



**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 2008**

### **HIGHLIGHTS:**

1. The profit attributable to equity holders of the Company for the year is about HK\$364.7 million, an increase of about 188% over that of last year.
2. Revenue for the year amounted to about HK\$3,722.2 million, an increase of about 85% from last year.
3. Profit before interest, taxation, depreciation, amortisation and net non-cash charges arising from fair value adjustments for derivative component of the convertible bonds and warrants issued by the Company is HK\$1,281.9 million, an increase of about 105% from last year on the same basis.

The Board of Directors (the “Directors”) of Coastal Greenland Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2008, together with comparative figures for the previous year, as follows:

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	<i>Notes</i>	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
Revenue	3	<b>3,722,156</b>	2,012,246
Cost of sales		<b>(2,509,279)</b>	(1,528,766)
Gross profit		<b>1,212,877</b>	483,480
Increase in fair value of investment properties		<b>57,272</b>	79,575
Gain on change in value of completed properties for sale upon transfer to investment properties		<b>23,907</b>	–
Gain on disposal of property based subsidiaries		<b>40,775</b>	39,420
Gain on partial disposal of interests in property based subsidiaries		–	29,053
Fair value gain on warrants		<b>49,776</b>	–
Other income	4	<b>89,857</b>	51,482
Marketing and selling costs		<b>(101,382)</b>	(31,779)
Administrative expenses		<b>(152,286)</b>	(88,381)
Fair value loss on derivative component of convertible bonds		<b>(222,503)</b>	(166,484)
Fair value loss on currency swap contract		<b>(37,405)</b>	–
Other expenses		<b>(45,749)</b>	(6,192)
Finance costs	5	<b>(49,170)</b>	(34,778)
Share of profit (loss) of associates		<b>3,691</b>	(906)
Profit before taxation		<b>869,660</b>	354,490
Taxation	6	<b>(498,690)</b>	(228,905)
Profit for the year	7	<b>370,970</b>	125,585
Attributable to:			
Equity holders of the Company		<b>364,694</b>	126,703
Minority interests		<b>6,276</b>	(1,118)
		<b>370,970</b>	125,585
Dividends	8		
Paid		<b>27,906</b>	45,284
Proposed final		–	27,594
		<b>HK cents</b>	<b>HK cents</b>
Earnings per share	9		
Basic		<b>13.81</b>	5.69
Diluted		<b>13.73</b>	5.62

## CONSOLIDATED BALANCE SHEET

At 31 March 2008

	<i>Notes</i>	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		854,372	88,327
Investment properties		616,476	507,321
Prepaid land lease payments		97,671	91,520
Goodwill		81,032	67,643
Interests in associates		189,872	114,027
Available-for-sale investments		2,960	3,047
Pledged bank deposits		70,360	152,166
		<hr/>	<hr/>
Total non-current assets		1,912,743	1,024,051
<b>CURRENT ASSETS</b>			
Properties under development		5,662,804	6,726,632
Completed properties for sale		1,338,079	427,547
Trade receivables	10	280,378	148,249
Prepayments, deposits and other receivables		1,330,014	707,905
Amounts due from jointly controlled entities		28,098	10,425
Amounts due from associates		42,076	–
Tax recoverable		66,205	4,624
Pledged bank deposits		69,197	219,339
Cash and bank balances		1,205,727	952,749
		<hr/>	<hr/>
Total current assets		10,022,578	9,197,470
<b>CURRENT LIABILITIES</b>			
Trade payables	11	92,699	74,122
Deposits received and deferred revenue		799,434	1,085,906
Other payables and accruals		974,302	1,211,807
Amount due to a substantial shareholder of the Company		100	12,070
Amounts due to jointly controlled entities		6,361	–
Tax payable		759,588	206,878
Interest-bearing bank and other borrowings		1,560,643	764,336
Derivative component of convertible bonds		–	154,839
Derivative liability – warrants		54,729	–
		<hr/>	<hr/>
Total current liabilities		4,247,856	3,509,958
<b>NET CURRENT ASSETS</b>			
		<hr/>	<hr/>
		5,774,722	5,687,512
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/>	<hr/>
		7,687,465	6,711,563

