



CGL
沿海綠色家園®

沿海綠色家園有限公司*

COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 1124)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2006

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 2006 with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
REVENUE		759,107	552,914
Cost of sales		(538,574)	(437,509)
Gross profit		220,533	115,405
Other income and gains		74,265	139,586
Marketing and selling costs		(1,185)	(4,141)
Administrative expenses		(66,402)	(50,253)
Other expenses, net		(39,795)	(35,414)
Finance costs	4	(15,574)	(19,716)
Share of loss of an associate		–	(433)
Amortisation of goodwill on acquisition of an associate		–	(162)
PROFIT BEFORE TAX	3	171,842	144,872
Tax	5	(65,781)	(43,661)
PROFIT FOR THE YEAR		106,061	101,211
Attributable to:			
Equity holders of the Company		105,035	102,403
Minority interests		1,026	(1,192)
		106,061	101,211
DIVIDENDS			
Interim		21,053	–
Proposed final		22,129	–
		43,182	–

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

– Basic	<u>5.13 cents</u>	<u>5.06 cents</u>
– Diluted	<u>4.97 cents</u>	<u>5.06 cents</u>

CONSOLIDATED BALANCE SHEET

31 March 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		18,503	29,604
Investment properties		302,765	522,507
Prepaid land lease payments		4,819	4,933
Properties held for development		112,858	108,377
Properties under development		2,200,146	1,817,186
Goodwill:			
Goodwill		66,247	66,247
Negative goodwill		–	(119,706)
Available-for-sale investments/long term investments		560	19,240
Pledged deposits		60,209	88,170
Prepayments and deposits		339,342	114,959
Total non-current assets		<u>3,105,449</u>	<u>2,651,517</u>
CURRENT ASSETS			
Properties under development for sale		1,472,201	1,371,899
Completed properties for sale		224,809	125,875
Trade receivables	7	66,027	30,590
Prepayments, deposits and other receivables		207,208	125,338
Tax recoverable		18,205	4,254
Pledged deposits		38,715	–
Cash and bank balances		265,754	260,283
Total current assets		<u>2,292,919</u>	<u>1,918,239</u>
CURRENT LIABILITIES			
Due to the controlling shareholder of the Company		44,503	27,265
Due to jointly-controlled entities		78,911	79,556
Trade payables	8	171,276	130,144
Tax payable		66,604	65,916
Deposits received		576,479	414,004
Other payables and accruals		431,754	328,207
Interest-bearing bank and other borrowings		701,850	782,212
Derivative liability component of convertible bonds		27,745	–
Total current liabilities		<u>2,099,122</u>	<u>1,827,304</u>
NET CURRENT ASSETS		<u>193,797</u>	<u>90,935</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,299,246</u>	<u>2,742,452</u>

NON-CURRENT LIABILITIES

Deposits received	–	19,173
Interest-bearing bank and other borrowings	913,198	612,355
Long term payables	7,058	8,695
Deferred tax	730,184	719,718
Provision for long service payments	2,080	1,890

Total non-current liabilities **1,652,520** 1,361,831

Net assets **1,646,726** **1,380,621**

EQUITY

Equity attributable to equity holders of the parent		
Issued capital	210,525	202,400
Reserves	1,373,444	1,118,906
Proposed final dividend	22,129	–

