COASTAL GREENLAND LIMITED
沿海綠色家園有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1124)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

HIGHLIGHTS:

1. Revenue for the period amounted to about HK$1,309.4 million, an increase of about 68% from last corresponding period.

2. Loss for the period attributable to owners of the Company was about HK$78.9 million, comparing to a loss of HK$72.9 million for last corresponding period.

3. Total comprehensive income attributable to owners of the Company was about HK$135.6 million, which marked a turnaround from last corresponding period's deficit of HK$234.8 million.

4. Net debt to equity ratio has continued to improve to 63% as at 30 September 2017, representing a decrease of 11% from 74% as at 31 March 2017.

The board of directors (the "Board") of Coastal Greenland Limited (the "Company") herein presents the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2017 together with the unaudited comparative figures for the corresponding period in 2016 as follows:

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Notes	Six months ended 30 September 2017 (unaudited) HK$'000	2016 (unaudited) HK$'000 (restated)
Continuing operations			
Revenue	4	**1,309,368**	777,099
Cost of sales		**(1,189,600)**	(636,133)
Gross profit		**119,768**	140,966
Other income and gains	5	**55,494**	12,447
Marketing and selling expenses		**(16,104)**	(26,561)
Administrative expenses		**(81,354)**	(72,063)
Other expenses		**(27,898)**	(3,538)
Finance costs	6	**(107,049)**	(104,917)
Share of profit of associates		**7,436**	446
Share of loss of joint ventures		**(280)**	(9,780)
Loss before taxation		**(49,987)**	(63,000)
Taxation	7	**(30,768)**	(13,269)
Loss for the period from continuing operations		**(80,755)**	(76,269)
Discontinued operation			
Profit for the period from discontinued operation	8	**–**	3,397
Loss for the period	9	**(80,755)**	(72,872)
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss			
Exchange differences arising on translation to presentation currency		**222,420**	(163,167)
Total comprehensive income (expense) for the period		**141,665**	(236,039)

	Notes	Six months ended 30 September 2017 (unaudited) HK$'000	2016 (unaudited) HK$'000 (restated)
(Loss) profit for the period attributable to owners of the Company:			
– from continuing operations		**(78,868)**	(76,263)
– from discontinued operation		**–**	3,397
Loss for the period attributable to owners of the Company		**(78,868)**	(72,866)
Loss for the period attributable to non-controlling interests:			
– from continuing operations		**(1,887)**	(6)
– from discontinued operation		**–**	–
Loss for the period attributable to non-controlling interests		**(1,887)**	(6)
		(80,755)	(72,872)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**135,576**	(234,830)
Non-controlling interests		**6,089**	(1,209)
		141,665	(236,039)
		HK cents	*HK cents*
Loss per share	*10*		
From continuing and discontinued operations			
Basic and diluted		**(1.88)**	(1.74)
From continuing operations			
Basic and diluted		**(1.88)**	(1.82)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Notes	30 September 2017 (unaudited) HK$'000	31 March 2017 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**228,478**	226,952
Investment properties		**215,015**	205,781
Prepaid land lease payments		**45,228**	44,087
Interests in associates		**2,713,624**	2,349,141
Interests in joint ventures		**333,610**	360,813
Amounts due from associates and joint ventures		**346,999**	332,095
Available-for-sale investments		**184,444**	163,133
Total non-current assets		**4,067,398**	3,682,002
CURRENT ASSETS			
Properties under development		**4,625,144**	4,637,424
Completed properties for sale		**2,020,852**	1,380,756
Trade receivables	*11*	**4,294**	1,461
Prepayments, deposits and other receivables		**1,483,261**	2,759,669
Amounts due from associates and joint ventures		**535,434**	736,767
Prepaid tax		**57,563**	21,920
Pledged bank deposits		**355,399**	412,214
Cash and bank balances		**1,156,034**	942,778
		10,237,981	10,892,989
Assets classified as held for sale	*13*	**1,197,856**	1,121,937
Total current assets		**11,435,837**	12,014,926
CURRENT LIABILITIES			
Trade and bills payables	*12*	**820,827**	1,063,906
Deposits received from pre-sales of properties		**1,071,642**	1,488,981
Other payables and accruals		**2,453,806**	2,421,842
Amount due to a substantial shareholder of the Company		**24,868**	27,041
Tax payable		**592,970**	481,991
Interest-bearing bank and other borrowings		**2,092,144**	2,417,482
		7,056,257	7,901,243
Liabilities classified as held for sale	*13*	**556,350**	531,890
Total current liabilities		**7,612,607**	8,433,133
NET CURRENT ASSETS		**3,823,230**	3,581,793
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,890,628**	7,263,795