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>279,058</b>	231,552
Reserves	<b>2,981,433</b>	1,721,941
Proposed final dividend	–	27,594
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	<b>3,260,491</b>	1,981,087
Minority interests	<b>435,942</b>	430,929
	<hr/>	<hr/>
Total equity	<b>3,696,433</b>	2,412,016
	<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>3,149,689</b>	3,359,250
Long term payables	<b>154,881</b>	230,278
Deferred tax liabilities	<b>686,462</b>	710,019
	<hr/>	<hr/>
Total non-current liabilities	<b>3,991,032</b>	4,299,547
	<hr/>	<hr/>
	<b>7,687,465</b>	6,711,563
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## 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, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2007. The adoption of the new HKFRSs has had no material effect on how the results and financial position of the Group 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 applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 and 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008

### 3. SEGMENT INFORMATION

The Group's revenue and results were substantially derived from operations in the mainland of the People's Republic of China (the "PRC"). The following is an analysis of the Group's revenue and results by business segment for the year under review:

	Property development		Property investment		Property management		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Segment revenue:								
Sales to external customers	<u>3,710,681</u>	<u>2,002,712</u>	<u>6,823</u>	<u>6,101</u>	<u>4,652</u>	<u>3,433</u>	<u>3,722,156</u>	<u>2,012,246</u>
Segment results	<u>1,035,634</u>	<u>598,769</u>	<u>83,961</u>	<u>75,280</u>	<u>555</u>	<u>(2,034)</u>	<u>1,120,150</u>	<u>672,015</u>
Unallocated corporate expenses							(58,057)	(121,958)
Net foreign exchange gains							56,450	-
Fair value gain on warrants							49,776	-
Fair value loss on derivative component of convertible bonds							(222,503)	(166,484)
Fair value loss on currency swap contract							(37,405)	-
Interest income							6,728	6,601
Finance costs							(49,170)	(34,778)
Share of profit (loss) of associates							3,691	(906)
Profit before taxation							869,660	354,490
Taxation							(498,690)	(228,905)
Profit for the year							<u>370,970</u>	<u>125,585</u>

### 4. OTHER INCOME

	2008 HK\$'000	2007 HK\$'000
Interest income from banks	6,728	6,601
Project management fee income from an associate	7,395	-
Subsidies from the PRC government	7,419	-
Compensation income	-	32,394
Waiver of other payables	2,826	3,250
Net foreign exchange gains	56,450	-
Others	9,039	9,237
	<u>89,857</u>	<u>51,482</u>

## 5. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	173,085	157,374
Interest on other loans wholly repayable within five years	79,171	46,380
Interest on other loans not wholly repayable within five years	1,186	620
Interest on senior notes	117,614	76,110
Interest on convertible bonds	19,754	46,675
Imputed interest expense on long term payables	54,520	44,272
	<u>445,330</u>	<u>371,431</u>
Less: Amounts capitalised in properties under development	<u>(396,160)</u>	<u>(336,653)</u>
	<u><u>49,170</u></u>	<u><u>34,778</u></u>

## 6. TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
PRC Enterprise Income Tax		
Provision for the year	289,855	208,434
Overprovision in prior years	(13,499)	–
PRC land appreciation tax (“LAT”)	305,146	46,617
Deferred tax		
Current year	68,257	(26,146)
Attributable to change in tax rate	(151,069)	–
	<u>498,690</u>	<u>228,905</u>

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 years.

The Group’s income tax expense represents tax charges on the assessable profits of subsidiaries and jointly controlled entities 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. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group’s subsidiaries enjoy reductions and preferential tax rates.

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.

