



COASTAL 沿海

COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 01124

All for the
Future

Interim Report
2017

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Mr. TAO Lin
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Non-executive Directors

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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

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Websites

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Stock Code

1124

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 (as restated) for the corresponding period in 2016 and the unaudited condensed consolidated statement of financial position at 30 September 2017 together with the audited comparative figures at 31 March 2017 and the unaudited condensed consolidated statement of cash flows for the six months ended 30 September 2017 together with the unaudited comparative figures for the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		Six months ended	
		30 September	
		2017	2016
		(unaudited)	(unaudited)
	Notes	HK\$'000	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)

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

For the six months ended 30 September 2017

	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
		<hr/>	<hr/>
Loss for the period attributable to owners of the Company		(78,868)	(72,866)
		<hr/>	<hr/>
Loss for the period attributable to non-controlling interests:			
– from continuing operations		(1,887)	(6)
– from discontinued operation		–	–
		<hr/>	<hr/>
Loss for the period attributable to non-controlling interests		(1,887)	(6)
		<hr/>	<hr/>
		(80,755)	(72,872)
		<hr/>	<hr/>
Total comprehensive income (expense) attributable to:			
Owners of the Company		135,576	(234,830)
Non-controlling interests		6,089	(1,209)
		<hr/>	<hr/>
		141,665	(236,039)
		<hr/>	<hr/>
		HK cents	HK cents
Loss per share	10		
From continuing and discontinued operations			
Basic and diluted		(1.88)	(1.74)
		<hr/>	<hr/>
From continuing operations			
Basic and diluted		(1.88)	(1.82)
		<hr/>	<hr/>

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	11	228,478	226,952
Investment properties	12	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	22(b)(iii)(iv)	346,999	332,095
Available-for-sale investments		184,444	163,133
Total non-current assets		<u>4,067,398</u>	<u>3,682,002</u>
CURRENT ASSETS			
Properties under development		4,625,144	4,637,424
Completed properties for sale		2,020,852	1,380,756
Trade receivables	13	4,294	1,461
Prepayments, deposits and other receivables	14	1,483,261	2,759,669
Amounts due from associates and joint ventures	22(b)(ii)	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
Assets classified as held for sale	15	<u>10,237,981</u> <u>1,197,856</u>	<u>10,892,989</u> <u>1,121,937</u>
Total current assets		<u>11,435,837</u>	<u>12,014,926</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 30 September 2017

	Notes	30 September 2017 (unaudited) HK\$'000	31 March 2017 (audited) HK\$'000
CURRENT LIABILITIES			
Trade and bills payables	16	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	22(b)(i)	24,868	27,041
Tax payable		592,970	481,991
Interest-bearing bank and other borrowings	17	2,092,144	2,417,482
		<u>7,056,257</u>	<u>7,901,243</u>
Liabilities classified as held for sale	15	556,350	531,890
Total current liabilities		<u>7,612,607</u>	<u>8,433,133</u>
NET CURRENT ASSETS		<u>3,823,230</u>	<u>3,581,793</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,890,628</u>	<u>7,263,795</u>
CAPITAL AND RESERVES			
Share capital	18	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		<u>4,968,253</u>	<u>4,641,806</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	17	2,537,486	2,389,078
Deferred tax liabilities		384,889	232,911
Total non-current liabilities		<u>2,922,375</u>	<u>2,621,989</u>
		<u>7,890,628</u>	<u>7,263,795</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

		Attributable to owners of the Company											
		Leasehold											
	Notes	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Property revaluation 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 2016		418,587	1,336,094	37,560	1,636	77,726	456,926	9,697	22,689	1,773,100	4,134,015	2,114	4,136,129
Exchange differences arising on translation to presentation currency		-	-	-	-	-	(161,964)	-	-	-	(161,964)	(1,203)	(163,167)
Loss for the period		-	-	-	-	-	-	-	(72,866)	(72,866)	(72,866)	(6)	(72,872)
Total comprehensive expense for the period		-	-	-	-	-	(161,964)	-	(72,866)	(72,866)	(234,830)	(1,209)	(236,039)
Forfeiture of share options		-	-	-	-	-	-	-	(5,042)	5,042	-	-	-
At 30 September 2016 (unaudited)		418,587	1,336,094	37,560	1,636	77,726	294,962	9,697	17,647	1,705,276	3,899,185	905	3,900,090
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
Loss for the period		-	-	-	-	-	-	-	(78,868)	(78,868)	(78,868)	(1,887)	(80,755)
Total comprehensive income (expense) for the period		-	-	-	-	-	214,444	-	-	(78,868)	135,576	6,089	141,665
Additional non-controlling interests arising on the acquisition of subsidiaries	19(a)	-	-	-	-	-	-	-	-	-	-	127,043	127,043
Deemed disposal of partial equity interests in a subsidiary	19(b)	-	-	-	20,478	-	-	-	-	-	20,478	37,261	57,739
Disposal of equity interests in a subsidiary	19(c)	-	-	-	-	-	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 2017