	30 September 2017 (unaudited) *HK$'000*	31 March 2017 (audited) *HK$'000*
CAPITAL AND RESERVES		
Share capital	**418,587**	418,587
Reserves	**4,379,466**	4,223,412
Equity attributable to owners of the Company	**4,798,053**	4,641,999
Non-controlling interests	**170,200**	(193)
Total equity	**4,968,253**	4,641,806
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**2,537,486**	2,389,078
Deferred tax liabilities	**384,889**	232,911
Total non-current liabilities	**2,922,375**	2,621,989
	7,890,628	7,263,795

NOTES

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2017 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

During the interim period, the Group has applied all the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are first effective for the reporting period. The application of these new and amended HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these 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. RESTATEMENT OF COMPARATIVE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The comparative financial information for the six months ended 30 September 2016 was restated to reflect the property management business as a discontinued operation.

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:

(a) the property development segment engages in the development of properties for sale in the People's Republic of China (the "PRC");

(b) the property investment segment invests in commercial and residential properties located in the PRC for their rental income potential and/or for capital appreciation;

(c) the project management segment engages in the provision of project management services in the PRC; and

(d) 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.

An operating segment engaging in the property management business was discontinued during the year ended 31 March 2017. Segment information reported below does not include any amounts for this discontinued operation. Details of this discontinued operation are set out in Note 8.

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:

Continuing operations

	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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	(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*
										(restated)	*(Note)*	*(Note)*		(restated)
Segment revenue:														
Sales to external customers	**1,300,664**	766,792	**599**	2,564	**8,105**	7,743	**–**	–	**1,309,368**	777,099	**–**	–	**1,309,368**	777,099
Sales of projects to external customers	**–**	–	**–**	–	**–**	–	**94,732**	–	**94,732**	–	**(94,732)**	–	**–**	–
Total	**1,300,664**	766,792	**599**	2,564	**8,105**	7,743	**94,732**	–	**1,404,100**	777,099	**(94,732)**	–	**1,309,368**	777,099
Segment profit	**33,280**	82,452	**604**	1,948	**1,759**	1,961	**33**	–	**35,676**	86,361	**–**	–	**35,676**	86,361
Amortisation of prepaid land lease payments													**(822)**	(667)
Finance costs													**(107,049)**	(104,917)
Gain on disposal of an associate													**2,441**	–
Impairment loss recognised on amount due from an associate													**(1,732)**	–
Interest income													**43,311**	3,048
Net foreign exchange losses													**(10)**	(6)
Share of profit of associates													**7,436**	446
Share of loss of joint ventures													**(280)**	(9,780)
Other net unallocated expenses													**(28,958)**	(37,485)
Loss before taxation from continuing operations													**(49,987)**	(63,000)

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 gain on disposal of subsidiaries (included in other income and gains) in the condensed consolidated statement of profit or loss and other comprehensive income.

Segment results represent the 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 losses 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	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Gain on disposal of an associate	**2,441**	–
Gain on bargain purchase of subsidiaries *(Note 14)*	**6,678**	–
Interest income from banks	**12,532**	3,048
Other interest income	**30,779**	–
Reversal of impairment loss recognised on trade receivables	**–**	7,154
Others	**3,064**	2,245
	55,494	12,447

6. FINANCE COSTS

	Six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Interest on bank borrowings	**26,458**	234,460
Interest on other borrowings	**93,491**	99,866
	119,949	334,326
Less: Amounts capitalised in properties under development	**(12,900)**	(229,409)
	107,049	104,917

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 9.72% (2016: 8.77%) per annum.

7. TAXATION

	Six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Current tax:		
PRC Enterprise Income Tax ("EIT")	**(16,252)**	3,970
PRC Land Appreciation Tax ("LAT")	**18,887**	10,832
	2,635	14,802
Deferred tax *(Note)*	**28,133**	(1,533)
Total tax charge for the period	**30,768**	13,269

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.

