



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)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

RESULTS

The Board of Directors of Coastal Greenland Limited (the “Company”) announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2003 together with the unaudited comparative figures for the last corresponding period. The interim report for the six months ended 30th September, 2003 has been reviewed by the Company’s Audit Committee on 27th December, 2003.

		(Unaudited)	
		Six months ended 30th September,	
		2003	2002
	Notes	HK\$'000	HK\$'000
Turnover		534,436	278,325
Cost of sales		(456,959)	(237,644)
Gross profit		77,477	40,681
Other revenue and gains		9,873	9,648
Marketing and selling costs		(114)	(163)
Administrative expenses		(17,708)	(16,528)
Other operating expenses, net		(6,001)	(5,305)
Profit from operating activities	2	63,527	28,333
Finance costs	3	(5,729)	(7,701)
Share of profits and losses of jointly-controlled entities		–	(8)
Profit before tax		57,798	20,624
Tax	4	(26,502)	(8,734)
Profit before minority interests		31,296	11,890
Minority interests		44	(395)
Net profit from ordinary activities attributable to shareholders		31,340	11,495
Earnings per share			
– Basic	5	2.00cents	1.12cents
– Diluted	5	not applicable	not applicable

NOTES:

1. Adoption of revised statements of standard accounting practice (“SSAPs”)

The accounting policies and basis of preparation adopted in the unaudited interim condensed financial statements of the Group are the same as those used in the annual financial statements for the year ended 31st March, 2003, except that the Group has newly adopted SSAP 12 (revised) “Income Taxes” (“SSAP12 (revised)”) issued by the Hong Kong Society of Accountants.

The principal effect of the implementation of SSA12 (revised) is as follows:

In prior years, deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred asset is not recognised until its realisation is assured beyond reasonable doubt.

SSA12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts used as basis for the purpose of the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP12 (revised), the new accounting policy has been applied retrospectively. Comparative amounts for prior period have been restated accordingly.

2. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:

	(Unaudited)	
	Six months ended 30th September,	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	3,853	2,298
<i>Less: Amounts capitalised in properties under development</i>	<i>(758)</i>	<i>(739)</i>
	<u>3,095</u>	<u>1,559</u>

3. Finance costs

	(Unaudited)	
	Six months ended 30th September,	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	17,422	18,836
<i>Less: Amounts capitalised in properties under Development</i>	<i>(11,693)</i>	<i>(11,135)</i>
	<u>5,729</u>	<u>7,701</u>

4. Tax

	(Unaudited)	
	Six months ended 30th September,	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Elsewhere	<u>26,502</u>	<u>8,734</u>

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2002: Nil).

The Group's profits tax represents tax charges on assessable profits of subsidiaries operating in the People's Republic of China ("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 income tax reductions.

5. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$31,340,000 (2002: HK\$11,495,000) and the weighted average number of 1,570,448,087 (2002: 1,024,000,000) shares in issue during the period.

As the exercise price of the outstanding share options was higher than the average market price of the Company's shares during the periods ended 30th September, 2003 and 2002, they exerted no dilution effect on the basic earnings per share for the periods ended 30th September, 2003 and 2002.

INTERIM DIVIDEND

The directors have decided not to declare any interim dividend for the six months ended 30th September, 2003.

REVIEW OF OPERATIONS

The Group's turnover and contribution to profit/(loss) from operating activities analysed by principal activity are as follows:

	Property development		Property investment		(Unaudited) Property management		Corporate and others		Consolidated	
					Six months ended 30th September,					
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	<u>520,593</u>	<u>262,323</u>	<u>12,299</u>	<u>15,435</u>	<u>1,544</u>	<u>567</u>	<u>-</u>	<u>-</u>	<u>534,436</u>	<u>278,325</u>
Segment results	<u>66,935</u>	<u>28,069</u>	<u>6,696</u>	<u>11,433</u>	<u>(253)</u>	<u>(322)</u>	<u>(10,015)</u>	<u>(10,882)</u>	<u>63,363</u>	<u>28,298</u>
Interest income									<u>164</u>	<u>35</u>
Profit from operating activities									<u>63,527</u>	<u>28,333</u>

The Group's turnover and contribution to profit from operating activities for the periods were substantially derived from operations in the mainland of the People's Republic of China.

The performance of the Group for the first half financial year has been encouraging. The turnover for the six months ended 30th September, 2003 has reached a record high of about HK\$534 million, representing an increase of about 92% over that of the last corresponding period. The net profit attributable to shareholders for the period has increased by about 173% to about HK\$31.34 million from last corresponding period's HK\$11.50 million.

The turnover for sale of properties increased substantially by about HK\$259 million, from last corresponding period's HK\$262 million to about HK\$521 million for the period. The increase was mainly due to the advancement in the pre-sales and sales of Phase I and Phase II of Shanghai Riviera Villa, Fuzhou Mansion, Phase I and Phase II of Wuhan Lakeside Apartment and Phase IV of Xiamen Lu Jiang New City. The revenue for the period contributed from sales and pre-sales of Phase I and Phase II of Shanghai Riviera Villa, Phase I and Phase II of Wuhan Lakeside Apartment, Fuzhou Mansion, Phase III and Phase IV of Xiamen Lu Jiang New City, Phase III and IV of Anshan Greenland IT City and Phase II of Shenzhen Dragon Court respectively accounted for 42.83%, 13.02%, 12.74%, 12.39%, 8.87% and 4.88% of the turnover for sale of properties. The balance of 5.27% was contributed from sales of certain commercial areas in Wuhan Wah Zhong Trade Plaza and the pre-sales of the Group's new developments, namely Phase I of Beijing Sunvilla Realhouse (formerly known as Beijing Ritz Garden Villa) and Anshan Riviera Garden, both of which were launched for pre-sales towards the end of the period.