According to the PRC Enterprise Income Tax law and its detailed implementation rules promulgated on 16 March 2007 and 11 December 2007 respectively, for those subsidiaries without preferential tax rates, the new tax rate applicable is unified at 25% which became effective from 1 January 2008 and for those subsidiaries enjoying a preferential tax rate of 15%, the new tax rate applicable will be increased from 15% over 5 years to 25% pursuant to the grandfathering provisions. Deferred tax is recognised based on the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

## 7. PROFIT FOR THE YEAR

The Group's profit for the year has been arrived at after charging (crediting):

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Depreciation of property, plant and equipment	<b>9,280</b>	5,500
Less: Amounts capitalised in properties under development	<b>(2,851)</b>	(2,625)
	<b>6,429</b>	2,875
Amortisation of prepaid land lease payments	<b>2,195</b>	1,256

## 8. DIVIDENDS

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Dividend recognised as distribution:		
Interim dividend – Nil (2007: HK1 cent) per ordinary share	–	23,155
Final dividend – HK1 cent (2007: HK1 cent) per ordinary share	<b>27,906</b>	22,129
	<b>27,906</b>	45,284
Dividend proposed:		
Final dividend – Nil (2007: HK1 cent) per ordinary share	–	27,594

## 9. EARNINGS PER SHARE

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:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Earnings</b>		
Profit for the year attributable to equity holders of the Company and earnings for the purposes of basic and diluted earnings per share	<b>364,694</b>	126,703
	<b>2008</b>	2007
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>2,641,182,576</b>	2,224,893,397
Effect of dilutive potential ordinary shares – share options	<b>15,270,801</b>	28,322,978
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>2,656,453,377</b>	2,253,216,375

The calculation of diluted earnings per share for the year ended 31 March 2008 did not assume the exercise of the Company's warrants as the exercise price of the warrants was higher than the average market price for shares.

The calculation of diluted earnings per share for the years ended 31 March 2008 and 31 March 2007 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.

#### 10. 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 the trade receivables as at the balance sheet date based on contract date, net of allowance for bad and doubtful debts, is as follows:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 30 days	<b>138,259</b>	75,688
31 – 60 days	<b>4,126</b>	52,268
61 – 90 days	<b>16,977</b>	10,241
Over 90 days	<b>121,016</b>	10,052
	<u><b>280,378</b></u>	<u>148,249</u>

#### 11. TRADE PAYABLES

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

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 30 days	<b>20,643</b>	18,394
31 – 60 days	<b>12,749</b>	445
61 – 90 days	<b>3,624</b>	416
Over 90 days	<b>55,683</b>	54,867
	<u><b>92,699</b></u>	<u>74,122</u>

## DIVIDEND

The Directors do not recommend the payment of dividend for the year ended 31 March 2008 (2007: HK2 cents per share).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the financial year ended 31 March 2008, revenue of the Group rose by about 85% to HK\$3,722.2 million. Profit before interest (interests in the amounts of HK\$181.7 million and HK\$49.2 million were included in cost of sales and finance costs respectively), taxation, depreciation and amortisation was HK\$1,109.2 million (2007: HK\$458.8 million), which was after the deduction of net non-cash charges of HK\$172.7 million (2007: HK\$166.5 million) arising from fair value adjustments for derivative component of the convertible bonds and warrants issued by the Company caused by changes in the share price of the Company's shares during the year. Before such charges were deducted, profit before interest, taxation, depreciation and amortisation was HK\$1,281.9 million, an increase of 105% as compared to last year's HK\$625.3 million on the same basis. Profit attributable to equity holders of the Company increased by about 188% to HK\$364.7 million. For the year under review, the Group derived profit mainly from the sale and completion of properties of Phases III and V of Beijing Silo City, Phase I of Shanghai Riviera Garden, Phases I and II of Dongguan Riviera Villa, Phase I of Wuhan Silo City and Phase III of Jiangxi Riviera Garden.

### Revenue

The following table sets out an analysis of the Group's revenue together with the contribution to operating results by activity:

	Year ended 31 March			
	2008		2007	
	Revenue	Contribution	Revenue	Contribution
	HK\$'000	to operating	HK\$'000	to operating
		results		results
		HK\$'000		HK\$'000
Property development	3,710,681	1,035,634	2,002,712	598,769
Property investment	6,823	83,961	6,101	75,280 (Note)
Property management	4,652	555	3,433	(2,034)
Total	<u>3,722,156</u>	<u>1,120,150</u>	<u>2,012,246</u>	<u>672,015</u>

*Note:* The amount included a surplus of HK\$81.2 million (2007: HK\$79.6 million) arising from revaluation of investment properties.

The Group derived revenue for the year mainly from operations in the mainland of the People's Republic of China (the "PRC").