Minority interests **1,606,098** 1,321,306
40,628 59,315

Total equity **1,646,726** **1,380,621**

NOTES

1. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

2 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1 April 2005	Effect of adopting						Total HK\$'000
	HKAS 1#	HKAS 17#	HKAS 27#	HKAS 31#	HKAS 40*	HKFRS 3*	
Effect of new policies (Increase/(decrease))	Presentation HK\$'000	Prepaid land lease payments	Consolidation of subsidiaries acquired exclusively with a view to resale	Proportionate consolidation of jointly- controlled entities	Surplus on revaluation of investment properties	Derecognition of negative goodwill	
Assets							
Property, plant and equipment	(458,184)	(5,587)	-	605	-	-	(463,166)
Investment properties	458,184	-	64,323	-	-	-	522,507
Prepaid land lease payments	-	4,933	-	-	-	-	4,933
Goodwill	-	-	-	57,694	-	-	57,694
Negative goodwill	-	-	-	-	-	119,706	119,706
Interests in jointly-controlled entities	-	-	-	(207,855)	-	-	(207,855)
Prepayments, deposits and other receivables	-	-	-	82,045	-	-	82,045
Short term investment	-	-	(61,604)	-	-	-	(61,604)
Properties under development	-	-	-	410,912	-	-	410,912
Cash and bank balances	-	-	-	23,600	-	-	23,600
	<u>-</u>	<u>(654)</u>	<u>2,719</u>	<u>367,001</u>	<u>-</u>	<u>119,706</u>	<u>488,772</u>
Liabilities/equity							
Trade payables	-	-	-	26,004	-	-	26,004
Tax payable	-	-	1,174	-	-	-	1,174
Other payables and accruals	-	-	1,545	69,825	-	-	71,370
Amount due to jointly-controlled entities	-	-	-	79,556	-	-	79,556
Interest-bearing bank and other borrowings	-	-	-	152,579	-	-	152,579
Deferred tax liabilities	-	(113)	-	39,037	-	-	38,924
Retained profits	-	(17)	-	-	18,979	129,558	148,520
Capital reserve	-	-	-	-	-	(9,852)	(9,852)
Leasehold property revaluation reserve	-	(524)	-	-	-	-	(524)
Investment property revaluation reserve	-	-	-	-	(18,979)	-	(18,979)
	<u>-</u>	<u>(654)</u>	<u>2,719</u>	<u>367,001</u>	<u>-</u>	<u>119,706</u>	<u>488,772</u>

* Adjustments taken effect prospectively from 1 April 2005

Adjustments/presentation taken effect retrospectively

At 31 March 2006	Effect of adopting				Total HK\$'000
	HKAS 1 Presentation HK\$'000	HKAS 17 Prepaid land lease payments HK\$'000	HKAS 31 Proportionate consolidation of jointly- controlled entities HK\$'000	HKFRS 3 Discontinuation of amortisation of goodwill and derecognition of negative goodwill HK\$'000	
Effect of new policies (Increase/(decrease))					
Assets					
Property, plant and equipment	(302,765)	(4,708)	922	-	(306,551)
Investment properties	302,765	-	-	-	302,765
Prepaid land lease payments	-	4,819	-	-	4,819
Goodwill	-	-	57,685	(2,363)	55,322
Negative goodwill	-	-	-	119,706	119,706
Interests in jointly-controlled entities	-	-	(268,152)	-	(268,152)
Prepayments, deposits and other receivables	-	-	322,807	-	322,807
Tax recoverable	-	-	12,168	-	12,168
Properties under development	-	-	234,278	-	234,278
Cash and bank balances	-	-	45,396	-	45,396
	<u>-</u>	<u>111</u>	<u>405,104</u>	<u>117,343</u>	<u>522,558</u>
Liabilities/equity					
Trade payables	-	-	34,267	-	34,267
Other payables and accruals	-	-	147,515	-	147,515
Amount due to jointly-controlled entities	-	-	78,911	-	78,911
Interest-bearing bank and other borrowings	-	-	104,010	-	104,010
Deferred tax liabilities	-	-	40,401	-	40,401
Retained profits	-	111	-	127,195	127,306
Capital reserve	-	-	-	(9,852)	(9,852)
	<u>-</u>	<u>111</u>	<u>405,104</u>	<u>117,343</u>	<u>522,558</u>

(b) **Effect on the balances of equity at 1 April 2004 and at 1 April 2005**

	Effect of Adopting			Total <i>HK\$'000</i>
	HKAS 40 Surplus on revaluation of investment properties <i>HK\$'000</i>	HKFRS 3 Derecognition of negative goodwill <i>HK\$'000</i>	HKAS 17 Prepaid land lease payments <i>HK\$'000</i>	
Effect of new policies (Increase/(decrease))				
1 April 2004				
Leasehold property revaluation reserve	–	–	(524)	(524)
Properties held for development revaluation reserve	–	–	(13,362)	(13,362)
Retained profits	–	–	1,902	1,902
	<u>–</u>	<u>–</u>	<u>(11,984)</u>	<u>(11,984)</u>
1 April 2005				
Capital reserve	–	(9,852)	–	(9,852)
Leasehold property revaluation reserve	–	–	(524)	(524)
Investment property revaluation reserve	(18,979)	–	–	(18,979)
Retained profits	18,979	129,558	(17)	148,520
	<u>–</u>	<u>119,706</u>	<u>(541)</u>	<u>119,165</u>