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 People's Republic of China (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 2017

	Notes	Six months ended 30 September	
		2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Net cash from operating activities			
Increase in properties under development		(178,364)	(631,009)
Decrease in completed properties for sales		1,031,858	622,152
(Increase) decrease in trade receivables		(2,722)	9,128
Decrease (increase) in prepayments, deposits and other receivables		1,537,396	(125,861)
(Decrease) increase in deposits received from pre-sales of properties		(557,531)	278,218
(Decrease) increase in trade and bills payables		(334,836)	200,589
(Decrease) increase in other payables and accruals		(166,597)	386,069
Tax paid		(41,913)	(29,624)
Other operating cash flows		69,908	51,260
		<u>1,357,199</u>	<u>760,922</u>
Net cash (used in) from investing activities			
Purchases of property, plant and equipment		(1,993)	(1,311)
Acquisition of subsidiaries	19(a)	(621,421)	–
Capital contribution to an associate		(237,055)	–
Purchase of available-for-sale investments		(14,123)	–
Repayment from joint ventures and associates		10,508	23,133
Decrease in pledged bank deposits		56,815	118,388
Decrease (increase) in restricted bank deposits		96,617	(57,365)
Proceeds from disposal of property, plant and equipment		2,480	290
Disposal of a property-based subsidiary	19(c)	(2)	–
Proceeds from disposal of an associate	5	13,731	–
		<u>(694,443)</u>	<u>83,135</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended 30 September 2017

		Six months ended	
		30 September	
		2017	2016
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Net cash used in financing activities			
New bank and other borrowings		1,250,383	871,110
Repayment of bank and other borrowings		(1,628,043)	(980,889)
Interest paid		(119,287)	(370,384)
Capital contribution from non-controlling shareholders	19(b)	57,739	–
Other financing cash flows		(2,173)	4,152
		(441,381)	(476,011)
Net increase in cash and cash equivalents		221,375	368,046
Cash and cash equivalents at the beginning of period		599,791	249,920
Effect of foreign exchange rate changes		88,792	(38,757)
Cash and cash equivalents at the end of period		909,958	579,209
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		1,156,034	760,588
Less: restricted bank balances (Note)		(251,507)	(240,980)
		904,527	519,608
Cash and bank balances included in assets classified as held for sale	15	5,431	59,601
		909,958	579,209

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 2017

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 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.

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		Property investment		Project management		Project investment services		Total		Reconciliation		Consolidated	
	Six months ended 30 September 2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	Six months ended 30 September 2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	Six months ended 30 September 2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	Six months ended 30 September 2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	Six months ended 30 September 2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	Six months ended 30 September 2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	Six months ended 30 September 2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Continuing operations														
Segment revenue:														
Sales to external customers	1,300,664	766,792	599	2,564	6,105	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	6,105	7,743	94,732	-	1,404,100	777,099	(94,732)	-	1,309,368	777,099
Segment profit	33,200	82,452	604	1,948	1,759	1,961	33	-	35,676	86,361	-	-	35,676	86,361
Amortisation of prepaid land lease payments														
Finance costs													(822)	(667)
Gain on disposal of an associate													(107,049)	(104,917)
Impairment loss recognised on amount due from an associate													2,441	-
Interest income													(1,732)	-
Net foreign exchange losses													43,311	3,048
Share of profit of associates													(100)	(6)
Share of loss of joint ventures													7,416	446
Other net unallocated expenses													(280)	(9,780)
Loss before taxation from continuing operations													(28,598)	(37,485)
													(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.

4. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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 (Note	2,441	–
Gain on bargain purchase of subsidiaries (Note 19(a))	6,678	–
Interest income from banks	12,532	3,048
Other interest income (Note 14(b)(iii))	30,779	–
Reversal of impairment loss recognised on trade receivables	–	7,154
Others	3,064	2,245
	55,494	12,447

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

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

7. TAXATION (continued)

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)
	<hr/>
Gross profit	5,022
Other income	162
Expenses	(1,787)
	<hr/>
Profit before taxation	3,397
Taxation	—
	<hr/>
Profit for the period	<u>3,397</u>

8. DISCONTINUED OPERATION (continued)

	Six months ended 30 September 2016 HK\$'000
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	<u>23</u>
Net cash inflow (outflow) arising on disposal:	
Cash received	25,193
Cash and bank balances disposed of	<u>(14,028)</u>
	<u>11,165</u>

9. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2017 (unaudited) HK\$'000	2016 (unaudited) 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	<u>(60)</u>	<u>(83)</u>
	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 property, plant and equipment	<u>2</u>	<u>66</u>

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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired property, plant and equipment at a cost of HK\$1,993,000 (2016: HK\$1,311,000). In addition, during the period the Group disposed of certain property, plant and equipment with a carrying value of HK\$2,482,000 (2016: HK\$356,000).

12. INVESTMENT PROPERTIES

	30 September 2017 (unaudited) HK\$'000	31 March 2017 (audited) HK\$'000
Completed investment properties		
– at fair value	4,107	3,931
Investment property under construction		
– at cost	210,908	201,850
	215,015	205,781

The fair values of the Group's completed investment properties at 30 September 2017 have been estimated by the directors with reference to recent sale transactions of similar properties, which is of the same valuation techniques as were used by the independent valuers when carrying out the 31 March 2017 valuations.

For completed investment properties, the valuations have been arrived at by considering the capitalized net rental income or where appropriate, by reference to market evidence of recent transaction prices for similar properties in similar location and condition. In arriving at the capitalised net rental income, the market rentals of all lettable units of the property are assessed and capitalised at market yield expected by investors for this type of property. The market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors.

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.

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

13. 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

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2017 (unaudited) HK\$'000	31 March 2017 (audited) HK\$'000
Other receivables (Note a)	391,310	380,508
Deposits for future acquisition of land use rights (Note b)	720,994	2,065,981
Prepaid operating expenses and other deposits	370,957	313,180
	<u>1,483,261</u>	<u>2,759,669</u>

Notes:

- (a) Included in other receivables are mainly advances to independent third parties (including subcontractors) which are unsecured, interest-free and repayable on demand.
- (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. Included in deposits for future acquisition of land use rights at 30 September 2017 and 31 March 2017 are mainly:
- (i) an amount of HK\$184,753,000 (31 March 2017: HK\$176,822,000) due from a PRC local government in respect of the reclamation of land use rights of an investment property in Shenyang pursuant to an agreement entered with the PRC local government in prior years;
 - (ii) an amount of HK\$644,569,000 at 31 March 2017 in relation to the acquisition of additional equity interests of Hengxiang Real Estate Development Company Limited and its subsidiaries (the "Hengxiang Group"), details of which are set out in Note 19(a) to the condensed consolidated financial statements. The amount was recognised as "investment in subsidiaries" upon the completion of the acquisition during the period; and
 - (iii) an amount of HK\$573,334,000 and HK\$147,873,000 at 31 March 2017 was paid to independent third parties in respect of the acquisition of land use rights in Beijing and Shanghai respectively. These deposits were fully refunded during the period upon the termination of the acquisitions. Interest income of HK\$30,779,000 (Note 5) was received upon the termination of the acquisition of the land use rights in Shanghai as stipulated in the agreement entered into with the independent third parties.

15. 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 the 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
	<u>1,197,856</u>	<u>1,121,937</u>
Assets classified as held for sale		
Other payables and accruals	556,350	531,890
Liabilities classified as held for sale	556,350	531,890

