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COASTAL 沿海
COASTAL GREENLAND LIMITED
沿海綠色家園有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: 01124)

**UNAUDITED INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

HIGHLIGHTS:

1. Contracted sales for the period amounted to about HK\$2,193 million, an increase of 36% from last corresponding period.
2. Revenue for the period amounted to about HK\$309.6 million, a decrease of 43% from last corresponding period.
3. Loss for the period attributable to owners of the Company was about HK\$191.4 million.

The Board of Directors (the “Board”) of Coastal Greenland Limited (the “Company”) announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2015 together with the comparative figures for the corresponding period in 2014. The interim financial report for the six months ended 30 September 2015 has been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

		Six months ended 30 September	
		2015	2014
	<i>Notes</i>	(unaudited)	(unaudited)
		HK\$'000	HK\$'000
Revenue	3	309,566	541,935
Cost of sales		(289,150)	(459,794)
Gross profit		20,416	82,141
Other income and gains	4	4,961	63,633
Marketing and selling expenses		(22,970)	(51,803)
Administrative expenses		(103,521)	(174,260)
Other expenses		(7,124)	(6,130)
Finance costs	5	(98,567)	(119,264)
Share of profit (loss) of associates		3,935	(9,347)
Share of loss of joint ventures		(14,710)	(4,070)
Loss before taxation		(217,580)	(219,100)
Taxation	6	25,977	(55,226)
Loss for the period	7	(191,603)	(274,326)
Other comprehensive (expense) income			
<i>Item that will not be subsequently reclassified to profit or loss</i>			
Exchange differences arising on translation to presentation currency		(124,776)	4,904
Total comprehensive expense for the period		(316,379)	(269,422)
Loss for the period attributable to:			
Owners of the Company		(191,363)	(273,058)
Non-controlling interests		(240)	(1,268)
		(191,603)	(274,326)
Total comprehensive expense attributable to:			
Owners of the Company		(314,744)	(267,619)
Non-controlling interests		(1,635)	(1,803)
		(316,379)	(269,422)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	8		
Basic		(4.57)	(6.52)
Diluted		(4.57)	(6.52)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

	<i>Notes</i>	30 September 2015 (unaudited) HK\$'000	31 March 2015 (audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		233,850	235,201
Investment properties		222,573	230,643
Prepaid land lease payments		50,309	52,850
Interests in joint ventures		409,718	427,800
Interests in associates		736,599	745,313
Available-for-sale investments		172,548	178,697
		1,825,597	1,870,504
CURRENT ASSETS			
Properties under development		7,936,388	7,808,925
Completed properties for sale		1,275,002	1,574,764
Trade receivables	9	18,218	21,986
Prepayments, deposits and other receivables		3,068,099	2,588,034
Amounts due from associates and joint ventures		1,572,238	1,620,539
Amounts due from customers for contract work		–	59,169
Prepaid tax		129,685	92,889
Pledged bank deposits		1,139,562	1,551,678
Cash and bank balances		432,653	843,951
		15,571,845	16,161,935
CURRENT LIABILITIES			
Trade and bills payables	10	790,275	1,370,894
Deposits received from pre-sales of properties		1,511,490	1,143,001
Other payables and accruals		1,125,441	1,214,871
Amount due to a substantial shareholder of the Company		3,366	3,948
Tax payable		732,777	808,850
Interest-bearing bank and other borrowings		4,087,704	4,670,570
		8,251,053	9,212,134
NET CURRENT ASSETS		7,320,792	6,949,801
TOTAL ASSETS LESS CURRENT LIABILITIES		9,146,389	8,820,305

	30 September 2015 (unaudited) HK\$'000	31 March 2015 (audited) HK\$'000
CAPITAL AND RESERVES		
Share capital	418,587	418,587
Reserves	3,698,454	4,013,198
	<hr/>	<hr/>
Equity attributable to owners of the Company	4,117,041	4,431,785
Non-controlling interests	3,146	4,781
	<hr/>	<hr/>
Total equity	4,120,187	4,436,566
	<hr/>	<hr/>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	4,803,121	4,139,681
Deferred tax liabilities	223,081	244,058
	<hr/>	<hr/>
Total non-current liabilities	5,026,202	4,383,739
	<hr/>	<hr/>
	9,146,389	8,820,305
	<hr/> <hr/>	<hr/> <hr/>