## **Property Development**

In the year under review, the PRC property market had performed robustly. The Group's property sale has further hit its record high, registering a sale revenue of HK\$3,710.7 million, an 85% increase from last year. The revenue mainly came from sales of Phases III and V of Beijing Silo City, Phase I of Shanghai Riviera Garden, Phases I and II of Dongguan Riviera Villa, Phase I of Wuhan Silo City and Phase III of Jiangxi Riviera Garden, which respectively accounted for about 38.0%, 17.9%, 17.8%, 17.3% and 5.1% of the revenue from property sale. The remaining 3.9% came from sales of remaining inventory units of the Group's other completed development projects and the provision of levelling and clearance services for a parcel of land jointly developed by the Group and the local government in the PRC.

The Group completed development projects of total gross floor area ("GFA") of approximately 795,800 sq.m. (2007: 489,041 sq.m.) during the year ended 31 March 2008, about 63% more than in the previous year. Of the total GFA completed, about 762,675 sq.m. (2007: 436,851 sq.m.) were attributable to the Group.

During the year, the Group completed the disposal of 80% equity interest in Shenyang Hunnan Residential Development Project to a connected party who is the 50% joint venture partner in the Group's Dalian Xinghai Bay Project. The disposal brought a gain of HK\$40.8 million. The disposal of 20% equity interest in Shenyang Hunnan Commercial Development Project to the same connected party is expected to be completed in late July 2008 and the related gain will be recorded in the financial year ending 31 March 2009.

## **Property Investment**

As for leasing business, revenue from property rental increased by about 12% to HK\$6.8 million from last year's HK\$6.1 million. Rental income for the year was mainly derived from the properties held by the Group in Shanghai Golden Bridge Mansion, Shenyang Dongbei Furniture and Ornaments Plaza and retail shops in Phases I and II of Beijing Silo City.

The contribution from property investment segment increased to HK\$84.0 million for the year which mainly came from the revaluation surplus of the investment properties of HK\$81.2 million (2007: HK\$79.6 million) and the rental of retail shops in Phases I and II of Beijing Silo City which were completed towards the end of last year and had started to make rental income contribution in current year.

## **Property Management**

The Group's property management operations recorded a profit of about HK\$0.6 million for the year as compared to last year's loss of about HK\$2.0 million. The Group is committed to providing integrated and value-added property management services to foster good relations with tenants and owners and its brand image.

## **Gross Profit Margin**

The overall gross profit margin for the year was about 33% which is higher than last year's about 24%. The improvement was mainly the result of the increase in the selling price of the properties completed during the year.

## **Gain on Disposal of Property Based Subsidiaries**

The gain for the current year arose mainly from the disposal of the 80% property interest in Shenyang Hunnan Residential Development Project. The gain recorded last year came mainly from the disposal of the remaining property interests in Anshan Greenland IT City and Shanghai Riviera Villa. These transactions were made by means of disposal of the equity interests in the relevant project holding companies.

## **Fair Value Gain on Warrants**

During the year, the Company issued 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 exercise price of HK\$2.46 per share (subject to adjustments) from the issue date to 8 November 2012. The fair value of the warrants is determined, upon issuance, and is carried as a derivative financial liability. The changes in fair value of the warrants are dealt with in the income statement. Since the share price of the Company as at 31 March 2008 was lower than the exercise price of the warrants, a fair value gain of HK\$49.8 million arose.

## **Other Income**

Other income for the year mainly represented the net foreign exchange gains of HK\$56.5 million on translation of the Company's United States dollar denominated debts into the Group's functional currency Renminbi, which had appreciated against United States dollars during the year.

## **Marketing, Selling and Administrative Expenses**

Marketing and selling costs increased to HK\$101.4 million from HK\$31.8 million last year as a result of the increase in the Group's property development and selling activities.

Administrative expenses increased to HK\$152.3 million from HK\$88.4 million last year as a result of the business expansion and share options granted to the directors and employees of the Group. The Group continued to recruit high-calibre professionals to join the management team at its headquarters and for project companies. As an incentive and reward to staff, the Company granted 125,940,000 share options to the directors and employees of the Group during the year and the related share-based payment amounting to HK\$23.8 million was included in administrative expenses for the year.

