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COASTAL GREENLAND LIMITED

沿海綠色家園有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 01124)

**UNAUDITED INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 SEPTEMBER 2010**

HIGHLIGHTS:

1. Revenue for the period amounted to about HK\$548 million, a decrease of about 72% from the last corresponding period.
2. Loss for the period attributable to owners of the Company was about HK\$102.2 million.
3. As at 30 September 2010, the Group has pre-sold HK\$6,645 million of properties under development with a total gross floor area ("GFA") of about 435,600 sq.m. About HK\$5,216 million of the HK\$6,645 million pre-sale revenue is generated from development projects which are expected to be completed and delivered in the second half of the financial year.

The Board of Directors (the "Board") of Coastal Greenland Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010 together with the comparative figures for the corresponding period in 2009. The interim financial report for the six months ended 30 September 2010 has been reviewed by the Company's Audit Committee and the Company's external auditor, Messrs. Deloitte Touche Tohmatsu.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

		Six months ended	
		30 September	
		2010	2009
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	547,865	1,976,820
Cost of sales		(455,047)	(1,610,674)
Gross profit		92,818	366,146
Increase in fair value of investment properties		13,501	75,387
Fair value gain (loss) on warrants		9,320	(16,245)
Other income and gains	4	60,077	5,919
Marketing and selling costs		(48,989)	(109,136)
Administrative expenses		(71,684)	(78,711)
Other expenses		(64,103)	(3,359)
Finance costs	5	(92,959)	(62,467)
Share of loss of associates		(1,973)	(2,584)
(Loss) profit before taxation		(103,992)	174,950
Taxation	6	891	(104,086)
(Loss) profit for the period	7	(103,101)	70,864
Other comprehensive income			
Exchange differences arising on translation to presentation currency		55,816	19,537
Total comprehensive (expense) income for the period		(47,285)	90,401
(Loss) profit for the period attributable to:			
Owners of the Company		(102,181)	80,131
Non-controlling interests		(920)	(9,267)
		(103,101)	70,864
Total comprehensive (expense) income attributable to:			
Owners of the Company		(48,128)	91,882
Non-controlling interests		843	(1,481)
		(47,285)	90,401
(Loss) earnings per share		<i>HK cents</i>	<i>HK cents</i>
Basic	8	(3.66)	2.87
Diluted		Not applicable	2.87

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

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

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

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2010 except as described below.

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

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

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

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

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

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

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

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

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

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

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

New and revised HKFRSs that have been issued but not yet effective

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

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

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 July 2010.

³ Effective for annual periods beginning on or after 1 January 2011.

⁴ Effective for annual periods beginning on or after 1 July 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.

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

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

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Operating segments are identified on the basis of internal report about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM") in order to allocate resources to segments and to assess their performance. Summary details of the Group's operating and reportable segments are as follows:

- (a) the property development segment engages in the development of properties for sale in the People's Republic of China (the "PRC");
- (b) the property investment segment invests in commercial and residential properties located in the PRC for their rental income potential and/or for capital appreciation; and
- (c) the property management segment engages in the management of properties in the PRC.

There were no intersegment sales and transfers for both periods.

Segment revenue and results

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

	Property development		Property investment		Property management		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2010	2009	2010	2009	2010	2009	2010	2009
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:								
Sales to external customers	<u>540,214</u>	<u>1,968,493</u>	<u>4,368</u>	<u>6,163</u>	<u>3,283</u>	<u>2,164</u>	<u>547,865</u>	<u>1,976,820</u>
Segment results	<u>4,100</u>	<u>200,458</u>	<u>15,115</u>	<u>76,746</u>	<u>(816)</u>	<u>229</u>	<u>18,399</u>	<u>277,433</u>
Net unallocated expenses							(23,871)	(22,798)
Income from hotel operation							25,205	-
Expenses of hotel operation							(60,436)	-
Net foreign exchange gains							21,018	907
Fair value gain (loss) on warrants							9,320	(16,245)
Interest income							1,305	704
Finance costs							(92,959)	(62,467)
Share of loss of associates							(1,973)	(2,584)
(Loss) profit before taxation							<u>(103,992)</u>	<u>174,950</u>

Segment results represents the profit (loss) made by each reportable segment without allocation of income and expenses of the Group's head office and hotel operation, net foreign exchange differences, change in fair value of warrants, interest income, finance costs, share of results of associates and taxation. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

The Group's CODM does not review the segment assets and liabilities for the purposes of allocating resources to segments and assessing their performance. Therefore, no segment assets and liabilities are presented.