Note: The deferred tax credit recognised during the six months ended 30 September 2016 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.

8. DISCONTINUED OPERATION

During the year ended 31 March 2017, the Group entered into a disposal agreement to transfer 100% equity interests of certain subsidiaries and branches of Coastal Realty Management Company Limited to an independent third party for a total consideration of RMB22,000,000 (equivalent to HK$25,193,000). The disposal was completed on 27 October 2016 upon the transfer of the equity interests being approved by the relevant government authority.

The profit from discontinued operation which has been included in the condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows is set out below:

	Six months ended 30 September 2016 *HK$'000*
Revenue	5,187
Cost of sales	(165)
Gross profit	5,022
Other income	162
Expenses	(1,787)
Profit before taxation	3,397
Taxation	–
Profit for the period	3,397
Profit for the period from discontinued operation included the followings:	
Depreciation	40
Staff costs	1,012
Operating lease charges in respect of land and buildings	23

9. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**3,752**	2,817
Less: Amounts capitalised in properties under development	**(60)**	(83)
	3,692	2,734
Amortisation of prepaid land lease payments	**822**	667
Cost of completed properties sold	**1,180,967**	635,925
Net foreign exchange losses	**10**	6
Impairment loss recognised on amount due from an associate	**1,732**	–
Reversal of impairment loss recognised on trade receivables	**–**	7,154
Loss on disposal of properties, plant and equipment	**2**	66

10. (LOSS) EARNINGS PER SHARE

(a) Basic (loss) earnings per share

(i) From continuing and discontinued operations

The calculation of basic loss per share attributable to owners of the Company for the six months ended 30 September 2017 is based on the loss for the period attributable to owners of the Company of HK$78,868,000 (2016: HK$72,866,000) and the number of 4,185,874,285 ordinary shares in issue during both periods.

(ii) From continuing operations

The calculation of basic loss per share attributable to owners of the Company for the six months ended 30 September 2017 from continuing operations is based on the loss for the period attributable to owners of the Company from continuing operations of HK$78,868,000 (2016 (restated): HK$76,263,000) and the same denominator used as detailed above.

(iii) From discontinued operation

Basic earnings per share attributable to owners of the Company for the six months ended 30 September 2016 from discontinued operation is HK0.08 cents per share, based on the profit for the period attributable to owners of the Company from discontinued operation of HK$3,397,000 and the same denominator used as detailed above.

(b) Diluted loss per share

The calculation of diluted loss per share for the six months ended 30 September 2017 and 2016 did not assume the exercise of the Company's share options as the exercise prices of the share options were higher than the average market price of the Company's shares for the respective periods.

11. 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 2017 (unaudited) ***HK$'000***	31 March 2017 (audited) *HK$'000*
0 – 30 days	**4,047**	1,356
Over 90 days	**247**	105
	4,294	1,461

12. 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 2017 (unaudited) *HK$'000*	31 March 2017 (audited) *HK$'000*
0 – 30 days	**119,160**	652,308
31 – 60 days	**8,517**	158,587
61 – 90 days	**1,910**	172,467
Over 90 days	**691,240**	80,544
	820,827	1,063,906

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.

13. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As detailed in the announcement and circular issued by the Company dated 28 December 2016 and 31 March 2017 respectively, the Group entered into a disposal agreement with an independent third party, pursuant to which the Group conditionally agreed to sell and the independent third party conditionally agreed to purchase the entire equity interests in Kunshan Fuzhi Dingxin Equity Investment Enterprise ("Kunshan Fuzhi"), a wholly-owned subsidiary of the Company holding 97.63% equity interests in a PRC property based company, at a maximum total consideration of RMB3,589,100,000 (equivalent to approximately HK$4,042,735,000) on 16 December 2016. The transaction was approved by the shareholders of the Company in a special general meeting held on 25 April 2017. The completion of the transaction is subject to the fulfillment of several conditions precedent, which is expected to be completed in next twelve months from the end of the reporting period and the Group will cease to have control over Kunshan Fuzhi upon the completion.

The assets and liabilities attributable to Kunshan Fuzhi, have been classified as a disposal company held for sale and are presented separately in the consolidated statement of financial position at 31 March 2017 and 30 September 2017.

