COASTAL 沿海

COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 01124

# Unlocking Opportunity for the future

Interim Report 2018

## CONTENTS

## DEFINITIONS

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings:

| | |
|---|---|
| "Board" | the board of Directors of the Company |
| "CG Code" | Corporate Governance Code as set out in Appendix 14 to the Listing Rules |
| "CIH" | Coastal International Holdings Limited, the controlling Shareholder |
| "Company" | Coastal Greenland Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1124) |
| "Director(s)" | the director(s) of the Company |
| "GFA" | gross floor area |
| "Group" | the Company and its subsidiaries |
| "HK$" | Hong Kong dollar, the lawful currency of Hong Kong |
| "HKICPA" | Hong Kong Institute of Certified Public Accountants |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Model Code" | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| "Period/Reporting Period" | the six months ended 30 September 2018 |

## DEFINITIONS (continued)

| | |
|---|---|
| "PRC" | the People's Republic of China which, for the purposes of this interim report, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Scheme 2011" | the share option scheme of the Company adopted on 14 September 2011 |
| "SFO" | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Share(s)" | ordinary share(s) of HK$0.10 each in the issued share capital of the Company |
| "Shareholder(s)" | holder(s) of the Share(s) of the Company |
| "sq.m" | square metre(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "US$" | United States dollars, the lawful currency of the United States |
| "%" | per cent. |

# CORPORATE INFORMATION

## Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

## Principal Place of Business in the PRC

38/F, Noble Center
No.1006, 3 Fuzhong Road
Futian District
Shenzhen

## Principal Place of Business in Hong Kong

Suite 1712-16, 17th Floor
China Merchants Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

## Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

## Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## Executive Directors

Mr. JIANG Ming
*(Chairman and Managing Director)*
Mr. TAO Lin
Mr. XIA Xianglong
Dr. LI Ting

## Non-executive Directors

Mr. LU Jiqiang
Mr. ZHU Guoqiang

## Independent Non-executive Directors

Mr. WONG Kai Cheong
Mr. YANG Jiangang
Mr. HUANG Xihua

## Company Secretary

Mr. CHENG Wing Bor FCCA, CPA

## Auditor

BDO Limited
Certified Public Accountants

## Websites

http://www.coastal.com.cn
http://www.irasia.com/listco/hk/coastal

## Investor Relations Contact

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## Stock Code

1124

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**TO THE BOARD OF DIRECTORS OF COASTAL GREENLAND LIMITED**
*(incorporated in Bermuda with limited liability)*

### *INTRODUCTION*

We have reviewed the interim financial information set out on pages 7 to 50, which comprises the condensed consolidated statement of financial position of Coastal Greenland Limited (the "Company") as of 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### *SCOPE OF REVIEW*

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### *CONCLUSION*

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

### *OTHER MATTER*

The comparatives in the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period ended 30 September 2017, and the related explanatory notes have not been reviewed in accordance with HKSRE 2410 or audited.

**BDO Limited**
*Certified Public Accountants*
**Ng Wai Man**

Practising Certificate Number P05309
Hong Kong, 27 November 2018

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

| | Notes | Six months ended 30 September 2018 (unaudited) HK$'000 | 2017 (unaudited) HK$'000 |
|---|---|---|---|
| Revenue | 4 | **161,841** | 1,309,368 |
| Cost of sales | | **(150,042)** | (1,189,600) |
| Gross profit | | **11,799** | 119,768 |
| Other income and gains | 5 | **22,526** | 55,494 |
| Marketing and selling expenses | | **(5,825)** | (16,104) |
| Administrative expenses | | **(131,141)** | (81,354) |
| Other expenses | | **(448,379)** | (27,898) |
| Finance costs | 6 | **(29,731)** | (107,049) |
| Share of (loss) profit of associates | | **(26)** | 7,436 |
| Share of loss of joint ventures | | **(1,736)** | (280) |
| Net gain on disposal of subsidiaries | 18 | **886,220** | – |
| Profit (loss) before taxation | | **303,707** | (49,987) |
| Taxation | 7 | **24,517** | (30,768) |
| Profit (loss) for the period | 8 | **328,224** | (80,755) |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Exchange differences arising on translation to presentation currency | | **(1,147,413)** | 222,420 |
| Surplus on revaluation of buildings | | **23,102** | – |
| Deferred tax charge arising on revaluation of buildings | | **(5,775)** | – |
| Item that maybe subsequently reclassified to profit or loss: | | | |
| Fair value gain on financial assets at fair value through other comprehensive income | | **418** | – |
| Other comprehensive income for the period | | **(1,129,668)** | 222,420 |
| Total comprehensive income for the period | | **(801,444)** | 141,665 |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For the six months ended 30 September 2018

| | Notes | Six months ended 30 September 2018 (unaudited) HK$'000 | 2017 (unaudited) HK$'000 |
|---|---|---|---|
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | **331,213** | (78,868) |
| Non-controlling interests | | **(2,989)** | (1,887) |
| | | **328,224** | (80,755) |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **(781,509)** | 135,576 |
| Non-controlling interests | | **(19,935)** | 6,089 |
| | | **(801,444)** | 141,665 |
| | | **HK cents** | HK cents |
| Earnings (loss) per share | 9 | | |
| Basic and diluted | | **7.91** | (1.88) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

| | Notes | 30 September 2018 (unaudited) HK$'000 | 31 March 2018 (audited) HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 10 | **326,287** | 306,828 |
| Investment properties | 11 | **3,966** | 4,356 |
| Prepaid land lease payments | | **41,643** | 46,621 |
| Interests in associates | | **–** | 24,953 |
| Interests in joint ventures | | **174,757** | 193,742 |
| Amounts due from associates and joint ventures | 20(b)(iii) | **113,643** | 124,805 |
| Available-for-sale investments | | **–** | 195,409 |
| Financial assets at fair value through other comprehensive income | | **33,643** | – |
| Total non-current assets | | **693,939** | 896,714 |
| **CURRENT ASSETS** | | | |
| Properties under development | | **1,438,221** | 1,541,475 |
| Completed properties for sale | | **218,109** | 261,372 |
| Trade receivables | 12 | **2,869** | 2,603 |
| Prepayments, deposits and other receivables | 13 | **5,108,763** | 1,339,124 |
| Amounts due from associates and joint ventures | 20(b)(ii) | **254,855** | 495,329 |
| Prepaid tax | | **14,190** | 10,389 |
| Financial assets at fair value through other comprehensive income | | **171,408** | – |
| Pledged bank deposits | | **238,793** | 260,892 |
| Cash and bank balances | | **606,530** | 1,342,744 |
| | | **8,053,738** | 5,253,928 |
| Assets classified as held for sale | 18 | **–** | 9,651,773 |
| Total current assets | | **8,053,738** | 14,905,701 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)
As at 30 September 2018

| | Notes | 30 September 2018 (unaudited) HK$'000 | 31 March 2018 (audited) HK$'000 |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 14 | **79,371** | 93,334 |
| Contract liabilities | | **199,586** | – |
| Deposits received from pre-sales of properties | | **–** | 130,983 |
| Other payables and accruals | | **943,648** | 2,010,800 |
| Amounts due to associates and joint ventures | 20(b)(ii) | **4,580** | 5,016 |
| Amount due to a substantial shareholder of the Company | 20(b)(i) | **25,798** | 23,823 |
| Tax payable | | **129,333** | 498,435 |
| Interest-bearing bank and other borrowings | 15 | **265,954** | 310,556 |
| | | **1,648,270** | 3,072,947 |
| Liabilities classified as held for sale | 18 | **–** | 6,801,087 |
| Total current liabilities | | **1,648,270** | 9,874,034 |
| **NET CURRENT ASSETS** | | **6,405,468** | 5,031,667 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **7,099,407** | 5,928,381 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)
As at 30 September 2018

| | Notes | **30 September 2018 (unaudited) HK$'000** | 31 March 2018 (audited) HK$'000 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | 15 | **2,084,511** | 56,162 |
| Deferred tax liabilities | | **212,157** | 263,939 |
| Total non-current liabilities | | **2,296,668** | 320,101 |
| **NET ASSETS** | | **4,802,739** | 5,608,280 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 16 | **418,587** | 418,587 |
| Reserves | | **4,271,554** | 5,055,816 |
| Equity attributable to owners of the Company | | **4,690,141** | 5,474,403 |
| Non-controlling interests | | **112,598** | 133,877 |
| Total equity | | **4,802,739** | 5,608,280 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

| | | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital HK$'000 | Share premium HK$'000 | Contributed surplus HK$'000 | Capital reserve HK$'000 | Leasehold property revaluation reserve HK$'000 | FVTOCI reserve HK$'000 | Exchange fluctuation reserve HK$'000 | PRC reserve funds HK$'000 | Share options reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 April 2017 | | 418,587 | 1,336,094 | 37,560 | 1,636 | 75,293 | – | 347,862 | 9,697 | 15,451 | 2,399,819 | 4,641,999 | (193) | 4,641,806 |
| Exchange differences arising on translation to presentation currency | | – | – | – | – | – | – | 214,444 | – | – | – | 214,444 | 7,976 | 222,420 |
| Other comprehensive income for the period | | – | – | – | – | – | – | 214,444 | – | – | – | 214,444 | 7,976 | 222,420 |
| Loss for the period | | – | – | – | – | – | – | – | – | – | (78,868) | (78,868) | (1,887) | (80,755) |
| Total comprehensive income for the period | | – | – | – | – | – | – | 214,444 | – | – | (78,868) | 135,576 | 6,089 | 141,665 |
| Acquisition of subsidiaries | | – | – | – | – | – | – | – | – | – | – | – | 127,043 | 127,043 |
| Deemed disposal of partial equity interests in a subsidiary | | – | – | – | 20,478 | – | – | – | – | – | – | 20,478 | 37,261 | 57,739 |
| Disposal of equity interests in a subsidiary | | – | – | – | – | – | – | 8,491 | – | – | (8,491) | – | – | – |
| At 30 September 2017 (unaudited) | | 418,587 | 1,336,094 | 37,560 | 22,114 | 75,293 | – | 570,797 | 9,697 | 15,451 | 2,312,460 | 4,798,053 | 170,200 | 4,968,253 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the six months ended 30 September 2018

| | Notes | Share capital HK$'000 | Share premium HK$'000 | Contributed surplus HK$'000 | Capital reserve HK$'000 | Leasehold property revaluation reserve HK$'000 | FVTOCI reserve HK$'000 | Exchange fluctuation reserve HK$'000 | PRC reserve funds HK$'000 | Share options reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | | | | | | | | | |
| At 31 March 2018 (audited) | | 418,587 | 1,336,094 | 37,560 | 22,114 | 134,140 | – | 871,068 | 9,697 | 15,451 | 2,629,692 | 5,474,403 | 133,877 | 5,608,280 |
| Initial application of HKFRS 9 (note 3) | | – | – | – | – | – | (2,739) | – | – | – | (14) | (2,753) | – | (2,753) |
| At 1 April 2018 (restated) | | 418,587 | 1,336,094 | 37,560 | 22,114 | 134,140 | (2,739) | 871,068 | 9,697 | 15,451 | 2,629,678 | 5,471,650 | 133,877 | 5,605,527 |
| Exchange differences arising on translation to presentation currency | | – | – | – | – | – | – | (1,130,467) | – | – | – | (1,130,467) | (16,946) | (1,147,413) |
| Surplus on revaluation of buildings | | – | – | – | – | 23,102 | – | – | – | – | – | 23,102 | – | 23,102 |
| Deferred tax charge arising on revaluation of buildings | | – | – | – | – | (5,775) | – | – | – | – | – | (5,775) | – | (5,775) |
| Gain on fair value change on FVTOCI | | – | – | – | – | – | 418 | – | – | – | – | 418 | – | 418 |
| Other comprehensive income for the period | | – | – | – | – | 17,327 | 418 | (1,130,467) | – | – | – | (1,112,722) | (16,946) | (1,129,668) |
| Profit for the period | | – | – | – | – | – | – | – | – | – | 331,213 | 331,213 | (2,989) | 328,224 |
| Total comprehensive income for the period | | – | – | – | – | 17,327 | 418 | (1,130,467) | – | – | 331,213 | (781,509) | (19,935) | (801,444) |
| Additional non-controlling interests arising on the acquisition of subsidiaries | 17 | – | – | – | – | – | – | – | – | – | – | – | 70,156 | 70,156 |
| Disposal of equity interests in subsidiaries | 18 | – | – | – | – | – | – | 237,001 | – | – | (237,001) | – | (71,500) | (71,500) |
| At 30 September 2018 (unaudited) | | 418,587 | 1,336,094 | 37,560 | 22,114 | 151,467 | (2,321) | (22,398) | 9,697 | 15,451 | 2,723,890 | 4,690,141 | 112,598 | 4,802,739 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(continued)

Contributed surplus of the Company represents the surpluses arising from the issue of shares by Coastal Realty (BVI) Limited, the intermediate holding company of the Company, (i) in the acquisition of Coastal Realty Development Co. Limited, the former holding company of the Company in 1995; and (ii) at a premium to third parties in 1997, less dividends paid to shareholders in previous years.

PRC reserve funds are reserves required by the relevant laws in the PRC applicable to the Company's PRC subsidiaries for staff welfare and expansion of working capital.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

| | Notes | Six months ended 30 September 2018 (unaudited) HK$'000 | 2017 (unaudited) HK$'000 |
|---|---|---|---|
| Net cash (used in) from operating activities | | | |
| Decrease (increase) in properties under development | | **18,521** | (178,364) |
| Decrease in completed properties for sales | | **21,528** | 1,031,858 |
| Increase in trade receivables | | **(533)** | (2,722) |
| (Increase) decrease in prepayments, deposits and other receivables | | **(1,389,637)** | 1,537,396 |
| Increase (decrease) in contract liabilities/deposits received from pre-sales of properties | | **83,502** | (557,531) |
| Decrease in trade and bills payables | | **(5,838)** | (334,836) |
| Decrease in other payables and accruals | | **(904,123)** | (166,597) |
| Tax paid | | **(22,016)** | (41,913) |
| Other operating cash flows | | **(498,052)** | 69,908 |
| | | **(2,696,648)** | 1,357,199 |
| Net cash from (used in) investing activities | | | |
| Purchases of property, plant and equipment | | **(11,360)** | (1,993) |
| Payment for acquisition of subsidiaries | 17 | **(430,474)** | (621,421) |
| Additional investment in an associate | | **–** | (237,055) |
| Acquisition of interests in available-for-sale investments | | **–** | (14,123) |
| Repayment from joint ventures and associates | | **47,096** | 10,508 |
| Withdrawal of pledged bank deposits | | **22,099** | 56,815 |
| Decrease in restricted bank deposits | | **17,320** | 96,617 |
| Proceeds from disposal of property, plant and equipment | | **12** | 2,480 |
| Proceeds from disposal of subsidiaries | 18 | **2,074,838** | (2) |
| Proceeds from disposal of an associate | | **9,489** | 13,731 |
| | | **1,729,020** | (694,443) |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended 30 September 2018

| | Notes | Six months ended 30 September 2018 (unaudited) HK$'000 | 2017 (unaudited) HK$'000 |
|---|---|---|---|
| Net cash from (used in) financing activities | | | |
| New bank and other borrowings | | **170,464** | 1,250,383 |
| Repayment of bank and other borrowings | | **–** | (1,628,043) |
| Interest paid | | **(84,414)** | (119,287) |
| Capital contribution from non-controlling interest | | **–** | 57,739 |
| Other financing cash flows | | **1,975** | (2,173) |
| | | **88,025** | (441,381) |
| Net (decrease) increase in cash and cash equivalents | | **(879,603)** | 221,375 |
| Cash and cash equivalents at the beginning of period | | **1,642,920** | 599,791 |
| Effect of foreign exchange rate changes | | **(156,792)** | 88,792 |
| Cash and cash equivalents at the end of period | | **606,525** | 909,958 |
| Analysis of the balances of cash and cash equivalents | | | |
| Cash and bank balances | | **606,530** | 1,156,034 |
| *Less:* restricted bank balances (Note) | | **(5)** | (251,507) |
| | | **606,525** | 904,527 |
| Cash and bank balances included in assets classified as held for sale | | **–** | 5,431 |
| | | **606,525** | 909,958 |

Note: Included in cash and bank balances are restricted bank balances which are limited by the banks to be used in the development of certain designated property development projects only.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2018

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 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 revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2018.

**Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied for the first time, the following new and amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

**Application of new and amendments to HKFRSs** (continued)

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below. Except as disclosed in notes 3 below, the application of the new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and position for the current and prior interim periods and/or disclosures set out in these condensed consolidated financial statements.

## 3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY

### A. HKFRS 9 Financial Instruments

This note explains the impact of the adoption of HKFRS 9 Financial Instruments on the Interim Financial Statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

#### *(a) Impact on the financial statements*

As explained in Note 3(b) below, HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the opening balance on 1 April 2018.

The following tables show the adjustments of the Group recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments of the Group are explained in more detail below.

## 3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

### A. HKFRS 9 Financial Instruments (continued)

#### (a) *Impact on the financial statements* (continued)

| | At 31 March 2018<br>HK$'000 | HKFRS 9<br>HK$'000 | At 1 April 2018<br>HK$'000 |
|---|---|---|---|
| Available-for-sale investments | 195,409 | (195,409) | – |
| Financial assets at fair value through other comprehensive income | – | 192,670 | 192,670 |
| Total non-current assets | 896,714 | (2,739) | 893,975 |
| Trade receivables | 2,603 | (14) | 2,589 |
| Total current assets | 14,905,701 | (14) | 14,905,687 |
| Reserves | 5,055,816 | (2,753) | 5,053,063 |
| Total equity | 5,608,280 | (2,753) | 5,605,527 |

#### (b) *HKFRS 9 Financial Instruments – Impact of adoption*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 3 (c) below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition are recognised in the opening retained profits of the current year.