NOTES

1. BASIS OF PREPARATION

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

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

During the interim period, the Group has adopted all the new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) which are first effective for the reporting period. The application of these new and amended HKFRSs has had no impact on the disclosures or on the amounts recognised in the Group’s condensed consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT INFORMATION

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

- (a) the property development segment engages in the development of properties for sale in the PRC;
- (b) the property investment segment invests in commercial and residential properties located in the PRC for their rental income potential and/or for capital appreciation;
- (c) the property management segment engages in the management of properties in the PRC;
- (d) the project management and construction segment engages in the provision of project management and construction services in the PRC; and
- (e) 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.

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		Property investment		Property management		Project management and construction		Project investment services		Total		Eliminations		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Segment revenue:																
Sales to external customers	272,919	518,095	918	1,212	5,964	6,333	29,765	16,295	-	-	309,566	541,935	-	-	309,566	541,935
Inter-segment revenue	-	-	-	-	-	-	29,409	415,586	-	-	29,409	415,586	(29,409)	(415,586)	-	-
Total	272,919	518,095	918	1,212	5,964	6,333	59,174	431,881	-	-	338,975	957,521	(29,409)	(415,586)	309,566	541,935
Segment (losses) profits	(90,863)	(107,520)	610	855	2,773	2,027	4,930	(6,098)	-	-	(82,550)	(110,736)	(340)	(897)	(82,890)	(111,633)
Net foreign exchange losses															(13)	(1,876)
Interest income															402	26,604
Finance costs															(98,567)	(119,264)
Amortisation of prepaid land lease payments															(711)	(715)
Share of profit (loss) of associates															3,935	(9,347)
Share of loss of joint ventures															(14,710)	(4,070)
Gain on disposal of an associate															-	8,261
Gain on disposal of a joint venture															-	5,915
Other net unallocated expenses															(25,026)	(12,975)
Loss before taxation															(217,580)	(219,100)

Inter-segment revenue is charged at amounts agreed by both parties.

Segment results represent the loss before taxation made by each reportable segment without allocation of income and expenses of the Group's head office, net foreign exchange differences, amortisation of prepaid land lease payments, interest income, finance costs, share of results of associates and joint ventures and gain on disposal of an associate and a joint venture. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

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

4. OTHER INCOME AND GAINS

	Six months ended	
	30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest income from banks	402	920
Gain on disposal of property, plant and equipment	–	5,080
Gain on disposal of an associate (<i>Note a</i>)	–	8,261
Gain on disposal of a joint venture (<i>Note b</i>)	–	5,915
Increase in fair value of held-for-trading investment	–	6,763
Other interest income	–	25,684
Others	4,559	11,010
	<u>4,559</u>	<u>11,010</u>
	<u>4,961</u>	<u>63,633</u>

Notes:

- (a) During the six months ended 30 September 2014, the Group entered into a sale and purchase agreement to dispose of 25% interest in an associate to a third party for a consideration of HK\$119,685,000. The Group recognised gain on disposal of HK\$8,261,000.
- (b) During the six months ended 30 September 2014, the Group entered into a sale and purchase agreement to dispose of 40% interest in a joint venture to a third party for a consideration of HK\$74,582,000. The Group recognised gain on disposal of HK\$5,915,000.

5. FINANCE COSTS

	Six months ended	
	30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	152,493	131,160
Interest on other borrowings wholly repayable within five years	185,241	183,770
	<u>337,734</u>	<u>314,930</u>
Less: Amounts capitalised in properties under development	(239,167)	(195,666)
	<u>98,567</u>	<u>119,264</u>

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

6. TAXATION

	Six months ended	
	30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	(21,263)	29,502
PRC Land Appreciation Tax ("LAT")	<u>8,179</u>	<u>16,366</u>
	(13,084)	45,868
Deferred tax (<i>Note</i>):		
Others	<u>(12,893)</u>	<u>9,358</u>
Total tax (credit) charge for the period	<u>(25,977)</u>	<u>55,226</u>

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits sourced in Hong Kong for both 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% from 1 January 2008 onwards.