(c) **Effect on the consolidated income statement for the years ended 31 March 2006 and 2005**

	Effect of adopting				Total HK\$'000
	HKAS 17 Prepaid land lease payments HK\$'000	HKAS 31 Proportionate consolidation of jointly-controlled entities HK\$'000	HKAS 40 Surplus on revaluation of investment properties HK\$'000	HKFRS 3 Discontinuation of amortisation of goodwill and recognition of negative goodwill as income HK\$'000	
Effect of new policies					
Year ended 31 March 2006					
Increase in other income and gains	-	-	1,681	-	1,681
Decrease/(increase) in administrative expenses	111	(25)	-	-	86
Increase in other expenses	-	(5)	-	(14,960)	(14,965)
Increase in share of losses of jointly-controlled entities	-	(220)	-	-	(220)
Decrease/(increase) in tax	-	250	(555)	-	(305)
Total increase/(decrease) in profit	<u>111</u>	<u>-</u>	<u>1,126</u>	<u>(14,960)</u>	<u>(13,723)</u>
Increase/(decrease) in basic earnings per share	<u>0.01</u>	<u>-</u>	<u>0.05</u>	<u>(0.73)</u>	<u>(0.67)</u>
Increase/(decrease) in diluted earnings per share	<u>0.01</u>	<u>-</u>	<u>0.05</u>	<u>(0.67)</u>	<u>(0.61)</u>
Year ended 31 March 2005					
Increase in administrative expenses	(1,919)	-	-	-	(1,919)
Increase in other expenses	-	(1,049)	-	-	(1,049)
Decrease in other income	-	(1,944)	-	-	(1,944)
Decrease in share of losses of jointly-controlled entities	-	2,993	-	-	2,993
Total decrease in profit	<u>(1,919)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,919)</u>
Decrease in basic earnings per share	<u>(0.09)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.09)</u>

3. PROFIT BEFORE TAX

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

	Group	
	2006	2005
	HK\$'000	HK\$'000
		(Restated)
Cost of properties for sale sold	499,671	405,086
Depreciation	6,533	9,532
Less: Amounts capitalised in properties under development	(1,290)	(473)
	5,243	9,059
Minimum lease payments under operating leases for land and buildings	3,286	2,743
Less: Amounts capitalised in properties under development	(1,462)	(1,731)
	1,824	1,012
Auditors' remuneration	1,600	1,200
Staff costs (including directors' remuneration)	33,821	28,328
Pension scheme contributions	3,012	2,198
Less: Amounts capitalised in properties under development	(12,041)	(10,656)
	24,792	19,870
Provision for long service payments	190	57
Provision/(write-back of provision) for prepayment*	(4,355)	14,000
(Gain)/loss on disposal of items of property, plant and equipment	(35)	666
Gain on disposal of investment properties [#]	(19,436)	(53,903)
Revaluation deficit on buildings	–	365
Fair value loss on derivative liability component of convertible bonds*	26,643	–
Amortisation of goodwill*	–	1,875
Amortisation of prepaid land lease payments**	114	114
Bank interest income [#]	(312)	(180)
Foreign exchange differences, net	3,366	484
Gross rental income	(12,601)	(24,836)
Less: Outgoings	5,415	8,409
Net rental income	(7,186)	(16,427)
Change in fair value of investment properties	1,681	–
Reversal of business tax provision [#]	(7,901)	(10,655)
Waiver of loan and interest payables [#]	–	(13,685)
Gain on disposal of subsidiaries [#]	(25,801)	(47,966)
Excess over the cost of acquisition of additional interest in a subsidiary	(17,323)	–

* Included in "Other expenses, net" on the face of the consolidated income statement.