4. OTHER INCOME AND GAINS

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

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

5. FINANCE COSTS

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

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

6. TAXATION

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

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

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

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

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

7. (LOSS) PROFIT FOR THE PERIOD

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

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

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

8. (LOSS) EARNINGS PER SHARE

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

Since the Company's outstanding options and warrants are anti-dilutive to the loss per share, no diluted loss per share is presented for the six months ended 30 September 2010. The calculation of diluted earnings per share for the six months ended 30 September 2009 did not assume the exercise of the Company's options and warrants as the exercise prices of the options and warrants were higher than the average market price of the Company's shares for that period.

9. TRADE RECEIVABLES

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

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

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

10. TRADE PAYABLES

An aged analysis of trade payables as at the end of the reporting period based on invoice date is as follows:

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

Property Development

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

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

Property Investment

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

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

Property Management

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

Gross Profit Margin

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

Fair Value Gain on Warrants

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

Other Income and Expenses

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

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

Marketing, Selling and Administrative Expenses

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

Finance Costs

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

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

Acquisition of New Development Projects

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

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

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

Corporate Brand

Coastal Greenland, the corporate brand, had been ranked among the top ten most valuable Chinese real estate company brands for the seven consecutive years between 2004 and 2010 by an authoritative PRC real estate research team formed by the Development Research Center of the State Council, the Tsinghua University Real Estate Research Center and the China Index Research Team.

FINANCIAL REVIEW

Financial Resources and Liquidity

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

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

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

At 30 September 2010, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to about HK\$2,876 million (31 March 2010: HK\$2,698 million). Net debt to total equity ratio, which is expressed as a percentage of net borrowings over total equity of the Group, increased by about 7% to 85% from 78% as at 31 March 2010. The increase in net debt to total equity ratio was mainly due to the increase in the net borrowings of the Group at 30 September 2010.

Borrowings and Charges

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

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

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

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

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

- (a) Certain of the Group's bank and other loans as at 30 September 2010 were secured by:
- (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK\$142 million (31 March 2010: HK\$107 million (restated));
 - (ii) certain land and hotel property of the Group with an aggregate carrying value of approximately HK\$415 million (31 March 2010: HK\$413 million);

- (iii) certain investment properties of the Group with an aggregate carrying value of approximately HK\$1,012 million (31 March 2010: HK\$893 million);
 - (iv) certain prepaid land lease payments of the Group with an aggregate carrying value of approximately HK\$55 million (31 March 2010: HK\$55 million (restated));
 - (v) certain bank deposits of the Group with an aggregate carrying value of approximately HK\$926 million (31 March 2010: HK\$1,071 million);
 - (vi) certain properties under development of the Group with an aggregate carrying value of approximately HK\$7,324 million (31 March 2010: HK\$5,453 million);
 - (vii) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$73 million (31 March 2010: HK\$77 million);
 - (viii) the Group's 90% and 100% equity interests respectively in two property-based subsidiaries; and
 - (ix) corporate guarantees from the Company and certain of its subsidiaries.
- (b) The senior notes (included in other borrowings) as at 30 September 2010 were secured by certain bank deposits of the Group amounting to approximately HK\$62 million (31 March 2010: HK\$62 million) and share charges over the entire issued share capital of certain wholly-owned subsidiaries of the Group.

Exposure to Fluctuations in Exchange Rates

The Group's operations are principally in the PRC and accordingly a majority part of its income and expenditure is denominated in Renminbi. The exchange rates of Renminbi against Hong Kong dollars and United States dollars have been on an overall rising trend, which is in favour of the Group's operations as all the major assets, mainly property development projects, of the Group are located in the PRC and will generate Renminbi revenue to the Group. Except the senior notes and certain bank loans which are denominated in United States dollars or Hong Kong dollars, most of the Group's liabilities are denominated in Renminbi. Therefore, the Directors do not foresee that movement in the exchange rates of foreign currencies against Renminbi in the foreseeable future will cause a material adverse impact on the Group's operations.

Contingent Liabilities

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

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 1,814 employees in the mainland China and Hong Kong. Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage, housing allowances and share options.

PROSPECTS

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the requirements as set out in the Model Code during the six months ended 30 September 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 September 2010.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a general review of the unaudited interim financial report for the six months ended 30 September 2010.

REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report of the Company for the six months ended 30 September 2010 containing all the information required by Appendix 16 to the Listing Rules will be published on the websites 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, 29 November 2010

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. Cai Shaobin and Mr. Zheng Hong Qing as executive Directors, Mr. Guo Limin and Mr. Xu Ruxin as non-executive Directors and Mr. Tang Lap Yan, Mr. Law Kin Ho and Mr. Wong Kai Cheong as independent non-executive Directors.

* *For identification purpose only*