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.

Note: The deferred tax credit recognised during the six months ended 30 September 2015 mainly resulted from combined effect relating to (i) release of deferred tax liabilities arising from the reversal of temporary differences relating to fair value adjustments to the carrying amounts of properties under development at the time of acquisition of property holding subsidiaries under business combination. Such deferred tax liabilities were released upon the sale of properties by those subsidiaries; and (ii) reversal of over-provided dividend withholding tax.

7. LOSS FOR THE PERIOD

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

	Six months ended	
	30 September	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	3,723	3,750
Less: Amounts capitalised in properties under development	<u>(287)</u>	<u>(861)</u>
	3,436	2,889
Amortisation of prepaid land lease payments	711	715
Net foreign exchange losses	13	1,876
Gain on disposal of properties, plant and equipment	<u>1,325</u>	<u>(5,080)</u>

8. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the loss for the period attributable to owners of the Company of HK\$191,363,000 (2014: HK\$273,058,000) and the number of 4,185,874,285 (2014: 4,185,874,285) ordinary shares in issue.

The calculation of diluted loss per share for the six months ended 30 September 2015 and 2014 did not assume the exercise of the Company's options as the exercise prices of the options were higher than the average market price of the Company's shares for the respective periods and therefore was anti-dilutive to the loss per share.

9. TRADE RECEIVABLES

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

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

	30 September 2015 (unaudited) HK\$'000	31 March 2015 (audited) HK\$'000
0 – 30 days	–	7,560
31 – 60 days	1,453	–
61 – 90 days	130	118
Over 90 days	16,635	14,308
	<hr/> 18,218 <hr/>	<hr/> 21,986 <hr/>

10. 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 2015 (unaudited) HK\$'000	31 March 2015 (audited) HK\$'000
0 – 30 days	262,090	290,874
31 – 60 days	198,604	158,194
61 – 90 days	12,180	14,950
Over 90 days	317,401	906,876
	<hr/> 790,275 <hr/>	<hr/> 1,370,894 <hr/>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2015 (2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the first half of the financial year, the Group has recorded a revenue of HK\$309.6 million, a decrease of about 43% as compared to the HK\$541.9 million for last corresponding period. The decrease in the revenue for the period was attributable to lesser amount of properties were completed and delivered to purchasers during the period.

Loss before taxation for the period was HK\$217.6 million, compared to HK\$219.1 million for last corresponding period. Loss for the period attributable to owners of the Company was HK\$191.4 million, compared to HK\$273.1 million for last corresponding period.

Property Development

During the period under review, the recognised sales revenue from property development segment was HK\$272.9 million, representing a decrease of about 47% from last corresponding period's HK\$518.1 million, which corresponds to a decrease by 45% in the total GFA delivered by the Group to 31,660 sq.m. (2014: 57,119 sq.m.). The property sales revenue for the period mainly came from the sale of Phase VI of Dongguan Riviera Villa, Phase II section B2 of Dalian Jianzhu Project, Phase I of Dalian Coastal International Centre and Phase V section A of Dongguan Riviera Villa which respectively represented about 51%, 20%, 9% and 8% of the total property sales revenue. The remaining 12% was derived from sale of the remaining inventory in the prior phases of the Group's completed development projects.

During the period, the Group recorded contracted sales in the amount of HK\$2,193 million (2014: HK\$1,612 million) which corresponds to a total GFA of about 198,969 sq.m. (2014: 137,630 sq.m.).

Property Investment

Revenue from property rental decreased by 24% to HK\$0.9 million from HK\$1.2 million for last corresponding period due to the disposal of certain retail shops towards the end of last year. The property investment segment for the period recorded a profit of HK\$0.6 million as compared to HK\$0.9 million for last corresponding period.

Property Management

The Group's property management operations recorded a profit of about HK\$2.8 million for the period as compared to last corresponding period of HK\$2.0 million. The Group is committed to providing integrated and value-added property management services to foster good relations with tenants and owners and strengthen its brand image.

