 June 2006, the Company issued senior notes of an amount of US$20 million (equivalent to approximately HK$156 million) on 6 July 2006 to an independent third party. The senior notes bear interest at 9% per annum and is wholly repayable on 4 August 2008. The senior notes are secured by a share charge over the 100% of the entire issued share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.

Pursuant to a subscription agreement dated 30 June 2006 and the approval of the shareholders of the Company at a special general meeting held on 21 July 2006, the Company issued US$40 million (approximately HK$312 million) convertible bonds to an independent third party. The convertible bonds bear coupon interest rate at 4.75% per annum, are secured by a second priority charge over the entire issued share capital of the Company's wholly owned subsidiary, Coastal Realty Development Co. Limited, and will mature on 30 December 2009 with a put option for the subscriber who has the right to demand for an early redemption of the convertible bonds during the period from 30 June 2009 to maturity date. If the convertible bonds are not converted into ordinary shares of the Company, they will be redeemed at 145% of the issued value of US$40 million on maturity. The convertible bonds are convertible at HK$0.7 per ordinary share into the share capital of the Company at any time during the tenure of the convertible bonds.

The proceeds from the issue of the senior notes and the convertible bonds were used in the development of the Group's development projects and as working capital. The issue of the senior notes and convertible bonds has provided additional working capital for the Group's operations.

On 18 December 2006, the holder of the tranches 3 and 4 of the convertible bonds issued on 5 August, 2005 had exercised the conversion right in respect of the tranches 3 and 4 convertible bonds whereby 97,500,000 shares of HK$0.1 each were allotted and issued upon conversion at a conversion price of HK$0.5 per share. The 97,500,000 shares represent approximately 4.2% of the enlarged issued share capital of the Company and rank pari passu in all respects with the existing issued shares of the Company.

On 4 December 2006, the holders of 5,120,000 share options granted under the share option scheme adopted on 20 September 1997 had exercised the rights attached to the share options whereby 5,120,000 shares of HK$0.1 each were allotted and issued at an exercise price of HK$0.2 per share. The 5,120,000 shares represent approximately 0.2% of the enlarged issued share capital of the Company and rank pari passu in all respects with the existing issued shares of the Company.

BORROWINGS AND CHARGES

At 31 March 2007, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	2007 *HK$'000*	2006 *HK$'000*
Bank loans repayable:		
Within one year or on demand	**559,443**	451,668
In the second year	**983,706**	378,604
In the third to fifth years, inclusive	**636,630**	63,624
	2,179,779	893,896
Other borrowings (including senior notes and convertible bonds) repayable:		
Within one year or on demand	**204,893**	250,182
In the second year	**1,485,753**	197,064
In the third to fifth years, inclusive	**246,770**	262,754
Beyond five years	**6,391**	11,152
	1,943,807	721,152
	4,123,586	1,615,048

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

	2007 *HK$'000*	2006 *HK$'000*
Renminbi	**3,306,083**	1,401,468
Hong Kong dollars	**–**	5,550
United States dollars	**817,503**	208,030
	4,123,586	1,615,048

The borrowings bear interest rates based on normal commercial terms.

(a) Certain of the Group's borrowings are secured by:

(i) Certain investment properties of the Group with an aggregate carrying value at 31 March 2007 of approximately HK$506 million (2006: HK$283 million);

(ii) Certain properties under development of the Group with an aggregate carrying value at 31 March 2007 of approximately HK$4,161 million (2006: HK$2,845 million);

(iii) Certain completed properties for sale of the Group with an aggregate carrying value at 31 March 2007 of approximately HK$211 million (2006: HK$166 million);

(iv) Certain bank deposits of the Group amounting to approximately HK$325 million at 31 March 2007 (2006: HK$68 million); and

(v) Corporate guarantees from the Company and certain of its subsidiary companies.

(b) Certain other loans are secured by the 85% equity interest in Shanghai Xinhongda Real Estate Ltd., a wholly owned subsidiary of the Company, the Group's equity interest in a jointly-controlled entity, Beijing Gaosheng Real Estate Company Limited and the Group's properties held for development with a carrying value of approximately HK$113 million (2006: HK$113 million).

(c) The convertible bonds and the senior notes (included in other borrowings) are secured by a share charge over the 100% of the entire share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's operations are principally in the People's Republic of China ("PRC"). Majority part of the Group's income and expenditure is in Renminbi. The exchange rate of Renminbi against other currencies has been on a rising trend over the past period, which is in favour of the Group's operations as all the major assets, mainly property development projects, of the Group are located in the PRC and will generate Renminbi revenue to the Group. Therefore, the directors do not foresee that movement in the exchange rate for Renminbi in the foreseeable future will cause a material adverse impact on the Group's operations.