The major classes of assets and liabilities comprising the assets and liabilities classified as held for sale are as follows:

	30 September 2017 (unaudited) *HK$'000*	31 March 2017 (audited) *HK$'000*
Interest in an associate	**641,387**	588,527
Amount due from an associate	**551,038**	528,273
Cash and bank balances	**5,431**	5,137
Assets classified as held for sale	**1,197,856**	1,121,937
Other payables and accruals	**556,350**	531,890
Liabilities classified as held for sale	**556,350**	531,890

14. ACQUISITION OF SUBSIDIARIES

As detailed in the announcement and circular issued by the Company dated 14 April 2015 and 30 June 2015 respectively, the Group acquired 81% additional equity interests of a 4%-owned joint venture of the Group, Hengxiang Real Estate Development Company Limited and its subsidiaries (the "Hengxiang Group"), from independent third parties for an aggregate consideration of RMB602,700,000 (equivalent to approximately HK$679,351,000), whereby control was passed to the Group upon the approval by the relevant government authority on 12 April 2017, the completion date. This transaction has been accounted for as acquisition of business using acquisition accounting. The Hengxiang Group is engaged in property development with its development project located in the southeastern of Heilongjiang province, the PRC. The Hengxiang Group was acquired in the normal course of business of the Group's property development operation.

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

	HK$'000
Property, plant and equipment	46
Property under development	1,163,249
Prepayments, deposits and other receivables	175,287
Cash and bank balance	158
Trade payables	(48,823)
Deposits received from pre-sales of properties	(81,379)
Other payables and accruals	(152,735)
Amount due to a shareholder	(97,307)
Amount due to a related party	(282)
Deferred tax liabilities	(111,264)
Less: Non-controlling interests *(Note)*	(127,043)
Net assets acquired	719,907
Cash consideration paid	621,579
Cash consideration outstanding and included in other payables	57,772
Fair value of interests in joint ventures held before the acquisition date	33,878
Less: Fair value of net assets acquired	(719,907)
Gain on bargain purchase of subsidiaries *(Note 5)*	(6,678)

Note: Non-controlling interest recognised at the acquisition date were measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

Included in the consolidated loss of the Group for the six months ended 30 September 2017 is a HK$278,000 loss attributable to the operating results generated by the Hengxiang Group. The Hengxiang Group did not have any revenue for the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION 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 recognised and certified by the State Administration for Industry & Commerce of China in 2015 as a "China Famous Trademark".

Property Development

For the period ended 30 September 2017, the Group recorded contracted sales in the amount of HK$807 million (2016: HK$2,448 million) which corresponds to a total gross floor area ("GFA") of about 67,000 sq.m. (2016: 202,000 sq.m.). Included in the amount was HK$441 million (2016: HK$1,404 million) related to contracted sales attributable to the development projects in which the Group has equity interests ranging from 12% to 40% and of which the Group is the project manager. Such development projects accounted for a corresponding GFA of about 28,000 sq.m. (2016: 97,000 sq.m.).

During the period ended 30 September 2017, the Group's major completed development projects were Phase VI section B of Wuhan Silo City, Phase V section CD of Wuhan Silo City and Phase V section B of Dongguan Riviera Villa with a total GFA of approximately 328,000 sq.m. (2016: 75,000 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. Rental income for the period mainly derived from properties in Wuhan Silo City, Dongguan Riviera Villa and Shanghai Golden Bridge Mansion.

Project Management

The Group is currently engaged as the project managers of five (2016: five) development projects namely Beijing Bay Project, Chongqing Silo City, Foshan Coastal Garden, Shanghai Shui Du South Crest and Wuhan Lingjiao Hu Project.

Project Investment Services

During the period under review, 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 about HK$33,000 from the operations of this segment.

FINANCIAL REVIEW

Overall Performance

For the first half of the financial year, the Group has recorded a revenue of HK1,309.4 million, an increase of about 68% as compared to the HK$777.1 million for last corresponding period. Loss before taxation for the period was HK$50.0 million, comparing to a loss of HK$63.0 million for last corresponding period. Loss for the period attributable to owners of the Company was HK$78.9 million, comparing to a loss of HK$72.9 million for last corresponding period.