## 3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

### A. HKFRS 9 Financial Instruments (continued)

#### *(b) HKFRS 9 Financial Instruments – Impact of adoption* (continued)

*Classification and measurement*

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from reclassification are as follows:

| | Notes | **Financial assets at fair value through other comprehensive income** HK$'000 | **Available-for-sale investments** HK$'000 |
|---|---|---|---|
| Closing balance as at 31 March 2018 | | – | 195,409 |
| Reclassification from available-for-sale investments to financial assets at fair value through other comprehensive income | (i) | 195,409 | (195,409) |
| Re-measurement of financial assets | (ii) | (2,739) | – |
| Opening balance as at 1 April 2018 | | 192,670 | – |

## 3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

### A. HKFRS 9 Financial Instruments (continued)

#### *(b) HKFRS 9 Financial Instruments – Impact of adoption* (continued)

*Classification and measurement* (continued)

The impact of these changes on the Group's equity is as follows:

| | | Effect on FVTOCI reserve HK$'000 | Effect on retained profits HK$'000 |
|---|---|---|---|
| Closing balance as at 31 March 2018 | | – | 2,629,692 |
| Reclassification from available-for-sale investments to financial assets at fair value through other comprehensive income | (i) | – | – |
| Re-measurement of financial assets | (ii) | (2,739) | – |
| Increase in expected credit losses | c(ii) | – | (14) |
| | | (2,739) | (14) |
| Opening balance as at 1 April 2018 | | (2,739) | 2,629,678 |

Notes:

(i) Reclassification from available-for-sale investments to financial assets at fair value through other comprehensive income.

The financial assets of HK$195,409,000 that were previously classified as available-for-sale investments under HKAS 39 have been reclassified as financial assets at fair value through other comprehensive income under HKFRS 9. Gain arising from changes in fair value of financial assets at fair value through other comprehensive income amounted to HK$418,000 for the six months ended 30 September 2018 was recognised through other comprehensive income.

## 3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

### A. HKFRS 9 Financial Instruments (continued)

***(b) HKFRS 9 Financial Instruments – Impact of adoption*** (continued)

*Classification and measurement* (continued)

Notes: (continued)

(ii) Re-measurement of financial assets

The available-for-sale investments were stated at cost less impairment in prior years and their carrying amounts were HK$195,409,000 as at 31 March 2018. Those investments have been re-measured and stated at fair value amounted to HK$192,670,000, also were reclassified as financial assets at fair value through other comprehensive income as at 1 April 2018.

The fair value loss on re-measurement of financial assets at fair value through other comprehensive income amounted to HK$2,739,000 were debited to retained profits of the Group on 1 April 2018.

***(c) HKFRS 9 Financial Instruments – Accounting policy applied from 1 April 2018***

*(i) Classification and measurement of financial instrument*

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

3. **SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY** (continued)

A. **HKFRS 9 Financial Instruments** (continued)

(c) ***HKFRS 9 Financial Instruments – Accounting policy applied from 1 April 2018*** (continued)

(i) *Classification and measurement of financial instrument* (continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('"FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

## 3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

### A. HKFRS 9 Financial Instruments (continued)

#### *(c) HKFRS 9 Financial Instruments – Accounting policy applied from 1 April 2018* (continued)

*(i) Classification and measurement of financial instrument* (continued)

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is Made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

| | |
|---|---|
| FVTPL | FVTPL is subsequently measured at fair value changes in fair value, dividends and interest income are recognised in profit or loss. |
| Amortised costs | Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss. |

## 3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

### A. HKFRS 9 Financial Instruments (continued)

#### *(c) HKFRS 9 Financial Instruments – Accounting policy applied from 1 April 2018* (continued)

*(i) Classification and measurement of financial instrument* (continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

| Financial assets | Original classification under HKAS 39 | New classification under HKFRS 9 | Carrying amount as at 1 April 2018 under HKAS 39 HK$000 | Carrying amount as at 1 April 2018 under HKFRS 9 HK$000 |
|---|---|---|---|---|
| Unlisted equity investment | Available-for-sale investment | FVTOCI | 192,449 | 189,710 |
| Club debentures | Available-for-sale investment | FVTOCI | 2,960 | 2,960 |

*(ii) Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Other receivables, deposits and prepayments, pledged bank deposits and bank balances and cash are subject to ECLs model but the impairment is immaterial under this model at the date of initial application (that is 1 April, 2018) and for the current period.

## 3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

### A. HKFRS 9 Financial Instruments (continued)

#### *(c) HKFRS 9 Financial Instruments – Accounting policy applied from 1 April 2018* (continued)

*(ii) Impairment of financial assets* (continued)

Under HKFRS 9, the loss allowances are measured on either of the following bases: (i) twelve months ECLs: these are the ECLs that result from possible default events within the twelve months after the reporting date; and (ii) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For financial assets measured as amortised cost, the ECLs are based on the twelve months ECLs. The twelve months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

### 3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

#### A. HKFRS 9 Financial Instruments (continued)

##### *(c) HKFRS 9 Financial Instruments – Accounting policy applied from 1 April 2018* (continued)

*(ii) Impairment of financial assets* (continued)

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowances as at 1 April 2018 was determined for trade receivables as follows:

| **1 April 2018** | **Current** | **Total** |
|---|---|---|
| Expected credit loss rate (%) | 0.5% | |
| Gross carrying amount of trade receivables (HK$'000) | 2,603 | 2,603 |
| Loss allowance (HK$'000) | 14 | 14 |

The increase in loss allowances for trade receivables upon the transition to HKFRS 9 as of 1 April 2018 were HK$14,000.

### 3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

#### A. HKFRS 9 Financial Instruments (continued)

##### (c) *HKFRS 9 Financial Instruments – Accounting policy applied from 1 April 2018* (continued)

*(iii) Hedge accounting*

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not carry any significant hedge transaction.

*(iv) Transition*

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at March 31, 2018, but are recognised in the consolidated statement of financial position on April 1, 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at April 1, 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

The determination of the business model within which a financial asset is held;

The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

## 3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

### B. HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 April 2018). As a result, the financial information presented for 2017 has not been restated.

The following table summarised the impact of adopting HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018:

| | HK$'000<br>Increase/<br>(Decrease) |
|---|---|
| LIABILITIES | |
| Current liabilities | |
| Deposits received from pre-sales of properties | (199,586) |
| Contract liabilities | 199,586 |
| Total current liabilities | – |

There was no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period ended 30 September 2018.

## 3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

### B. HKFRS 15 Revenue from Contracts with Customers (continued)

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

| Product or service | Nature of the goods or services, satisfaction of performance obligations and payment terms | Nature of change in accounting policy and impact on 1 April 2018 |
|---|---|---|
| Sales of properties | Customers obtain control of the properties when the properties are delivered to and have been accepted. Revenue is thus recognised at point in time when the customers accept the properties. There is no other goods or services agreed to be provided in the contract and in practice. There is generally only one performance obligation. Payments are usually received in advance and recognised as a contract liabilities. | Impact as of 1 April 2018, for deposits received from pre-sales of properties, HK$130,983,000 was classified to contract liabilities. |
| Project management income | Customers received the services, which contain certain performance obligation with the same pattern of transfer when those services are provided. Revenue is recognised at point in time as those services are provided. Invoices are usually payable on presentation. | Impact HKFRS 15 did not result in any significant change or impact on the Group's accounting policies as the recognition method has been the same under HKAS 18 and HKFRS 15. |

## 4. 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 reports about components of the Group that are regularly reviewed by the Board, being the chief operating decision maker (the "CODM") in order to allocate resources to segments and to assess their performance. No operating segment identified by CODM has been aggregated in arriving at the reportable segments of the Group. Summary details of the Group's reportable and operating segments are as follows:

- the property development segment engages in the development of properties for sale in the PRC;
- the property investment segment invests in commercial and residential properties located in the PRC for their rental income potential and/or for capital appreciation;
- the project management segment engages in the provision of project management services in the PRC; and
- the project investment services segment engages in the provision of investment services in relation to investment in and sale of property development/land development projects in the PRC.

## 4. SEGMENT INFORMATION (continued)

### Segment revenue and results

The Group's revenue and results are substantially derived from operations in the PRC. The following is an analysis of the Group's revenue and results by reportable and operating segments:

| | Property development Six months ended 30 September | | Property investment Six months ended 30 September | | Project management Six months ended 30 September | | Project investment services Six months ended 30 September | | Total Six months ended 30 September | | Reconciliation Six months ended 30 September | | Consolidated Six months ended 30 September | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| | | | | | | | | | | | **(Note)** | (Note) | | |
| Segment revenue: | | | | | | | | | | | | | | |
| Sales to external customers | **154,441** | 1,300,664 | **1,602** | 599 | **5,798** | 8,105 | **–** | – | **161,841** | 1,309,368 | **–** | – | **161,841** | 1,309,368 |
| Sales of projects to external customers | **–** | – | **–** | – | **–** | – | **4,652,972** | 94,732 | **4,652,972** | 94,732 | **(4,652,972)** | (94,732) | **–** | – |
| Total | **154,441** | 1,300,664 | **1,602** | 599 | **5,798** | 8,105 | **4,652,972** | 94,732 | **4,814,813** | 1,404,100 | **(4,652,972)** | (94,732) | **161,841** | 1,309,368 |
| **Disaggregation of revenue** | | | | | | | | | | | | | | |
| Primary geographical markets | | | | | | | | | | | | | | |
| Wuhan | **10,315** | 969,056 | **557** | 384 | **–** | – | **–** | – | **10,872** | 969,440 | **–** | – | **10,872** | 969,440 |
| Shenyang | **129,703** | 68,822 | **–** | – | **–** | – | **–** | – | **129,703** | 68,822 | **–** | – | **129,703** | 68,822 |
| Others | **14,423** | 262,786 | **1,045** | 215 | **5,798** | 8,105 | **4,652,972** | 94,732 | **4,674,238** | 365,838 | **(4,652,972)** | (94,732) | **21,266** | 271,106 |
| Total | **154,441** | 1,300,664 | **1,602** | 599 | **5,798** | 8,105 | **4,652,972** | 94,732 | **4,814,813** | 1,404,100 | **(4,652,972)** | (94,732) | **161,841** | 1,309,368 |
| Segment (loss) profit | **(527,151)** | 33,280 | **1,598** | 604 | **5,791** | 1,759 | **886,220** | 33 | **366,458** | 35,676 | **–** | – | **366,458** | 35,676 |
| Amortisation of prepaid land lease payments | | | | | | | | | | | | | **(847)** | (822) |
| Finance costs | | | | | | | | | | | | | **(29,731)** | (107,049) |
| Gain on disposal of an associate | | | | | | | | | | | | | **–** | 2,441 |
| Impairment loss recognised on amount due from an associate | | | | | | | | | | | | | **–** | (1,732) |
| Interest income | | | | | | | | | | | | | **11,190** | 43,311 |
| Net foreign exchange gain (losses) | | | | | | | | | | | | | **4,595** | (10) |
| Share of (loss) profit of associates | | | | | | | | | | | | | **(26)** | 7,436 |
| Share of loss of joint ventures | | | | | | | | | | | | | **(1,736)** | (280) |
| Other net unallocated expenses | | | | | | | | | | | | | **(46,196)** | (28,958) |
| Profit (loss) before taxation | | | | | | | | | | | | | **303,707** | (49,987) |

Note: The adjustment reflects the reconciliation of revenue from the reportable and operating segments to the Group's consolidated revenue as the net profit or loss from project investment services is accounted for under the net gain on disposal of subsidiaries in the condensed consolidated statement of profit or loss and other comprehensive income.

## 4. SEGMENT INFORMATION (continued)

### Segment revenue and results (continued)

Segment results represent the profit (loss) before taxation made by each reportable segment without allocation of income and expenses of the Group's head office, amortisation of prepaid land lease payments, finance costs, gain on disposal of an associate, impairment loss recognised on amount due from an associate, interest income, net foreign exchange difference and share of results of associates and joint ventures. This is the measure reported to the CODM for the purposes of resource 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.

## 5. OTHER INCOME AND GAINS

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Bank interest income | **6,819** | 12,532 |
| Re-measurement gain on fair value of interest in an associate | **4,948** | – |
| Gain on disposal of an associate (Note) | **–** | 2,441 |
| Gain on bargain purchase of subsidiaries | **–** | 6,678 |
| Other interest income | **4,371** | 30,779 |
| Others | **6,388** | 3,064 |
| | **22,526** | 55,494 |

Note: During the six months ended 30 September 2017, the Group completed the disposal of 30% equity interests in an associate, Nanjing Yuan Ding Enterprise Co., Ltd, for a consideration of HK$13,731,000. The Group recognised a gain on disposal of HK$2,441,000.

## 6. FINANCE COSTS

| | Six months ended 30 September 2018 (unaudited) HK$'000 | 2017 (unaudited) HK$'000 |
|---|---|---|
| Interest on bank borrowings | **11,067** | 26,458 |
| Interest on other borrowings | **72,311** | 93,491 |
| | **83,378** | 119,949 |
| Less: Amounts capitalised in properties under development | **(53,647)** | (12,900) |
| | **29,731** | 107,049 |

Borrowing costs capitalised during the period arose on the funds borrowed specifically for the purpose of obtaining qualifying assets and are calculated by applying a capitalisation rate of 6.67% (2017: 9.72%) per annum.

## 7. TAXATION

| | Six months ended 30 September 2018 (unaudited) HK$'000 | 2017 (unaudited) HK$'000 |
|---|---|---|
| Current tax: | | |
| PRC Enterprise Income Tax ("EIT") | **3,693** | (16,252) |
| PRC Land Appreciation Tax ("LAT") | **41,568** | 18,887 |
| | **45,261** | 2,635 |
| Deferred tax (Note) | **(69,778)** | 28,133 |
| Total tax charge for the period | **(24,517)** | 30,768 |

Note: The deferred tax credit recognised during the six months ended 30 September 2018 mainly resulted from the effect relating to release of deferred tax on undistributable profit upon disposal of the respective subsidiaries.

## 7. TAXATION (continued)

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.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory tax rate of the Company's PRC subsidiaries is 25%.

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.

## 8. PROFIT (LOSS) FOR THE PERIOD

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Profit (loss) for the period has been arrived at after charging (crediting): | | |
| Depreciation of property, plant and equipment | **5,718** | 3,752 |
| Less: Amounts capitalised in properties under development | **(104)** | (60) |
| | **5,614** | 3,692 |
| Amortisation of prepaid land lease payments | **847** | 822 |
| Compensation for cancellation of a disposal agreement (included in other expenses) (Note) | **357,015** | – |
| Cost of completed properties sold | **150,042** | 1,180,967 |
| Net foreign exchange (gain) losses | **(4,595)** | 10 |
| Impairment loss recognised on amount due from an associate (included in other expenses) | **–** | 1,732 |
| Impairment loss recognised on trade receivables (included in other expenses) | **24,942** | – |
| Loss on disposal of property, plant and equipment | **–** | 2 |

Note: The amount represented compensation paid for cancellation of framework agreement in relation to certain land disposal to an independent third party.

## 9. EARNINGS (LOSS) PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company for the six months ended 30 September 2018 is based on the profit for the period attributable to owners of the Company of HK$331,213,000 (2017: loss attributable to owners of the Company of HK$78,868,000) and the number of 4,185,874,285 ordinary shares in issue during both periods.

### (b) Diluted earnings per share

The calculation of diluted loss per share for the six months ended 30 September 2018 and 2017 did not assume the exercise of the Company's share options as the exercise price of the share options was higher than the average market price of the Company's shares for the respective periods.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property, plant and equipment at a cost of HK$11,360,000 (2017: HK$1,993,000). In addition, during the period the Group disposed of certain property, plant and equipment with a carrying value of HK$12,000 (2017: HK$2,482,000).

The Group's land and buildings were revalued individually at 30 September 2018 and 31 March 2018 by DTZ Cushman & Wakefield Limited, independent professional valuers not connected with the Group, by reference to market evidence of recent transaction prices for similar properties.

In estimating the fair value of the leasehold land and buildings, the highest and best use of the leasehold land and buildings is their current use.

The fair value of the leasehold land and buildings were determined by the valuers on direct comparison approach assuming sale of each of these properties on an immediate vacant possession basis by reference to comparable sales evidence as available in the relevant market. Comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size. The most significant input into this valuation approach is price per square meter.

There were no changes to the valuation techniques during the period.

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

The following table gives information about how the fair values of these leasehold land and buildings are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

| Leasehold land and buildings held by the Group in the condensed consolidated statement of financial position | Fair value hierarchy | Valuation technique | Unobservable input | Range or weighted average of unobservable input | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|
| Leasehold land and buildings in Hong Kong of HK$196,885,000 (31 March 2018: HK$177,098,000) | Level 3 | Direct comparison method | Price per square meter | HK$147,315 – HK$302,785 (31 March 2018: HK$113,757 – HK$223,133) | The higher the price per square meter, the higher the fair value |
| Leasehold land and buildings in the PRC of HK$109,622,000 (31 March 2018: HK$115,360,000) | Level 3 | Direct comparison method | Price per square meter | HK$5,500 – HK$75,962 (31 March 2018: HK$4,840 – HK$65,655) | The higher the price per square meter, the higher the fair value |

There were no transfers into or out of Level 3 during the period.

## 11. INVESTMENT PROPERTIES

| | **30 September 2018 (unaudited) HK$'000** | 31 March 2018 (audited) HK$'000 |
|---|---|---|
| Completed investment properties – at fair value | **3,966** | 4,356 |

The fair values of the Group's completed investment properties at 30 September 2018 and 31 March 2018 have been arrived at on the basis of valuations carried out on the respective dates by DTZ Cushman & Wakefield Limited, independent professional valuer not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations respectively.

All of the Group's property interests held under operating leases to earn rentals and being held to be leased out or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

| Investment properties held by the Group in the condensed consolidated statement of financial position | Fair value as at 30 September 2018 | Valuation technique | Unobservable input | Range or weighted average of unobservable input |
|---|---|---|---|---|
| Completed investment properties in the PRC | HK$3,966,000 (31 March 2018: HK$4,356,000) | Income approach | Reversionary yield 6% | The higher the reversionary yield, the lower the fair value |

## 11. INVESTMENT PROPERTIES (continued)

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided in the table above. No changes in fair value for investment properties held at end of the period (2017: no changes in fair value).