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

Included in "Other income and gains" on the face of the consolidated income statement.

4. FINANCE COSTS

	Group	
	2006	2005
	HK\$'000	HK\$'000
		(Restated)
Interest on bank loans, overdrafts and other loans wholly repayable within five years	108,012	76,387
Interest on convertible bonds	5,085	–
Interest on other loans	9,617	4,611
	<u>122,714</u>	<u>80,998</u>
Less: Amounts capitalised in properties under development	<u>(107,140)</u>	<u>(61,282)</u>
	<u>15,574</u>	<u>19,716</u>

5. TAX

	Group	
	2006	2005
	HK\$'000	HK\$'000
Group:		
Current – Elsewhere		
Charge for the year	81,162	69,157
Overprovision in prior year	(3,396)	–
Deferred tax	(11,985)	(25,496)
	<u>65,781</u>	<u>43,661</u>
Total tax charge for the year	<u>65,781</u>	<u>43,661</u>

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

The calculation of basic earnings per share amount is based on the net profit for the year attributable to ordinary equity holders of the Company of HK\$105,035,000 (2005: HK\$102,403,000 (as restated)), and the weighted average number of 2,047,595,890 (2005: 2,024,000,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share amount is based on the net profit for the year attributable to ordinary equity holders of the Company for the year of HK\$105,035,000, after adjusting for the interest saved of HK\$5,085,000 (note 7) upon the deemed conversion of all convertible bonds at the date of issue and the weighted average number of 2,217,035,843 shares in issue during the year. The weighted average number of shares used in the calculation is the weighted average number of 2,047,595,890 shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of 169,439,953 shares assumed to have been issued at no consideration on the deemed exercise of share options and deemed conversion of convertible bonds into 22,789,268 shares and 146,650,685 shares, respectively.

As the exercise price of the outstanding share options was higher than the average market price of the Company's shares during the year ended 31 March 2005, the outstanding share options had no dilution effect on the basic earnings per share for the year ended 31 March 2005.

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 invoice date, net of provisions for bad and doubtful debts, is as follows:

	2006		2005	
	Balance <i>HK\$'000</i>	Percentage	Balance <i>HK\$'000</i> (Restated)	Percentage
0 – 30 days	35,074	53	3,465	11
31 – 60 days	1,676	3	637	2
61 – 90 days	1,991	3	2,558	9
Over 90 days	27,286	41	23,930	78
	<u>66,027</u>	<u>100</u>	<u>30,590</u>	<u>100</u>

8. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date based on invoice date is as follows:

	2006		2005	
	Balance <i>HK\$'000</i>	Percentage	Balance <i>HK\$'000</i> (Restated)	Percentage
0 – 30 days	43,383	25	8,152	6
31 – 60 days	578	–	131	–
61 – 90 days	6,494	4	5,125	4
Over 90 days	120,821	71	116,736	90
	<u>171,276</u>	<u>100</u>	<u>130,144</u>	<u>100</u>

The trade payables are non-interest bearing.

9. SEGMENT INFORMATION

Business segments

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

	Property development		Property investment		Property management		Corporate and others		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)								(Restated)	
Segment revenue:										
Sales to external customers	<u>742,927</u>	<u>524,988</u>	<u>12,601</u>	<u>24,836</u>	<u>3,579</u>	<u>3,090</u>	<u>-</u>	<u>-</u>	<u>759,107</u>	<u>552,914</u>
Segment results	<u>175,433</u>	<u>108,520</u>	<u>45,056</u>	<u>67,589</u>	<u>(1,050)</u>	<u>(3,427)</u>	<u>(32,335)</u>	<u>(7,679)</u>	<u>187,104</u>	<u>165,003</u>
Interest income									312	180
Finance costs									(15,574)	(19,716)
Share of loss of an associate	-	(433)	-	-	-	-	-	-	-	(433)
Amortisation of goodwill on acquisition of an associate	-	(162)	-	-	-	-	-	-	-	(162)
Profit before tax									<u>171,842</u>	<u>144,872</u>
Tax									<u>(65,781)</u>	<u>(43,661)</u>
Profit for the year									<u>106,061</u>	<u>101,211</u>

BUSINESS ANALYSIS

The performance of the Group for the financial year continues to be encouraging. The turnover for the year has reached the amount of HK\$759 million, representing an increase of about 37% over that of last year. Profit from business operations has also shown a strong growth, although there is a non-operating charge of about HK\$26.64 million arising from fair value adjustment for the derivative liability in connection with the issue of the convertible bonds during the year, which has reduced the net profit of the Group for the year significantly.