Revenue

Sales of Properties

During the period under review, the recognised sales revenue from sales of properties was HK$1,300.7 million, representing an increase of about 70% from last corresponding period's HK$766.8 million, which corresponds to an increase by 143% in the total GFA delivered by the Group of 245,280 sq.m. (2016: 100,960 sq.m.). The property sales revenue for the period mainly came from the sale of Phase VI section B of Wuhan Silo City, Phase V section CD of Wuhan Silo City, Phase V section B of Dongguan Riviera Villa and Phase VII of Wuhan Silo City which accounted for about 89% of the total property sales revenue. The balance of 11% was derived from sale of the remaining inventory in the prior phases of the Group's completed development projects.

Rental income

Revenue from property rental decreased to HK$0.6 million from HK$2.6 million for last corresponding period. The decrease was mainly due to the disposal of certain commercial properties and carparks in Wuhan Silo City during the period. The property investment segment for the period recorded a profit of HK$0.6 million comparing to a profit of HK$1.9 million for last corresponding period.

Project management service income

Revenue from project management increased to HK$8.1 million from last corresponding period's HK$7.7 million. The increase was due to recognition of more 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$1.8 million comparing to a profit of HK$2.0 million for last corresponding period.

Gross Profit Margin

The gross profit margin for the current period was about 9.1% as compared to 18% for last corresponding period. The drop in the gross profit margin was mainly due to a lower level of the average 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 few years at which time the properties completed and delivered during the period was pre-sold.

Other Income and Gains

Other income and gains for the period was HK$55.5 million as compared to HK$12.4 million for last corresponding period. Other income for the period mainly represented the interest income from banks of HK$12.5 million (2016: HK$3.0 million), other interest income of HK$30.8 million (2016: nil), gain on disposal of an associate of HK$2.4 million (2016: nil) and gain on bargain purchase of subsidiaries of HK$6.7 million (2016: nil).

Marketing, Selling and Administrative Expenses

Marketing and selling costs decreased by about 39% to HK$16.1 million from last corresponding period's HK$26.6 million as a result of the decrease in the Group's selling activities during the period.

Administrative expenses increased by about 13% to HK$81.4 million from last corresponding period's HK$72.1 million which was mainly due to more business development expenses incurred for the Group's development project acquisition and disposal activities during the period. 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$27.9 million as compared to last corresponding period's HK$3.5 million. Other expenses mainly comprised of compensation for delay in the handover of certain completed properties to the purchasers of HK$6.0 million (2016: HK$2.1 million), impairment loss recognised on prepayments, deposits and other receivables in relation to property development project disposal of HK$11.1 million (2016: nil) and remeasurement loss on fair value of an interest in a joint venture of HK$7.8 million (2016: nil).

Finance Costs

The Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings) of HK$119.9 million, representing a decrease of about 64% as compared to HK$334.3 million incurred for last corresponding period. The decrease was mainly attributable to a decrease in the average outstanding balance of bank and other borrowings as compared to last corresponding period.

Interest expenses charged to profit or loss for the period were HK$107.0 million as compared to last corresponding period's HK$104.9 million. The increase was mainly due to lesser amount of finance costs were capitalised as compared to last corresponding period.

Material Acquisitions and Disposals

On 22 June 2017, 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 80% equity interests in Guangzhou Haicong Real Estate Company Limited ("Guangzhou Haicong") at a total consideration of RMB80 million. Guangzhou Haicong is a wholly-owned subsidiary of the Company which has agreed to obtain certain development rights (details of which are yet to be finalised and approved by the interested parties and relevant government authorities) of a property redevelopment project in Guangzhou under a framework agreement. The transaction was completed on 25 September 2017 and Guangzhou Haicong become an associate of the Company.

Save for the aforementioned, the Group did not undertake any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 September 2017.

Future Plans for Material Investments

Save as disclosed in this announcement of the unaudited interim results for the six months ended 30 September 2017, there was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this announcement.

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.

At 30 September 2017, the Group's cash and bank deposits amounted to approximately HK$1,511 million (31 March 2017: HK$1,355 million). An analysis by currency denomination of the cash and bank deposits is as follows:

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
Renminbi	**1,494,035**	1,342,864
Hong Kong dollar	**13,931**	5,398
United States dollar	**3,467**	6,730
	1,511,433	1,354,992

At 30 September 2017, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to about HK$3,118 million (31 March 2017: HK$3,452 million). Net debt to total equity ratio, which is expressed as a percentage of net borrowings over total equity of the Group, decreased by about 11% to 63% from 74% as at 31 March 2017.