## 12. 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 invoice date which approximate revenue recognition date, net of allowance for bad and doubtful debts, is as follows:

| | **30 September 2018 (unaudited) HK$'000** | 31 March 2018 (audited) HK$'000 |
|---|---|---|
| 0 – 30 days | **2,869** | 2,603 |

## 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **30 September 2018 (unaudited) HK$'000** | 31 March 2018 (audited) HK$'000 |
|---|---|---|
| Other receivables (Note a) | **4,194,840** | 382,030 |
| Deposits for future acquisition of land use rights (Note b) | **733,373** | 749,916 |
| Prepaid operating expenses and other deposits | **180,550** | 207,178 |
| | **5,108,763** | 1,339,124 |

## 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

(a) As at 30 September 2018, included in other receivables are mainly:

(i) an amount of HK$2,084,209,000 (31 March 2018: nil) in relation to the guarantee dividend ("Guaranteed Dividend") distributable to Coastal Greenland Development (Wuhan) Ltd. ("Coastal Wuhan"), a formerly subsidiary of the Group, by Tianjin Harmonious Realty Development Co., Limited ("Tianjin Harmonious"), a previous associate of the Group. Pursuant to the disposal agreement, the Group is still entitled to receive the Guaranteed Dividend from Tianjin Harmonious after the disposal as set out in note 18.

(ii) an amount of HK$1,829,649,000 (31 March 2018: nil) due from the purchaser regarding the balance of the consideration payable by the purchaser under the disposal agreement as set out in note 18.

(b) The amounts represent payments made for the possible acquisitions of land use rights in the PRC which will be developed for sale purpose. These deposits will be wholly refundable if the acquisitions are terminated subsequently.

## 14. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables as at the end of the reporting period based on invoice date and issuance date of each bill is as follows:

| | **30 September 2018 (unaudited) HK$'000** | 31 March 2018 (audited) HK$'000 |
|---|---|---|
| 0 – 30 days | **4,084** | 14,480 |
| 31 – 60 days | **–** | – |
| 61 – 90 days | **10** | – |
| Over 90 days | **75,277** | 78,854 |
| | **79,371** | 93,334 |

The average credit period on purchase is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 30 September 2018 (unaudited) HK$'000 | 31 March 2018 (audited) HK$'000 |
|---|---|---|
| CURRENT | | |
| Bank borrowings – secured | **265,954** | 310,556 |
| NON-CURRENT | | |
| Bank borrowings – secured | **265,089** | 56,162 |
| Other borrowings – secured | **1,819,422** | – |
| | **2,084,511** | 56,162 |
| | **2,350,465** | 366,718 |
| Analysed into: | | |
| Bank borrowings repayable: | | |
| Within one year | **181,828** | 12,480 |
| In the second year | **236,678** | 24,961 |
| In the third to fifth years inclusive | **28,411** | 31,201 |
| | **446,917** | 68,642 |
| Bank borrowings that is repayable within one year from the end of the reporting period and contain a repayment on demand clause | **84,126** | 298,076 |
| | **531,043** | 366,718 |
| Other borrowings repayable: | | |
| In the second year | **1,819,422** | – |
| | **2,350,465** | 366,718 |

## 15. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

(a) As at 30 September 2018, the Group's other borrowings is secured by the Group's Guaranteed Dividend from Tianijn Harmonious (see note 13(a)(i)).

(b) Certain of the Group's bank borrowings as at 30 September 2018 and 31 March 2018 are secured by:

(i) certain land and buildings of the Group with an aggregate carrying value of approximately HK$307,972,000 (31 March 2018: HK$160,998,000);

(ii) certain bank deposits of the Group with an aggregate carrying value of approximately HK$230,820,000 (31 March 2018: HK$253,491,000);

(iii) certain properties under development of the Group with an aggregate carrying value of approximately HK$180,258,000 (31 March 2018: HK$175,666,000);

(iv) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK$33,504,000 (31 March 2018: HK$33,504,000); and

(v) corporate guarantees from a subsidiary.

(c) The ranges of effective interest rates per annum (which also approximate to contracted interest rates) on the Group's interest-bearing bank and other borrowings are as follows:

| | **30 September 2018** | | 31 March 2018 | |
|---|---|---|---|---|
| | **Borrowings HK$'000** | **Interest rate** | Borrowings HK$'000 | Interest rate |
| Effective interest rate: | | | | |
| Fixed-rate borrowings | **1,989,886** | **5.44% to 6.67%** | – | – |
| Variable-rate borrowings | **360,579** | **2.47% to 6.18%** | 366,718 | 2.62% to 6.18% |

The effective interest rate of variable-rate borrowings is based on Hong Kong Interbank Offered Rate, People's Bank of China interest rate and London Interbank Offered Rate plus a specified margin.

## 15. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(d) The Group's bank and other borrowings that are denominated in currencies other than RMB, the functional currency of the respective group entities, are set out below:

| | 30 September 2018 (unaudited) HK$'000 | 31 March 2018 (audited) HK$'000 |
|---|---|---|
| US$ | **213,950** | 213,950 |
| HK$ | **84,125** | 84,125 |
| | **298,075** | 298,075 |

## 16. SHARE CAPITAL

| | Number of ordinary shares | Nominal value HK$'000 |
|---|---|---|
| Authorised: | | |
| Ordinary shares of HK$0.10 each at 1 April 2017, 30 September 2017, 31 March 2018 and 30 September 2018 | **7,000,000,000** | **700,000** |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.10 each at 1 April 2017, 30 September 2017, 31 March 2018 and 30 September 2018 | **4,185,874,285** | **418,587** |

## 17. ACQUISITION OF SUBSIDIARIES

As detailed in the announcement issued by the Company dated 18 April 2018, the Group, through the acquisition of 66.67% equity interests in Wise Top Investment (Group) Limited, acquired 60% additional equity interests of a 30%-owned joint venture of the Group, Wuhan Zhisheng Group Co., Ltd ("Wuhan Zhisheng"), from an independent third party for a consideration of RMB366,000,000 (equivalent to approximately HK$448,688,000), whereby control was passed to the Group upon the approval by the relevant government authority on 24 May 2018, the completion date ("Wuhan Zhisheng Acquisition"). This transaction has been accounted for as acquisition of business using acquisition accounting.

Wuhan Zhisheng is engaged in property development with its development project located in the PRC. Wuhan Zhisheng was acquired in the normal course of business of the Group's property development operation and the entire equity interests were disposed to an independent third party, details of which are set out in note 18.

Besides, as detailed in the announcement issued by the Company dated 10 January 2018, the Group acquired 80% additional equity interests of a 20%-owned associate of the Group, Foshan Harmonious Realty Development Co., Ltd ("Foshan Harmonious"), from independent third parties for a consideration of RMB272,000,000 (equivalent to approximately HK$335,331,000), whereby control was passed to the Group upon the approval by the relevant government authority on 2 May 2018, the completion date ("Foshan Harmonious Acquisition"). This transaction has been accounted for as acquisition of business using acquisition accounting.

Foshan Harmonious is engaged in property development with its development project located in the PRC. Foshan Harmonious was acquired in the normal course of business of the Group's property development operation and the entire equity interests were disposed to an independent third party, details of which are set out in note 18.

## 17. ACQUISITION OF SUBSIDIARIES (continued)

The fair value of the consideration, assets acquired and liabilities assumed at the date of acquisition are as follows:

| | Foshan Harmonious Acquisition HK$'000 | Wuhan Zhisheng Acquisition HK$'000 | Total HK$'000 |
|---|---|---|---|
| Property, plant and equipment | 93 | 154 | 247 |
| Trade receivables | – | 15,419 | 15,419 |
| Prepayments, deposits and other receivables | 347,879 | 8,736 | 356,615 |
| Completed properties for sale | 224,522 | 1,100,013 | 1,324,535 |
| Prepaid tax | – | 1,923 | 1,923 |
| Cash and bank balances | 4,750 | 348,795 | 353,545 |
| Trade and bills payables | (3,904) | (27,368) | (31,272) |
| Contract liabilities | (22,459) | (59,397) | (81,856) |
| Other payables and accruals | (24,554) | (518,552) | (543,106) |
| Tax payable | (98,767) | – | (98,767) |
| Deferred tax liabilities | (8,396) | (127,037) | (135,433) |
| Total identifiable net assets acquired | 419,164 | 742,686 | 1,161,850 |
| Less: Fair value of equity interests held before the acquisition date | (83,833) | (223,842) | (307,675) |
| Less: Non-controlling interests | – | (70,156) | (70,156) |
| Total cash consideration | 335,331 | 448,688 | 784,019 |
| Cash consideration paid | 335,331 | 448,688 | 784,019 |
| Cash and bank balances acquired | (4,750) | (348,795) | (353,545) |
| Net cash outflow on acquisition | 330,581 | 99,893 | 430,474 |

## 18. DISPOSAL OF SUBSIDIARIES

On 13 January 2018, the Group entered into a disposal agreement (the "Disposal Agreement") with an independent third party to dispose of the entire equity interests in Century East Group Limited ("Century East Group") at a total consideration of RMB3,800,000,000 (the "Disposal"). Century East Group was a wholly-owned subsidiary of the Company, which holds equity interests in certain investment holding companies and seven project companies undertaking property development projects in the PRC. Details of the transaction are set out in the Company's announcement and circular dated 23 January 2018 and 27 April 2018 respectively. The entire equity interests of Century East Group was previously classified as a disposal group held for sale. The disposal was completed in August 2018.

On 5 September 2018, the Group entered into a disposal agreement with the same independent third party to dispose of the entire equity interests in World Fair Development Limited ("World Fair") at a total consideration of RMB194,430,000. World Fair was a wholly-owned subsidiary of the Company, indirectly owns as to approximately 30% equity interests in Wuhan Zhisheng and the independent third party indirectly owns as to approximately 60% of Wuhan Zhisheng upon acquisition of the Century East Group. Details of the transaction are set out in the Company's announcement dated 5 September 2018. The disposal was completed in September 2018.