For property sales, the turnover for the year was about HK\$743 million, an increase of about HK\$218 million from last year's about HK\$525 million. The increase was mainly attributable to more properties were completed and sold for the year. The turnover for sale of properties for the year ended 31 March 2006 was mainly attributable to the sales of Phases III and IV of Wuhan Lakeside Apartment, and Phase I of Beijing Sunvilla Realhouse, Phase V of Anshan Greenland IT City, Anshan Riviera Garden, which respectively accounted for about 60%, 21%, 12%, and 6% of the turnover for sale of properties for the year. The balance of about 1% was contributed from sales of certain commercial area in Xiamen Xiang Jiang Garden and the remaining car parking area in Fuzhou Mansion.

In respect of the remaining phase of Wuhan Lakeside Apartment with a site area of about 79,831 sq.m., the Group has entered into a joint development agreement with an independent third party developer under which the third party developer is wholly responsible for the development of the remaining phase of Wuhan Lakeside Apartment and the Group will receive a guaranteed return of about HK\$97 million from the third party developer. The Group had fulfilled and completed all its obligations under the agreement and the whole amount of the guaranteed return had been paid by the third party developer to the Group. As at the end of the year, the net profit of about HK\$44 million in respect of the transaction was deferred to be recognised as income and the guaranteed return received by the Group was recorded as a deposit received.

Note 1: Including an amount of about HK\$19.44 million (2005: HK\$54.90 million) gain on disposal of investment properties.

Note 2: Including an amount of about HK\$26.64 million (2005: nil) charge arising from fair value adjustment for the derivative liability in connection with the issue of the convertible bonds during the year, pursuant to the adoption of the new accounting policy.

Turnover for property rental decreased by about 49.26% as compared to last year. The decrease was mainly due to the disposal by the Group during the year of all the remaining commercial area in Wuhan Wah Zhong Trade Plaza so as to generate additional working capital for new development projects. The disposal has also resulted in a significant profit contribution to the Group for the year. The leasing performance of the commercial/office area held in Shanghai Golden Bridge Mansion has improved continuously although the revenue contribution to the Group is not significant. For Shenyang Dongbei Furniture and Ornaments Plaza, the market set up plan has been changed from an automobile and related accessories market to an agricultural products market. Subsequent to the year end date, the Group has signed a preliminary agreement with a major agricultural products chain store franchise owner in the PRC for the establishment of an agricultural products market-place in Shenyang Dongbei Furniture and Ornaments Plaza.

The income from property management operations has shown an improvement. Turnover has increased by about 16% from last year. Losses has reduced from last year's HK\$3.43 million to HK\$1.05 million for the year.

The overall gross profit margin for the year has improved to about 29% from last year's 21%. The improvement was mainly due to better profit margin achieved from the properties completed and sold amid a generally bullish property market in the PRC.

To cater for the business expansion, the Group has continued to recruit high-calibre staff to join the management team. Also as a result of higher level of business activities which include increased intensity in corporate brand building campaigns, administrative expenses has increased correspondingly by about 32.14% from last year.

Comparing to last year, the amount of finance costs (mainly interest for bank, other borrowings, senior notes and convertible bonds) before capitalisation increased by about 52% to about HK\$123 million. The increase is mainly due to an overall increase in the total amount of bank and other borrowings and the issue of senior notes and convertible bonds during the year for financing the development of ongoing projects and acquisition of new development projects.