For property rental, the Group recorded a drop in turnover of about 20% from last corresponding period. The decline was mainly due to the sales of certain commercial areas in Wuhan Wah Zhong Trade Plaza during the period resulting in lesser area available for leasing. The leasing performance of the remaining commercial area in Wuhan Wah Zhong Trade Plaza held by the Group has been satisfactory during the period. The leasing performance of the commercial/office area held in Shanghai Golden Bridge Mansion remained weak due to continued keen competition for commercial/office floor area in the rental market.

For property management operations, the Group has entered into a number of service contracts for properties developed by other developers during the period. As a result, a growth of about 172% in the turnover of property management from last corresponding period was recorded.

Alongside with the business growth of the Group, administrative expenses increased by 7.14% as compared to that of the last corresponding period.

The improvement in the performance of the Group for the period was mainly due to the following factors:

- (1) Satisfactory results were achieved from sales and pre-sales of Phase I and Phase II of Shanghai Riviera Villa, Phase I and Phase II of Wuhan Lakeside Apartment, Phase IV of Xiamen Lu Jiang New City and sales of certain commercial areas in Wuhan Wah Zhong Trade Plaza; and
- (2) A compensation of HK\$4.31 million was received by the Group from a buyer of certain properties in Wuhan Wah Zhong Trade Plaza for breaching of a sale agreement.

Despite of the satisfactory overall performance for the period, the following factors had caused a negative impact on the Group's profit for the period:

- (1) Certain properties in Phase I of Shenzhen Dragon Court surrendered by certain buyers were resold at a loss of HK\$3.03 million due to decline in selling price; and
- (2) Losses in the amount totalling HK\$14.84 million resulted from realization of properties in two old aged development projects namely, Phase II of Shenzhen Dragon Court and Fuzhou Mansion, as additional marketing expenses were incurred in the sales promotion of these two developments and their selling prices were lower than that expected.

PROSPECTS

The positive performance of the Group is expected to extend into the second half financial year as the ongoing development projects of the Group have been progressing satisfactorily. The general economic climate in the PRC is expected to remain thriving. The real estate market in the PRC is also expected to remain stable although the effect of the land auction and tender requisite policy newly introduced in the PRC on the real estate market and the business of the Group is yet to be seen. The Group has been actively looking for addition of new development projects to its property portfolio which is the base for the Group's future business development.

FINANCIAL RESOURCES AND LIQUIDITY

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

As at 30th September, 2003, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and bank deposits, amounted to about HK\$353 million. The net debt to equity ratio as at 30th September, 2003 is about 28.47%, which is expressed as a percentage of the net borrowings over the total net assets of the Group of about HK\$1,240 million, an decrease of about 13.91% from that of about 42.38% (restated due to adoption of SSAP 12 (revised)) as at 31st March, 2003.

BORROWINGS AND CHARGES

As at 30th September, 2003, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	<i>HK\$'000</i>
Bank overdraft repayable:	
Within one year or on demand	9,226
Bank loans repayable:	
Within one year or on demand	333,101
In the second year	181,725
In the third to fifth years, inclusive	44,294
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	559,120
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Other loans repayable:	
Within one year or on demand	3,130
In the second year	3,265
In the third to fifth years, inclusive	31,083
Beyond five years	11,396
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	48,874
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	617,220
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An analysis by currency denomination of the above borrowings is as follows:

	<i>HK\$'000</i>
Renmibi	542,845
Hong Kong dollars	60,964
United States dollars	13,411
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	617,220
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The bank and other borrowings bear interest rates based on normal commercial terms.

Certain of the Group's bank and other borrowings are secured by:

- (i) Certain investment properties of the Group with aggregate carrying value at 30th September, 2003 of approximately HK\$379 million;
- (ii) Certain properties under development of the Group with aggregate carrying value at 30th September, 2003 of approximately HK\$182 million;
- (iii) Certain properties held for development of the Group with aggregate carrying value at 30th September, 2003 of approximately HK\$570 million;
- (iv) Certain completed properties for sale of the Group with aggregate carrying value at 30th September, 2003 of approximately HK\$127 million;
- (v) Certain bank deposits of the Group totalling approximately HK\$76 million; and
- (vi) Corporate guarantees from the Company and its subsidiaries.

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 Renmibi. The exchange rate for Renmibi has been stable over the past few years and the directors do not foresee any circumstances that will lead to erratic fluctuation in the exchange rate for Renmibi in the foreseeable future. Therefore, the directors consider the Group does not have undue exposure to fluctuation in exchange rates.

CONTINGENT LIABILITIES

At 30th September, 2003, the Group had given guarantees to the extent of approximately HK\$439,159,000 (31st March, 2003: HK\$342,103,000) 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.

At 30th September, 2003, the Company had given guarantees to the extent of approximately HK\$26,000,000 (31st March, 2003: HK\$142,006,000) to banks for facilities granted to its subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 1,126 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 and share options.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the interim report, except that the non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code of Best Practice but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws. The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice.

PRUCHASE, 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 six months ended 30th September, 2003.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")'S WEBSITE

The unaudited interim report of the Group containing all the information required by paragraphs 46(1) to 46(6) 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, 27th December, 2003