## 18. DISPOSAL OF SUBSIDIARIES (continued)

A summary of the effects of the disposal of these subsidiaries is as follows:

| | HK$'000 |
|---|---|
| Property, plant and equipment | 921 |
| Investment properties | 206,098 |
| Interest in an associate | 2,606,532 |
| Properties under development | 2,184,291 |
| Completed properties for sale | 4,236,004 |
| Prepayments, deposits and other receivables | 1,145,811 |
| Amounts due from associates | 58,740 |
| Prepaid tax | 74,546 |
| Cash and bank balances | 157,754 |
| Trade and bills payables | (302,229) |
| Contract liabilities | (1,709,314) |
| Other payables and accruals | (2,141,283) |
| Amounts due to the Group | (47,912) |
| Tax payable | (667,914) |
| Interest-bearing bank and other borrowings | (2,071,329) |
| Deferred tax liabilities | (291,881) |
| Non-controlling interests | (71,500) |
| Net assets disposed of | 3,367,335 |
| Total consideration | 4,593,992 |
| Assignment of receivable due from Century East Group | 58,981 |
| Special conditions in relation to the disposal (Note) | 245,027 |
| Less: Waiver of debts owned by the Group | (47,912) |
| Less: Net assets disposed of | (3,367,335) |
| Less: Transaction cost | (319,638) |
| Less: Tax imposed on gain on disposal | (276,895) |
| Net gain on disposal of subsidiaries | 886,220 |
| Cash received | 2,552,230 |
| Cash and bank balances disposed of | (157,754) |
| Transaction cost recognised as expenses | (319,638) |
| Net cash inflow arising on disposal | 2,074,838 |

## 18. DISPOSAL OF SUBSIDIARIES (continued)

Note:

Tianjin Harmonious, an associate of Coastal Wuhan, has a property development project in Tianjin. Pursuant to the disposal agreement between Coastal Wuhan and shareholders of Tianjin Harmonious, Coastal Wuhan is entitled to receive Guaranteed Dividend from Tianjin Harmonious amounting to RMB1,834,000,000 (equivalent to HK$2,086,336,000 as at the date of completion of the disposal transaction). Pursuant to the Disposal Agreement, the Group is still entitled to receive such Guaranteed Dividend from Tianjin Harmonious after the Disposal.

In previous years, Coastal Wuhan raised a loan of RMB1,601,000,000 (equivalent to HK$1,841,309,000 as at the date of completion of the disposal transaction) from a financial institution, for which the right to receive the Guaranteed Dividend from Tianjin Harmonious is secured. The obligation to repay the outstanding loan balance will be assigned to the Group upon completion of the Disposal. Even if the Group does not receive the Guaranteed Dividend, the Group is still obliged to repay this amount by November 2019, which is the original maturity of the loan.

## 19. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had given guarantees as follows:

| | **30 September 2018 (unaudited) HK$'000** | 31 March 2018 (audited) HK$'000 |
|---|---|---|
| Guarantees given to banks/trust companies in connection with | | |
| – mortgage loans facilities granted to property purchasers | **440,687** | 3,892,220 |
| – loan facilities granted to an associate | **–** | 1,564,878 |
| | **440,687** | 5,457,098 |

The directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition are insignificant. At the end of the reporting period, the directors of the Company consider that the possibility of default is low due to the basis of short maturity periods and the low default rates track records over the past years.

## 20. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the notes to the condensed consolidated financial statements, the Group had the following significant transactions with related parties:

**(a)** During the six months ended 30 September 2018, the Group received project management service income of HK$5,798,000 (2017: HK$8,105,000) from joint ventures and investment in financial assets at fair value through other comprehensive income.

**(b) Outstanding balances with related parties:**

(i) The amount due to a substantial shareholder of the Company represents amount due to Coastal International Holdings Limited, which holds 36.58% interests in the Company. The amount is unsecured, interest-free and repayable on demand.

(ii) The amounts due from (to) associates and joint ventures of HK$250,275,000 (31 March 2018: HK$490,313,000) are non-trade, unsecured, interest-free and repayable on demand.

(iii) The amount due from a joint venture of HK$113,643,000 (31 March 2018: HK$124,805,000) represents an amount due from Beijing Huichao Real Estate Development Co., Ltd ("Beijing Huichao"). The amount is non-trade, interest-free, repayable on demand and secured by 11% equity interests in Beijing Huichao beneficially owned by a third party partner in the joint venture. In the opinion of the directors of the Company, the amount is not expected to be repaid within twelve months after the end of the reporting period and accordingly it is presented as non-current asset as at 30 September 2018.

**(c) Compensation of key management personnel of the Group who are the executive directors of the Company**

| | **Six months ended 30 September** | |
|---|---|---|
| | **2018** | 2017 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Short term benefits | **7,059** | 6,198 |
| Post-employment benefits | **147** | 135 |
| Total compensation paid to key management personnel | **7,206** | 6,333 |

## 21. FAIR VALUE MEASUREMENT

The Group followed HKFRS 7 Financial Instruments: Disclosures which introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value through other comprehensive income in the condensed consolidated statements of financial position are grouped into the fair value hierarchy as follows:

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **As at 30 September 2018** | | | | |
| Financial assets measured at fair value through other comprehensive income | – | – | 205,051 | 205,051 |
| **As at 31 March 2018** | | | | |
| Unlisted equity investment | – | – | – | – |

The fair values of the financial assets measured at fair value through other comprehensive income in Level 3 have been determined with reference to the fair values of the underlying assets and liabilities of the investees as at 30 September 2018.

## 21. FAIR VALUE MEASUREMENT (continued)

The Group's financial assets classified in Level 3 adopted valuation techniques based on unobservable input that is significant to the fair value measurement. The movement of financial instruments within this level is as follow:

| | HK$'000 (Unaudited) |
|---|---|
| Financial assets measured at fair value through other comprehensive income | |
| At 31 March 2018 (originally stated) | – |
| Initial application of HKFRS 9 (Note 3A) | 192,670 |
| At 1 April 2018 (restated) | 192,670 |
| Addition | 13,637 |
| Exchange alignments | (1,674) |
| Fair value changes recognised in other comprehensive income during the period | 418 |
| At 30 September 2018 | 205,051 |

There were no transfers between Level 1 and Level 2, or transfers into or out of level 3 during the six months ended 30 September 2018.

## 22. EVENTS AFTER THE REPORTING PERIOD

On 29 September, 2018, the Group entered into a disposal agreement with an independent third party, pursuant to which the Group agreed to sell and the independent third party agreed to purchase 12% equity interests in Shanghai Oriental International Culture And Sports Recreation Industry City Development Co., Ltd ("Shanghai Oriental") at total consideration of RMB118,288,000. Shanghai Oriental is a private entity incorporated in the PRC and its principal activity is property development in PRC. It was classified as financial assets at fair value through other comprehensive income as at 30 September 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *OPERATIONAL REVIEW*

#### Corporate Brand

Coastal Greenland, the corporate brand, had been ranked among the top ten most valuable Chinese real estate company brands for the fourteen consecutive years between 2004 and 2017 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. The corporate brand has also been certified by the State Administration for Industry & Commerce of China in 2015 as a "China Famous Trademark".

#### Property Development

The Group's business strategy for its property development business is to develop quality residential estates for the upper to middle class domestic market.

During the Period, the Group recorded contracted sales in the amount of HK$82 million (2017: HK$807 million) which corresponds to a total GFA of about 15,000 sq.m. (2017: 67,000 sq.m.). Included in the amount was HK$18 million (2017: HK$441 million) related to contracted sales attributable to development projects in which the Group has equity interests of 35% (2017: 12% to 40%) and of which the Group is the project manager. Such development projects accounted for a corresponding GFA of about 5,000 sq.m. (2017: 28,000 sq.m.).

#### Property Investment

The Group holds some of its properties for investment purposes. The property investment portfolio of the Group includes commercial and residential properties located in the PRC. In managing the investment property portfolio, the Group takes into account the long-term growth potential and overall market conditions of the properties. The Group may sell some of its investment properties when it is in its interests to do so. Rental income for the Period mainly derived from properties in Foshan Coastal Garden, Shanghai Golden Bridge Mansion, Wuhan Silo City and Dongguan Riviera Villa.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Project Management

In recent years, the Group has been searching for co-investment opportunities in the development projects such that it can enlarge its property portfolio without escalating its financial burden. During the Period, the Group was engaged as the project managers of four (2017: four) development projects namely Beijing Bay Project, Chongqing Silo City, Shanghai Shui Du South Crest and Wuhan Lingjiao Hu Project. At the end of the Reporting Period, the Group entered into termination agreements to terminate the project management services provided to Shanghai Shui Du South Crest and Wuhan Lingjiao Hu Projects upon its disposal of its equity interests in these projects.

### Project Investment Services

During the Period, the Group continues to look for opportunities in relation to investment in and sale of property development/land development project in the PRC. Details of project investment services conducted during the Period are set out under the heading "Major Acquisitions and Disposals" below. During the Period, the Group generated a profit of approximately HK$886.2 million from the operations of this segment, comparing to a profit of approximately HK$33,000 for last corresponding period.