During the year, the Company has issued certain senior notes and convertible bonds to an independent third party for a total amount of US\$30 million (equivalent to approximately HK\$234 million) which provide additional working capital to the Group for its operations. The details of the transaction are set out in the section headed "Financial Resources and Liquidity".

The net profit attributable to shareholders for the year has increased by about 3% to approximately HK\$105 million from last year's about HK\$102 million (restated) and is mainly contributed from the following:

- (1) Satisfactory results achieved from sales of Phases III and IV of Wuhan Lakeside Apartment, Phase I of Beijing Sunvilla Realhouse, Phase V of Anshan Greenland IT City and Anshan Riviera Garden; and
- (2) Significant profits realized from the disposal of all the remaining commercial area in Wuhan Wah Zhong Trade Plaza.

Despite the satisfactory overall performance for the year, there is a non-operating charge of about HK\$26.64 million arising from fair value adjustment for the derivative liability in connection with the issue of the convertible bonds during the year which has caused a significant negative impact on the Group's results for the year.

OUTLOOK

The PRC property market is fuelled with opportunities and challenges. The housing demand driven by economic growth and urbanization in the PRC is paving a good prospect for the PRC property market. Nevertheless, the increasingly stringent credit policies for property development, more capital intensive nature of land acquisition in the PRC and the newly introduced measures by the PRC government to cool down the property market are presenting new challenges to the PRC property developers. However, with the Group's sound business strategies and proven capabilities, the Group is confident of continuing the encouraging path in its performance.

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 2006.

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

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 March 2006, 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 2006, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged deposits, amounted to about HK\$1,250 million. Net debt to equity ratio, which is expressed as a percentage of the net borrowings over the net assets of the Group, decreased by about 1.34% to about 77.83% from about 79.17% (restated) last year. The decrease in the net debt to equity ratio is mainly due to the increase in the net assets value of the Group.

On 7 July 2005, the Company entered into a subscription agreement with Mellon HBV Alternative Strategies LLC, an independent third party, in relation to the issue and subscription of the senior notes, the additional notes and the convertible bonds of an amount of US\$17.5 million (equivalent to approximately HK\$136.5 million), US\$30 million (equivalent to approximately HK\$234 million) and US\$12.5 million (equivalent to approximately HK\$97.5 million) respectively which 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. On 5 August 2005, all the senior notes and the convertible bonds with a total amount of US\$30 million (equivalent to approximately HK\$234 million) were subscribed. None of the additional notes were subscribed and the subscription for the additional notes was terminated subsequently.

The senior notes bear interest at 9% per annum and is wholly repayable on 5 August 2008. The convertible bonds, as subsequently amended on 10 November 2005, were issued in four tranches each in the amount of US\$3,125,000 (equivalent to approximately HK\$24,375,000). The convertible bonds carry the right of converting into the ordinary shares of the Company. The conversion price for tranches 1 and 2 is HK\$0.3 per share and for tranches 3 and 4 is HK\$0.5 per share. The conversion period of tranches 1, 2, 3 and 4 shall expire up to and including the 11th business day prior to 31 December 2005, 30 June 2006, 31 December 2006 and 31 December 2006 respectively. The convertible bonds bear interest at LIBOR plus 1.5% per annum.

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

BORROWINGS AND CHARGES

At 31 March 2006, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	<i>HK\$'000</i>
Bank loans and bank overdrafts repayable:	
Within one year or on demand	451,668
In the second year	378,604
In the third to fifth years, inclusive	63,624
	<hr/>
	893,896
	<hr/>
Other borrowings repayable:	
Within one year	250,182
In the second year	197,064
In the third to fifth years, inclusive	262,754
Beyond five years	11,152
	<hr/>
	721,152
	<hr/>
	<u>1,615,048</u>

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

	<i>HK\$'000</i>
Renminbi	1,401,468
Hong Kong dollars	5,550
United States dollars	208,030
	<hr/>
	<u>1,615,048</u>

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 2006 of approximately HK\$283 million;
 - (ii) Certain properties under development of the Group with an aggregate carrying value at 31 March 2006 of approximately HK\$2,845 million;
 - (iii) Certain completed properties for sale of the Group with an aggregate carrying value at 31 March 2006 of approximately HK\$166 million;
 - (iv) Certain bank deposits of the Group amounting to approximately 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, a 49.75% equity interest in the Group's 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.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's operations are principally in the People's Republic of China. Majority part of the Group's income and expenditure is in Renminbi. The exchange rate for Renminbi has been stable over the past few years with a slight appreciation of about 2% announced in July 2005 and the directors do not foresee any circumstances that will lead to erratic fluctuation in the exchange rate for Renminbi in the foreseeable future which will cause a material adverse impact on the Group's operations. Therefore, the directors consider the Group does not have undue exposure to fluctuation in exchange rates.