Project Management and Construction

Revenue from project management and construction increased by 83% to HK\$29.8 million from last corresponding period's HK\$16.3 million due to more construction projects undertaken by the Group during the period. The project management and construction segment for the period recorded a profit of HK\$4.9 million comparing to a loss of HK\$6.1 million for last corresponding period.

Project Investment Services

The Group did not generate any profit from the operations of this segment during both periods.

Gross Profit Margin

The gross profit margin for the current period was about 7% which was lower than the gross profit margin for last corresponding period's 15%. The decrease was mainly due to a lower level of selling price attained for the properties completed and delivered to purchasers during the period as a result of the overall decline in the property price level in the PRC property market over the past two years.

Other Income and Gains

Other income and gains for the period was HK\$5.0 million as compared to HK\$63.6 million for last corresponding period. Other income for the period mainly represented the interest income from banks of HK\$0.4 million (2014: HK\$0.9 million). Included in last corresponding period's other income was a gain on disposal of property, plant and equipment of HK\$5.1 million, a gain on disposal of an associate of HK\$8.3 million, a gain on disposal of a joint venture of HK\$5.9 million, the increase in the fair value of held-for-trading investment of HK\$6.8 million and other interest income of HK\$25.7 million.

Marketing, Selling and Administrative Expenses

Marketing and selling costs decreased by about 56% to HK\$23.0 million from last corresponding period's HK\$51.8 million in line with the decrease in the level of business activities for the period.

Administrative expenses decreased by about 41% to HK\$103.5 million from last corresponding period's HK\$174.3 million due to cost retrenchment made in response to the slow down in the business of the Group. The Group will continue to implement cost control measures so as to enhance its operational efficiency and competitive edges.

Other Expenses

Other expenses for the period was HK\$7.1 million as compared to last corresponding period's HK\$6.1 million. Other expenses mainly represented tax penalty of HK\$4.9 million (2014: HK\$0.4 million) and other compensation of HK\$0.3 million (2014: HK\$2.4 million) to the property purchasers.

Finance Costs

During the period, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings) of HK\$337.7 million, representing an increase of about 7% as compared to HK\$314.9 million incurred for last corresponding period. The increase was mainly attributable to an increase in the average level of bank and other borrowings as compared to last corresponding period.

Interest expenses charged to profit or loss for the period were HK\$98.6 million as compared to last corresponding period's HK\$119.3 million. The decrease was mainly due to higher amount of finance costs were capitalised as compared to last corresponding period.

Corporate Brand

Coastal Greenland, the corporate brand, had been ranked among the top ten most valuable Chinese real estate company brands for the twelve consecutive years between 2004 and 2015 by an authoritative PRC real estate research team formed by the Development Research Center of the State Council, the Tsinghua University Real Estate Research Center and the China Index Research Team.

FINANCIAL REVIEW

Financial Resources and Liquidity

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

At 30 September 2015, the Group's cash and bank deposits amounted to approximately HK\$1,572 million (31 March 2015: HK\$2,396 million). An analysis by currency denomination of the cash and bank deposits is as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Renminbi	1,560,909	2,363,842
Hong Kong dollar	8,217	28,177
United States dollar	3,089	3,610
	<u>1,572,215</u>	<u>2,395,629</u>

At 30 September 2015, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to about HK\$7,319 million (31 March 2015: HK\$6,415 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 33% to 178% from 145% as at 31 March 2015.

Borrowings and Charges

At 30 September 2015, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Bank borrowings repayable:		
Within one year	1,392,141	1,561,317
In the second year	2,446,669	1,583,153
In the third to fifth years inclusive	1,066,020	2,190,408
Bank borrowings that is repayable within one year from the end of the reporting period and contain a repayment on demand clause	380,777	609,537
	5,285,607	5,944,415
Other borrowings repayable:		
Within one year	2,314,786	2,499,716
In the second year	1,290,432	366,120
	3,605,218	2,865,836
	8,890,825	8,810,251

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

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Renminbi	8,434,278	8,122,814
Hong Kong dollar	159,896	162,026
United States dollar	296,651	525,411
	8,890,825	8,810,251