## **Fair Value Loss on Derivative Component of Convertible Bonds**

Fair value loss on derivative component of convertible bonds increased by about 34% to HK\$222.5 million from HK\$166.5 million last year as a result of the increase in the share price of the Company at the conversion date of the bonds as compared to that at the beginning of the year. That was a non-operating loss which did not involve any cash outflow. All the convertible bonds had been converted into shares of the Company during the year.

## **Fair Value Loss on Currency Swap Contract**

There was a fair value loss of HK\$37.4 million on a currency swap contract which was entered into for hedging the Company's borrowings denominated in United States dollars against Renminbi. The currency swap contract was unwound during the year upon the repayment of US\$77.5 million senior notes. The impact of the loss was offset by the exchange gain which was recorded as other income.

## Other Expenses

Other expenses for the year mainly represented interest compensating payments of HK\$29.8 million for late handover of certain completed properties in Phases I and II of Beijing Silo City to the purchasers.

## 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\$445.3 million, an increase of about 20% as compared to the HK\$371.4 million incurred last year. The increase was mainly due to an overall increase in the level of bank and other borrowings for funding business expansion including development of ongoing projects and acquisition of new development projects.

## Acquisition of New Projects

During the year under review, the Group completed the acquisition of equity interest in the following projects:

Projects	Estimated gross floor area	Group's interests	Type of development
Beijing Shengming Kexueyuan Project	39,173 sq.m.	100%	Residential with attached commercial
Suzhou Commercial Project	116,600 sq.m.	100%	Offices/shops/hotel/service apartment

## Corporate Brand

Coastal Greenland, the corporate brand, had been ranked among the top ten most valuable Chinese real estate company brands for the four consecutive years between 2004 and 2007 by an authoritative PRC real estate research team formed by the Development Research Center of the State Council, the Tsinghua University Real Estate Research Center and the China Index Research Team.

## FINANCIAL REVIEW

### Financial Resources and Liquidity

The Group's principal source of fund is the cashflow generated from property sales and leaseings, supplemented by bank and other borrowings.

At 31 March 2008, 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\$3,365 million (2007: HK\$2,799 million). Net debt to total equity ratio, which is expressed as a percentage of net borrowings over total equity of the Group, decreased by about 25% to 91% from 116% last year. The improvement in net debt to total equity ratio was mainly due to (i) the conversion of convertible bonds of US\$40 million into 443,862,857 ordinary shares of the Company during the year, (ii) significant profits made during the year and (iii) a further issue of 31,200,000 shares pursuant to the exercise of the share options granted under the share option scheme adopted on 20 September 1997.

Profit before interest, taxation, depreciation, amortisation and net non-cash charges arising from fair value adjustments for derivative component of the convertible bonds and warrants issued by the Company was HK\$1,281.9 million as compared to last year's HK\$625.3 million on the same basis. With the interest costs for the financial year of HK\$445.3 million (2007: HK\$371.4 million), profit before interest, taxation, depreciation, amortisation and the net non-cash charges in respect of the convertible bonds and warrants had a coverage of 2.88 times over interest costs, an improvement of 71% over 1.68 times last year.

During the year, the Company issued 1,500 units 12% guaranteed senior notes due 2012 of principal amount of US\$150 million (equivalent to approximately HK\$1,170 million) and 111,622,500 warrants for 111,622,500 ordinary shares of HK\$0.10 each in the Company. The net proceeds had been used to redeem the retired senior notes of US\$77.5 million (equivalent to approximately HK\$604.5 million), to finance acquisition of property development projects and as general working capital of the Group.