CONTINGENT LIABILITIES

At 31 March 2006, the Group had given guarantees to the extent of approximately HK\$393 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, and in respect of certain borrowings of a jointly-controlled entity and approximately HK\$30 million in respect of a bank loan granted to a PRC company which was acquired by the Group subsequent to the year end date.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 2,230 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) On 4 April 2006, the Company issued US\$40 million (approximately HK\$312,000,000) senior notes to certain independent third parties. The senior notes bear coupon interest rate at 9% per annum, are secured by a charge over the entire issued share capital of the Company's wholly owned subsidiary, Coastal Realty Development Co. Limited, and will mature on 5 August 2008.
- (b) On 6 April 2006, the Group through a public auction conducted in the PRC acquired 31,775,602 non-circulating shares of Shanghai Fenghua Group Company Limited ("Shanghai Fenghua"), representing approximately 21.13% shareholding therein at a consideration of RMB66,729,000 (approximately HK\$64,162,000). Shanghai Fenghua is a company listed on the Shanghai Stock Exchange and is principally engaged in industrial management, rental of properties, property management, hotel management, the sale of stationery, sporting goods, crafting items and packaging materials, and business consultancy.
- (c) On 16 June 2006, US\$3.125 million (approximately HK\$24,375,000) out of the US\$9.375 million (approximately HK\$73,125,000) convertible bonds outstanding at 31 March 2006 was converted into 81,250,000 ordinary shares in the Company at HK\$0.3 per ordinary share.
- (d) On 6 July 2006, the Company further issued US\$20 million (approximately HK\$156,000,000) senior notes to an independent third party. The senior notes bear coupon interest rate at 9% per annum, are secured by a charge over the entire issued share capital of the Company's wholly owned subsidiary, Coastal Realty Development Co. Limited, and will mature on 4 August 2008.

- (e) Pursuant to 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\$312,000,000) 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 in 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 in the Company at any time during the tenure of the convertible bonds.

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 except for the following:

Term of appointment of non-executive directors

Currently, the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's bye-laws.

The Board has discussed and reviewed the issue regarding appointment of the non-executive directors for a specific term so as to comply with the CG Code requirements and will fixed a specific term of appointment for each of the non-executive directors as soon as possible.

Retirement of directors

Currently, under the Company's bye-laws a newly appointed director must retire and be re-elected at the first annual general meeting after his appointment. At each annual general meeting, one-third of the directors (or, if their number is not a multiple of three, the number nearest to but not more than one-third, provided that the chairman of the Board and/or the managing director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year) shall retire from office by rotation. A retiring director shall be eligible for re-election.

To comply with the CG Code requirements, amendments to the Company's bye-laws will be proposed at the forth-coming annual general meeting that:

- (a) Any director appointed by the Board to fill a casual vacancy on the Board shall hold office only until the next following general meeting of the Company and any director appointed as an addition to the existing Board, subject to authorization by the members in general meeting, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting; and
- (b) At each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years.

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 2006.

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 2006.

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 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 September 2006 to 11 September 2006, 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 2006.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)’S WEBSITE

The Company’s annual report containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be subsequently published on the website of the Stock Exchange in due course.

By Order of the Board
Chan Boon Teong
Chairman

Hong Kong, 27 July 2006

* *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 and Mr. Lin Chen Hsin, as executive directors, Mr. Zheng Hong Qing, as non-executive director and Mr. Tang Lap Yan, Mr. Law Kin Ho and Mr. Wong Kai Cheong as independent non-executive directors.