## *FINANCIAL REVIEW*

### Overall Performance

For the first half of the financial year, the Group generated revenue of HK$161.8 million, representing a decrease of about 88% as compared to the HK$1,309.4 million for last corresponding period. During the Period, the Group realised a profit before taxation of HK$303.7 million, compared to a loss of HK$50.0 million for last corresponding period. Profit for the period attributable to owners of the Company was HK$331.2 million, compared to a loss of HK$78.9 million for last corresponding period. The increase in the profit for the Period was mainly attributable to a profit for the Period of HK$886.2 million was generated from disposal of subsidiaries as compared to the HK$33,000 for last corresponding period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Revenue

The revenue of the Group was primarily derived from sales of properties, property rental income and project management service income. During the Period, revenue decreased by about 88% to about HK$161.8 million from about HK$1,309.4 million in last year. The decrease was mainly attributable to the disposal of certain property development subsidiaries during the Period. Approximately 95% (2017: 99%) of the Group revenue was generated from sales of properties and approximately 5% (2017: 1%) from property rental income and project management service income.

## Sales of Properties

During the Period, the recognised sales revenue from sales of properties was HK$154.4 million, representing a decrease of about 88% from last corresponding period's HK$1,300.7 million, which corresponds to a decrease by 93% in the total GFA delivered by the Group of 17,300 sq.m. (2017: 245,280 sq.m.). The property sales revenue for the Period mainly came from the sale of Shenyang Coastal International Centre, Foshan Coastal Garden and Anshan Wisdom New City which respectively accounted for approximately 79%, 10% and 3% of the total property sales revenue. The balance of 8% was derived from the sale of the remaining inventories in the prior phases of the Group's completed development projects.

## Rental income

Revenue from property rental increased to HK$1.6 million from HK$0.6 million for last corresponding period. The increase was primarily attributable to the increased GFA for rental purpose. The property investment segment for the Period recorded a profit of HK$1.6 million comparing to a profit of HK$0.6 million for last corresponding period.

## Project management service income

Revenue from project management service decreased to HK$5.8 million from last corresponding period's HK$8.1 million. The decrease was due to recognition of less project management revenue in respect of which the value of contract work completed has been confirmed during the Period. The project management segment for the Period recorded a profit of about HK$5.8 million comparing to a profit of HK$1.8 million for last corresponding period.

## Gross Profit Margin

The gross profit margin for the Period was about 7% as compared to 9% for last corresponding period. A slight decrease in the gross profit margin was primarily attributable to higher construction cost per sq.m. of property sales recognised during the Period.

## Other Income and Gains

Other income and gains for the Period was HK$22.5 million as compared to HK$55.5 million for last corresponding period. Other income and gains for the Period mainly represented the bank interest income of HK$6.8 million (2017: HK$12.5 million), other interest income of HK$4.4 million (2017: HK$30.8 million) and re-measurement gain on fair value of an interest in an associate of HK$4.9 million (2017: nil).

## Marketing, Selling and Administrative Expenses

Marketing and selling costs decreased by about 64% to HK$5.8 million from last corresponding period's HK$16.1 million as a result of the decrease in the Group's selling activities during the Period.

Administrative expenses increased by about 61% to HK$131.1 million from last corresponding period's HK$81.4 million which was mainly due to increase in staff costs and more business development expenses incurred for the Group's development project acquisition and disposal activities during the Period.

## Other Expenses

Other expenses for the Period was HK$448.4 million as compared to last corresponding period's HK$27.9 million. Other expenses mainly comprised of compensation for cancellation of framework agreement in relation to certain land disposal to an independent third party of HK$357.0 million (2017: nil) so as to facilitate the proceeding of the transaction of disposal of subsidiaries as set out in note 18 to the condensed consolidated financial statements, re-measurement loss on fair value of an interest in a joint venture of HK$26.5 million (2017: HK$7.8 million) and impairment loss recognised on trade receivables of HK$24.9 million (2017: nil). Apart from the above, included in last corresponding period's other expenses were mainly impairment loss recognised on prepayments, deposits and other receivables in relation to property development project disposal of HK$11.1 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance Costs

During the Period, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings) of HK$83.4 million, representing a decrease of about 30% as compared to HK$119.9 million incurred for last corresponding period. Interest expenses charged to profit or loss for the Period were HK$29.7 million as compared to last corresponding period's HK$107.0 million. The decrease was mainly attributable to a decrease in the average outstanding balance of bank and other borrowings as compared to last corresponding period.

### Liquidity and Financial Resources

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

As at 30 September 2018, the Group's cash and bank balances amounted to approximately HK$845.3 million (31 March 2018: HK$1,603.6 million). An analysis by currency denomination of the cash and bank balances is as follows:

| | **30 September 2018 HK$'000** | 31 March 2018 HK$'000 |
|---|---|---|
| RMB | **781,159** | 1,466,966 |
| HK$ | **27,567** | 96,345 |
| US$ | **36,597** | 40,325 |
| | **845,323** | 1,603,636 |

As at 30 September 2018, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to approximately HK$1,505.1 million (31 March 2018: HK$761.1 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 17% to 31% from 14% as at 31 March 2018, which is mainly attributable to a decrease in the total equity of the Group as a result of a currency exchange deficit arose from the translation of the Group's net assets into presentation currency and the increase in net borrowings during the Period as explained in the following section headed "Borrowings and Changes".

## Borrowings and Charges

As at 30 September 2018, the Group's total bank and other borrowings amounted to HK$2,350.5 million (31 March 2018: HK$366.7 million), of which HK$360.6 million (31 March 2018: HK$366.7 million) were variable-rate borrowings and the remaining were fixed rate borrowings. Of the total bank and other borrowings as at 30 September 2018, RMB1,601 million (equivalent to HK$1,819.4 million) was assigned from a disposal subsidiary to the Group under the terms of the agreement for the disposal of subsidiaries transaction as set out in note 18 to the condensed consolidated financial statements. Long-term borrowings amounted to HK$2,084.5 million (31 March 2018: HK$56.2 million), representing approximately 89% (31 March 2018: 15%) of the total borrowings, and short-term borrowings were HK$266.0 million (31 March 2018: HK$310.6 million) representing approximately 11% of the total borrowings. During the Period, the ranges of effective interest rate per annum of the Group in respect of its fixed and variable rate borrowings were 5.44% to 6.67% (31 March 2018: nil) and 2.47% to 6.18% (31 March 2018: 2.62% to 6.18%) respectively.

As at 30 September 2018, certain assets of the Group including land and buildings, bank deposits, properties under development and completed properties for sale with aggregate carrying value of HK$752.5 million (2018: HK$623.7 million), corporate guarantee given by a subsidiary and the guarantee dividend from a previous associate of the Group were pledged to secure bank and other borrowings. Details of which are set out in note 15 to the condensed consolidated financial statements.

## Material acquisitions and disposals

(a) On 18 April 2018, a project partner of the Group exercised a put option whereby the Group is required to acquire the 60% equity interests in Wuhan Zhisheng Group Co., Ltd ("Wuhan Zhisheng") at a buyout-price of RMB366,000,000. Wuhan Zhisheng was a 30%-owned joint venture of the Group and is undertaking a commercial and residential property project in Wuhan. Upon the completion of the transaction in May 2018, the 60% equity interests in Wuhan Zhisheng was disposed of to an independent third party pursuant to a disposal agreement signed on 13 January 2018. Details of which are set out in note 18 to the condensed consolidated financial statement.

(b) On 5 September 2018, the Group entered into a disposal agreement with an independent third party to dispose of the entire equity interests in World Fair Development Limited ("World Fair") at a total consideration of RMB194,430,000. World Fair was a wholly-owned subsidiary of the Company, indirectly owns as to approximately 30% equity interests in Wuhan Zhisheng. Details of which are set out in note 18 to the condensed consolidated financial statement.

(c) On 29 September 2018, the Group entered into a disposal agreement with an independent third party to dispose of its 12% equity interests in Shanghai Oriental International Culture And Sports Recreation Industry City Development Co., Ltd. ("Shanghai Oriental") at an estimated total consideration of RMB118,287,553. Shanghai Oriental is classified as an financial asset at fair value through other comprehensive income of the Group and is undertaking a residential property project in Shanghai. The disposal has not been completed as at the date of this interim report.

Save for the aforementioned, there was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this interim report.

### Contingent Liabilities

As at 30 September 2018, the Group had given guarantees to the extent of approximately HK$440.7 million (31 March 2018: HK$3,892.2 million) to banks in respect of mortgage loan facilities granted to the property purchasers. As at 31 March 2018, the Group had also given guarantees amounting to approximately HK$420 million and HK$1,145 million to certain PRC banks and a PRC trust company respectively in connection with loan facilities granted to an associate.

### Exposure to Fluctuation 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 dollar and United States dollar have been quite stable over the past years despite a steady depreciation in Renminbi has occurred during the period. Also the Group's operations will not be unduly exposed to exchange rates fluctuations 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 certain bank and other borrowings which are denominated in United States dollar or Hong Kong dollar, 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.