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

- (a) Certain of the Group's bank and other borrowings as at 30 September 2015 were secured by:
- (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK\$205 million (31 March 2015: HK\$212 million);
 - (ii) certain bank deposits of the Group with an aggregate carrying value of approximately HK\$940 million (31 March 2015: HK\$1,004 million);
 - (iii) certain properties under development of the Group with an aggregate carrying value of approximately HK\$1,803 million (31 March 2015: HK\$1,688 million);
 - (iv) no completed properties for sale of the Group was pledged as at 30 September 2015 (31 March 2015: HK\$444 million);
 - (v) corporate guarantees from the Company and certain of its subsidiaries; and
 - (vi) the Group's 100% equity interests in four property-based subsidiaries.

Exposure to Fluctuations in Exchange Rates

The Group's operations are principally in the PRC and accordingly a majority part of its income and expenditure is denominated in Renminbi. The exchange rates of Renminbi against Hong Kong dollar and United States dollar have been quite stable over the past years. Also the Group's operations will not be unduly expose 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.

Contingent Liabilities

At 30 September 2015, the Group had given guarantees to the extent of approximately HK\$2,902 million (2015: HK\$2,541 million) to banks in respect of mortgage loan facilities granted to the property purchasers. The Group had also given guarantees amounting to nil (2015: HK\$158 million) to banks in connection with a banking facility granted to an associate against which a counter-guarantee was given by the associate to the Group.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 1,000 employees in the mainland China and Hong Kong. Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage, housing allowances and share options.

PROSPECTS

China's economy is facing the challenge of consolidation amidst uncertainties in the global market. In response to the sluggish economic outlook, the Central Government has taken measures to release more liquidity into the market and has made positive adjustments to the policies so as to maintain a stable development of the property market. Furthermore, with the continuation of implementation of the urbanization policy by the Central Government and the continual growth in gross domestic product, it is expected that the real estate industry in China will be heading into a healthy direction. We expect that the recent lowering of the Renminbi interest rate, the possible further loosening up of control measures on property sector, the ongoing urbanisation and the continued increase in the household income are the major drivers that will boost the end users' demand for quality properties in the coming years. Concurrently, the Group will leverage on its experience and expertise in property development business with respect to the property market development.

The Group has a well established brand and seasoned experience in the property market. It will optimise its operations with its geographically well-distributed and diversified prominent property portfolio and will continue to enrich its land reserves and ameliorate the competitiveness of its products. Also, the Group will continuously explore different funding opportunities so as to enhance its financial capability.

CORPORATE GOVERNANCE

The Company is committed to ensure high standards of corporate governance in the interest of all its shareholders. The Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") contained in Appendix 14 of the Listing Rules, 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. Mr. Jiang Ming is the founder and a substantial shareholder of the Company and has considerable industry experience. The Board of the Company considers that this situation will not impair the balance of power and authority between the Board and the management of the Company. This is because the balance of power and authority is ensured 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 voting. The Board believes that this structure is conducive to strong, prompt response and efficient management and implementation.

Code provision A.6.7 of the CG Code stipulates that non-executive directors and independent non-executive directors should attend general meetings. Two non-executive directors were unable to attend the special general meeting and annual general meeting of the Company held on 23 July 2015 and 15 September 2015 respectively due to other important engagements. Two independent non-executive directors were unable to attend the annual general meeting of the Company held on 15 September 2015 due to other important engagements.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the requirements as set out in the Model Code during the six months ended 30 September 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 September 2015.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a general review of the unaudited interim financial report for the six months ended 30 September 2015.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report of the Company for the six months ended 30 September 2015 containing all the information required by Appendix 16 to the Listing Rules will be published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.coastal.com.cn>) in due course.

By Order of the Board
Jiang Ming
Chairman

Hong Kong, 27 November 2015

As at the date of this announcement, the Board comprises Mr. Jiang Ming, Mr. Tao Lin, Mr. Cai Shaobin and Ms. Wang Hongmei as executive Directors, Mr. Lu Jiqiang and Dr. Dai Jingming as non-executive Directors and Mr. Chen Xiaotian, Mr. Wong Kai Cheong and Mr. Yang Jiangan as independent non-executive Directors.

* *For identification purpose only*