On 4 April 2006, the Company enter into a currency swap contract with an independent third party financial institution whereby, on 5 August 2008, the Company will pay Renminbi 461,207,500 notional amount (with fixed rate interest of 6.33% per annum payable semi-annually) and will receive United States dollars 57,500,000 notional amount (with fixed rate interest of 9% per annum receivable semi-annually). The purpose of the currency swap contract is to hedge the Company's borrowings denominated in United States dollars.

CONTINGENT LIABILITIES

At 31 March 2007, the Group had given guarantees to the extent of approximately HK$890.2 million (2006: HK$392.9 million) to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group and a property of which the sales were underwritten by the Group. The Group has also given guarantees amounting to approximately HK$23.5 million (2006: Nil) to banks in connection with facilities granted to an associate.

LAND APPRECIATION TAX

The State Administration of Taxation ("SAT") of the PRC issued a circular as Guo Shui Han 2004 No. 938 on 2 August 2004 to strengthen the levy of land appreciation tax ("LAT") on property developers. Subsequently, SAT issued Guoshuifa 2006 No. 187 dated 28 December 2006, which became effective from 1 February 2007, announcing its intention to strengthen the mechanism for collection of LAT on property developers, and authorizing the local tax bureau to issue detailed implementation rules and procedures appropriate to local environments. In the past, the Group has both paid and recognized provisional LAT calculated according to certain rates (varying from 0.5% to 3%) over sales amounts assessed by local tax bureau. After consultation with tax consultants and the tax bureau of certain relevant cities where the Group has property development, it is understood that the details of implementation in respect of the 28 December 2006 announcement have not yet been announced. The issue of whether the Group will be liable for LAT additional to the paid and recognized provisional LAT is not yet capable of determination with any real degree of certainty because of the absence of detailed implementation rules and procedures at the moment. However, the Group has decided to take a prudent and conservative approach and to fully provide for this contingent liability in the current year. In the financial statements for the year ended 31 March 2007, a total provision for LAT in the amount of HK$46,617,000 has been made. When impact of the tax on past years becomes clear and definite, it is possible that a write back of part of this provision may be required.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 1,845 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 and share options.

POST BALANCE SHEET EVENTS

(a) Pursuant to the approval of the Remuneration Committee and the Board of Directors at a meeting held on 12 April 2007, the Company granted 77,000,000 and 48,940,000 share options to the Directors and senior management of the Company respectively under the share option scheme adopted by the Company on 24 September 2002. The share options were granted at an exercise price of HK$1.2 per share which is higher than the five days average closing price of HK$1.182 per share of the Company's share traded immediately prior to the offer of the grant and the closing price of HK$1.17 per share of the Company's share traded on the day of the offer of the grant.

(b) On 29 June 2007, the Group entered into sale and purchase agreements to dispose of 80% equity interest in Phase I of its Shenyang Hunnan Project with a GFA of approximately 299,400 sq.m. (excluding parking space and school and hospital space, if any) and 20% equity interest in Phase II of its Shenyang Hunnan Project with a GFA of approximately 178,000 sq.m. (excluding parking space and school and hospital space, if any) to AG Asia Realty Fund ("AG") for a total consideration of approximately HK$331 million (the "Disposal"). Completion of the Disposal is condition upon, among other things, the approval of independent shareholders at a special general meeting to be set up and held.

(c) On 23 July 2007, the holder of the US$40 million convertible bonds issued on 21 July 2006 had exercised the conversion right in respect of the US$40 million convertible bonds whereby 443,862,857 shares of HK$0.1 each were allotted and issued upon conversion at a conversion price of HK$0.7 per share. The 443,862,857 shares represent approximately 16.1% of the enlarged issued share capital of the Company and rank pari passu in all respects with the existing issued shares of the Company.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company complied with the code provisions, as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the financial year ended 31 March 2007.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The audit committee has reviewed the results for the year ended 31 March 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries have not purchased, sold or redeemed any listed securities of the Company during the year ended 31 March 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 September 2007 to 11 September 2007, both dates inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all transfers of shares of the Company must be duly completed, accompanied by the relevant share certificates and lodged with the share registrar of the Company no later than 4:00 p.m. on 6 September 2007.

By Order of the Board
Chan Boon Teong
Chairman

Hong Kong, 25 July 2007

* *For identification purposes only*

As at the date of this announcement, the board of directors comprises Mr. Chan Boon Teong, Mr. Jiang Ming, Mr. Tao Lin, Mr. Cheng Wing Bor, Mr. Lin Chen Hsin, Mr. Wu Xin and Mr. Xin Xiang Dong as executive directors, Mr. Zheng Hong Qing, Mr. Oliver P. Weisberg, Mr. William F. Harley III (alias Mickey Harley), Mr. Hu Aimin, Mr. Zhang Yijun and Mr. Zhang Hauqiao as non-executive directors and Mr. Tang Lap Yan, Mr. Law Kin Ho and Mr. Wong Kai Cheong as independent non-executive directors.