Borrowings and Charges

As at 30 September 2017, the Group's total bank and other borrowings amounted to HK$4,629.6 million (31 March 2017: HK$4,806.6 million), of which HK$64.7 million (31 March 2017: HK$266.0 million) were variable-rate borrowings, and the remaining were fixed-rate borrowings. Long-term loans amounted to HK$2,537.5 million (31 March 2017: HK$2,389.1 million), representing approximately 54.8% (31 March 2017: 49.7%) of the total borrowings, and short-term borrowings were HK$2,092.1 million (31 March 2017: HK$2,417.5 million) representing approximately 45.2% of the total borrowings. During the period, the weighted average effective interest rate of the Group in respect of its fixed and variable rate borrowings was approximately 8.30% (31 March 2017: 10.78%) and 6.18% (31 March 2017: 6.38%) per annum respectively.

As at 30 September 2017, the Group's bank and other borrowings were pledged with land and buildings, bank deposits, properties under development and completed properties for sale totalling HK$2,518 million (31 March 2017: HK$4,163 million). In addition, corporate guarantees were given by the Company and certain of its subsidiaries and the Group's interests in an associate and certain properties-based entity had been pledged as part of the security to secure the bank and other borrowings.

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 despite a slow depreciation in the previous 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 which account for less than 10% of the Group's total borrowings, most of the Group's liabilities are denominated in Renminbi. Therefore, the Director 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.

Contingent Liabilities

At 30 September 2017, the Group had given guarantees to the extent of approximately HK$2,269 million (31 March 2017: HK$2,828 million) to banks in respect of mortgage loan facilities granted to the property purchasers. The Group had also given guarantees amounting to approximately HK$318 million (31 March 2017: nil) 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

At 30 September 2017, the Group had about 315 employees (2016: about 430 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 property management business in the previous year. The related employees' cost (including the Directors' remuneration) for the period ended 30 September 2017 amounted to approximately HK$38 million (2016: HK$35 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

The economy of the PRC is facing the challenge of consolidation amidst uncertainties in the global market. The PRC central government has been implementing various policies for maintaining a stable and sustainable economy. In the past year, we have seen that the government policies in tackling de-leveraging, inventory reduction and supply-side reform are producing positive impacts on the PRC economy and keeping the economy in a steady growth momentum.

In respect of the real estate industry, the PRC government has emphasised its determination to maintain a stable and healthy real estate market during the Central Economic Work Conference held in December 2016. The message from the Conference that "houses are built for dwelling purpose and should not be abused for speculation" signified that the government will formulate policies whenever needed to curb the risk of over investment in the real estate sector so as to prevent asset bubbles and uncontained financial market risks.

As a usual practice, the Group will formulate its business strategy along the direction of government policies. Over the past years, the Group has allocated some more resources into its primary land development business of the property development segment. The Group is glad to see that after years of operations this business segment has started to contribute profits to the Group's operating results. Going forward, the Group will continue to look for opportunities of participation in city redevelopment of old villages or old plants and factories so as to obtain quality land reserves at decent prices.

With the Group's well established brand and seasoned experience in the PRC property market together with a robust real estate market outlook in the PRC, the Group is optimistic about the Group's business prospect in the years ahead.

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 Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Listing Rules on the Stock Exchange 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 and two non-executive directors were unable to attend the special general meeting and annual general meeting of the Company held on 25 April 2017 and 15 September 2017 respectively due to other important engagements.

DIRECTORS SECURITIES TRANSACTIONS

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 2017.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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 2017.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a general review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2017.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report of the Company for the six months ended 30 September 2017 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, 24 November 2017

As at the date of this announcement, the Board comprises Mr. Jiang Ming, Mr. Tao Lin, Mr. Xia Xianglong and Dr. Li Ting as executive Directors, Mr. Lu Jiqiang and Mr. Zhu Guoqiang as non-executive Directors and Mr. Wong Kai Cheong, Mr. Yang Jiangang and Mr. Huang Xihua as independent non-executive Directors.