### Borrowings and Charges

At 31 March 2008, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Bank loans repayable:		
Within one year or on demand	<b>1,069,742</b>	559,443
In the second year	<b>1,346,092</b>	983,706
In the third to fifth years inclusive	<b>586,872</b>	636,630
	<b>3,002,706</b>	2,179,779
Other borrowings (including senior notes and convertible bonds) repayable:		
Within one year or on demand	<b>490,901</b>	204,893
In the second year	<b>180,655</b>	1,451,003
In the third to fifth years inclusive	<b>1,035,385</b>	281,520
Beyond five years	<b>685</b>	6,391
	<b>1,707,626</b>	1,943,807
	<b>4,710,332</b>	4,123,586

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

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Renminbi	<b>3,686,107</b>	3,271,333
United States dollars	<b>1,024,225</b>	852,253
	<b>4,710,332</b>	4,123,586

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

- (a) Certain of the Group's bank and other loans as at 31 March 2008 were secured by:
- (i) certain property, plant and equipment of the Group with an aggregate carrying value of approximately HK\$70 million (2007: HK\$34 million);
  - (ii) certain construction-in-progress of the Group with an aggregate carrying value of approximately HK\$694 million (2007: nil);
  - (iii) certain investment properties of the Group with an aggregate carrying value of approximately HK\$64 million (2007: HK\$246 million);
  - (iv) certain leasehold lands of the Group with an aggregate carrying value of approximately HK\$95 million (2007: HK\$89 million);
  - (v) certain properties under development of the Group with an aggregate carrying value of approximately HK\$3,897 million (2007: HK\$4,284 million);
  - (vi) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$864 million (2007: HK\$211 million); and
  - (vii) corporate guarantees from the Company and certain of its subsidiaries.
- (b) Certain of the Group's bank and other loans as at 31 March 2007 were secured by certain bank deposits of the Group amounting to approximately HK\$295 million, the Group's 85% equity interest in Shanghai Xinhongda Real Estate Ltd., a wholly-owned subsidiary of the Company and the Group's equity interest in a jointly controlled entity, Beijing Gaosheng Real Estate Company Limited.
- (c) The senior notes (included in other borrowings) as at 31 March 2008 were secured by certain bank deposits of the Group amounting to approximately HK\$70 million and share charges over the entire issued share capital of certain wholly-owned subsidiaries of the Company.

### **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 rate of Renminbi against Hong Kong dollars and United States dollars 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.

The Company had entered 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 interest rate of 6.33% per annum payable semi-annually) and will receive United States dollars 57,500,000 notional amount (with fixed interest rate 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 against Renminbi. The currency swap contract was unwound upon the repayment of the retired senior notes during the year.

## **Contingent Liabilities**

At 31 March 2008, the Group had given guarantees to the extent of approximately HK\$1,514.9 million (2007: HK\$890.2 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 had also given guarantees amounting to approximately HK\$267.7 million (2007: HK\$23.5 million) to banks in connection with banking facilities granted to associates.

## **EMPLOYEES AND REMUNERATION POLICY**

The Group employs a total of about 2,034 employees in the mainland China and Hong Kong. Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage, housing allowances and share options.

## **PROSPECTS**

Various macro economic control measures implemented by the Chinese government including tight credit policy and restrictions in relation to property development orientation, taxation, financing and land supply etc, specific to the real estate sector are expected to cool down the PRC property market in the near term and in the long run bring stability and sustainability to the real estate sector. With more stringent requirements and financial demands imposed on property developers, smaller developers will become less competitive in the marketplace and more opportunities will be available to larger developers with more resources. The Group believes it is well positioned to take on new challenges and capture the new opportunities with its prudent growth strategy and with the support of its experienced and qualified management team, well-recognised corporate brand, strong internal and external financial sources accessible in the domestic and overseas capital markets, and its geographically well diversified quality development and investment property portfolio on hand.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to high standards of corporate governance. The Company has complied throughout the year ended 31 March 2008 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 as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2008.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2008.

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 March 2008.

## PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

The Annual Report of the Company containing all the information required by Appendix 16 to the Listing Rules will be subsequently published on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.coastal.com.cn>) in due course.

By Order of the Board  
**Chan Boon Teong**  
*Chairman*

Hong Kong, 15 July 2008

*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. Cai Shaobin as executive Directors, Mr. Zheng Hong Qing, Mr. Oliver P. Weisberg, Mr. Hu Aimin, Mr. Zhang Yijun and Mr. Zhang Huaqiao as non-executive Directors and Mr. Tang Lap Yan, Mr. Law Kin Ho and Mr. Wong Kai Cheong as independent non-executive Directors.*