The Group does not have a foreign currency hedging policy. However, the management of the Group continuously monitors the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *EMPLOYEES AND REMUNERATION POLICY*

As at 30 September 2018, the Group had about 178 employees (2017: about 315 employees) in the PRC and Hong Kong. Significant drop in the number of employees was due to the continuous retrenchment upon the disposal of the subsidiaries in the Period. The related employees' cost (including the Directors' remuneration) for the six months ended 30 September 2018 amounted to approximately HK$50.4 million (2017: HK$37.8 million). 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*

After years of economic development and reforms, the economy of the PRC is transforming from growth emphasised to more quality emphasised. It is expected that going forward the PRC economic and financial policies will be more inclined to promote the development of high quality and high value added business sectors. Demand for quality housing driven by the continuing urbanisation process and home upgraders needs is expected to be able to sustain a stable property market although a tighter credit supply for the real estate sector will curb the growth rate is also anticipated.

To embrace the ever-changing market conditions, the Group will continue to formulate its business strategy along the direction of government policies. Over the past years, the Group continues to look for opportunities to realise its investment in its development projects as part of the Group's business activities. The Group is glad to see that the property investment service segment continuously contribute profits to the Group's operating results. Going forward, the Group will continue to seek opportunities of participation in city redevelopment of old villages or old plants and factories so as to replenish its property portfolio as an ongoing business exercise.

With the Group's well established brand and seasoned experience in the PRC property market and the Group's significant improvement in its financial strength, although the real estate market in the PRC is facing with the challenges of a more volatile economic climate brought forth by the prevailing trade war tensions between the United States and the PRC and the austerity measures imposed by the government on the real estate sector, the Group is cautiously optimistic about the Group's business prospect in the years ahead.

## DISCLOSURE OF INTERESTS

### *DIRECTORS' INTERESTS IN SECURITIES*

As at 30 September 2018, the interests and short positions of the Directors in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### (i) Long positions in the Shares and underlying Shares of the Company

| Name of Director | Capacity and nature of interest | Number of Shares held | Number of underlying Shares held | Total number of Shares and Underlying Shares held | Percentage of the Company's issued Share capital |
|---|---|---|---|---|---|
| Mr. Jiang Ming | Interest of controlled corporation | 1,531,261,978[1] | – | 1,531,261,978 | 36.58% |
| Mr. Tao Lin | Directly beneficially owned | – | 27,000,000[2] | 27,000,000 | 0.65% |
| Mr. Xia Xianglong | Directly beneficially owned | 3,992,000 | 16,500,000[2] | 20,492,000 | 0.49% |
| Dr. Li Ting | Directly beneficially owned | – | 16,500,000[2] | 16,500,000 | 0.39% |
| Mr. Wong Kai Cheong | Directly beneficially owned | – | 2,000,000[2] | 2,000,000 | 0.05% |
| Mr. Yang Jiangang | Directly beneficially owned | – | 2,000,000[2] | 2,000,000 | 0.05% |

Notes:

1. 1,531,261,978 shares are beneficially owned by CIH, of which the issued voting share capital is held as to 37.58% by Mr. Jiang Ming, 5.38% by Mr. Tao Lin and 21.42% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Mr. Jiang Ming). These 1,531,261,978 shares represent an aggregate of approximately 36.58% of the issued share capital of the Company. Mr. Jiang Ming and Mr. Tao Lin are directors of CIH.

2. It represents the share options granted on 17 March 2014 pursuant to the Scheme 2011. Details of which are disclosed under the heading "Share Option Scheme" below.

## DISCLOSURE OF INTERESTS

### (ii) Long positions in the Shares and underlying Shares of CIH

| Name of Director | Number of Shares held | Capacity and nature of interest | Percentage of the associated corporation's issued Share capital |
|---|---|---|---|
| Mr. Jiang Ming | 3,758 | Directly beneficially owned | 37.58% |
| | 2,142 | Interest of controlled corporation | 21.42% |
| Mr. Tao Lin | 538 | Directly beneficially owned | 5.38% |

Save as disclosed above, as at 30 September 2018, none of the Directors had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any other associated corporations, as recorded in the register required to be maintained by the Company pursuant to Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## DISCLOSURE OF INTERESTS

### *SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES*

Apart from the interests of CIH as disclosed under the heading "Directors' interests in securities" above, the register of substantial Shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 30 September 2018, the Company had been notified of the following substantial Shareholders' interests, being 5% or more of the Company's issued Share capital.

| Name | Nature of Interest | Number of ordinary Shares held or short positions | Percentage of the Company's issued Share capital |
|---|---|---|---|
| Ms. Yang Sun Xin | Family (Note 2) | 1,531,261,978 | 36.58% |
| Shenzhen Investment Limited | Corporate | 631,092,857 | 15.08% |

Notes:

1. All the interests stated above represent long positions.

2. Ms. Yang Sun Xin is the spouse of Mr. Jiang Ming (Chairman and Managing Director of the Company) and is deemed to be interested in the 1,531,261,978 Shares of the Company, which is the number of Shares that CIH is interested in the issued Share capital of the Company.

Save as disclosed above, as at 30 September 2018, to the best of the Directors' knowledge, no persons had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or otherwise notified to the Company and the Stock Exchange.

## DISCLOSURE OF INTERESTS

### *SHARE OPTION SCHEME*

On 14 September 2011, the Company adopted the Scheme 2011. The purpose of the Scheme 2011 is to provide incentives or rewards to eligible participants (as defined in the Scheme 2011, and include the employees and directors of the Company and its subsidiaries) thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group. The principal terms of the Scheme 2011 are summarised in appendix II to the Company's circular dated 25 July 2011.

Up to the date of this report, 279,000,000 share options under the Scheme 2011 were granted. The following share options were outstanding under the Scheme 2011 during the Period:

| | Number of share options | | | | | | |
|---|---|---|---|---|---|---|---|
| Name or category of Participant | Outstanding and exercisable at 1 April 2018 | Granted/ exercised/ cancelled/ lapsed during the Period | Outstanding and exercisable at 30 September 2018 | Date of grant of share options | Vesting period (Note 1) | Exercise period of share options (Note 2) | Exercise price of share options HK$ (Note 3) |
| **Directors** | | | | | | | |
| Tao Lin | 27,000,000 | – | 27,000,000 | 17 March 2014 | 17 March 2014 to 16 April 2014 | 17 April 2014 to 16 March 2019 | 0.345 |
| Li Ting | 16,500,000 | – | 16,500,000 | 17 March 2014 | 17 March 2014 to 16 April 2014 | 17 April 2014 to 16 March 2019 | 0.345 |
| Xia Xianglong | 16,500,000 | – | 16,500,000 | 17 March 2014 | 17 March 2014 to 16 April 2014 | 17 April 2014 to 16 March 2019 | 0.345 |
| Wong Kai Cheong | 2,000,000 | – | 2,000,000 | 17 March 2014 | 17 March 2014 to 16 April 2014 | 17 April 2014 to 16 March 2019 | 0.345 |
| Yang Jiangang | 2,000,000 | – | 2,000,000 | 17 March 2014 | 17 March 2014 to 16 April 2014 | 17 April 2014 to 16 March 2019 | 0.345 |
| **Other employees and participants** | | | | | | | |
| In aggregate | 126,000,000 | – | 126,000,000 | 17 March 2014 | 17 March 2014 to 16 April 2014 | 17 April 2014 to 16 March 2019 | 0.345 |
| | 190,000,000 | – | 190,000,000 | | | | |

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The share options are exercisable during the period from 17 April 2014 to 16 March 2019, as specified in the share option certificates.
3. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

## CORPORATE GOVERNANCE

### *CORPORATE GOVERNANCE PRACTICES*

The Company acknowledges the importance of good corporate governance practices and is committed to maintaining sound internal control, transparency and accountability to all Shareholders. The Company has continued to apply and comply with the code provisions contained in the CG Code during the Period, except for below deviations:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual for a balance of power and authority. Mr. Jiang Ming is the Chairman and Managing Director of the Company. He is also one of the founders and a substantial Shareholder of the Company and has considerable industry experience. The Board considers that this situation will not impair the balance of power and authority between the Board and the management of the Company because the balance of power and authority is governed by the operations of the Board which comprises experienced and high caliber individuals with demonstrated integrity. Furthermore, decisions of the Board are made by way of majority votes. The Board believes that this structure is conducive to a more precise and more promptly response to the fast changing business environment and a more efficient management and implementation of business process.

Code provision A.6.7 of the CG Code stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings. Two independent non-executive Directors were unable to attend the annual general meeting of the Company held on 17 September 2018 due to other important engagements. Two non-executive Directors were unable to attend the special general meeting and annual general meeting of the Company held on 17 May 2018 and 17 September 2018 respectively due to other important engagements.

### *DIRECTORS' SECURITIES TRANSACTIONS*

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry, all Directors confirmed that they have complied with the requirements as set out in the Model Code during the six months ended 30 September 2018. Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

# OTHER INFORMATION

## *INTERIM DIVIDEND*

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: nil).

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the six months ended 30 September 2018.

## *REVIEW OF INTERIM RESULTS*

The Audit Committee has reviewed with the management of the Company the accounting policies and practices adopted by the Group and discussed, among other things, internal controls, risk management and financial reporting matters including a review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2018.

In addition, the independent auditor of the Company, BDO Limited, has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2018 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA.

By Order of the Board
**Jiang Ming**
*Chairman*

Hong Kong, 27 November 2018