16. 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.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2017 (unaudited) HK\$'000	31 March 2017 (audited) HK\$'000
CURRENT		
Bank borrowings – secured	553,411	671,574
Other borrowings – secured	<u>1,538,733</u>	<u>1,745,908</u>
	<u>2,092,144</u>	<u>2,417,482</u>
NON-CURRENT		
Bank borrowings – secured	653,203	585,724
Other borrowings – secured	<u>1,884,283</u>	<u>1,803,354</u>
	<u>2,537,486</u>	<u>2,389,078</u>
	<u>4,629,630</u>	<u>4,806,560</u>
Analysed into:		
Bank borrowings repayable:		
Within one year	294,235	412,398
In the second year	612,010	574,460
In the third to fifth years inclusive	<u>41,193</u>	<u>11,264</u>
	<u>947,438</u>	<u>998,122</u>
Bank borrowings that is repayable within one year from the end of the reporting period and contain a repayment on demand clause		
	<u>259,176</u>	<u>259,176</u>
	<u>1,206,614</u>	<u>1,257,298</u>
Other borrowings repayable:		
Within one year	1,538,733	1,745,908
In the third to fifth years inclusive	<u>1,884,283</u>	<u>1,803,354</u>
	<u>3,423,016</u>	<u>3,549,262</u>
	<u>4,629,630</u>	<u>4,806,560</u>

17. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

- (a) The Group's other borrowings of HK\$2,531,601,000 (31 March 2017: HK\$2,535,509,000) and HK\$891,415,000 (31 March 2017: HK\$1,013,753,000) as at 30 September 2017 are borrowed from PRC trust companies and other licensed financial institutions respectively which carry interest ranging from 6.67% to 13% (31 March 2017: 6.67% to 19%) per annum and have repayment terms ranging from 12 months to 48 months (31 March 2017: 3 months to 48 months). They are secured by:
- (i) certain properties under development of the Group with an aggregate carrying value of HK\$1,089,939,000 (31 March 2017: HK\$2,666,664,000);
 - (ii) the Group's 99% and 100% (31 March 2017: 70% and 100%) equity interests in two (31 March 2017: two) property-based subsidiaries respectively;
 - (iii) corporate guarantees from the Company and certain of its subsidiaries;
 - (iv) the Group's 30% equity interests in an associate; and
 - (v) the Group's 12% equity interests in a property-based entity as at 31 March 2017 which is carried as an available-for-sale investment in the consolidated statement of financial position.
- (b) Certain of the Group's bank borrowings as at 30 September 2017 and 31 March 2017 are secured by:
- (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK\$197,726,000 (31 March 2017: HK\$189,234,000);
 - (ii) certain bank deposits of the Group with an aggregate carrying value of approximately HK\$197,726,000 (31 March 2017: HK\$261,323,000);
 - (iii) certain properties under development of the Group with an aggregate carrying value of approximately HK\$143,785,000 (31 March 2017: HK\$956,050,000);
 - (iv) certain completed properties for sale of the Group with an aggregate carrying value of HK\$888,501,000 (31 March 2017: HK\$90,391,000); and
 - (v) corporate guarantees from the Company and certain of its subsidiaries.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

- (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 2017		31 March 2017	
	Borrowings	Interest rate	Borrowings	Interest rate
	HK\$'000		HK\$'000	
Effective interest rate:				
Fixed-rate borrowings	4,564,898	2.47% to	4,540,594	2.47% to
		13%		19%
Variable-rate borrowings	64,732	6.18%	265,966	2.55% to
				7.2%

The effective interest rate of variable-rate borrowings is based on People's Bank of China ("PBOC") prescribed interest rate or London Interbank Offered Rate plus a specified margin.

- (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	31 March
	2017	2017
	(unaudited)	(audited)
	HK\$'000	HK\$'000
United States dollar	175,050	175,050
Hong Kong dollar	84,126	158,605
	259,176	333,655

18. SHARE CAPITAL

	Number of	Nominal
	ordinary shares	value
		HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 1 April 2016, 30 September 2016, 31 March 2017 and 30 September 2017	7,000,000,000	700,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 1 April 2016, 30 September 2016, 31 March 2017 and 30 September 2017	4,185,874,285	418,587

19. ACQUISITION AND DISPOSALS

(a) Acquisition of additional equity interests in the Hengxiang Group

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, 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.

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.

In addition, the difference between the fair value of the existing interests in a joint venture and the carrying amount of interests in joint venture amounting to HK\$7,800,000 was recognised in profit or loss during the period.

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	(127,043)
	<u>719,907</u>
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)
	<u>(6,678)</u>
Gain on bargain purchase of subsidiaries (Note 5)	(6,678)

19. ACQUISITION AND DISPOSALS (continued)**(a) Acquisition of additional equity interests in the Hengxiang Group** (continued)

	HK\$'000
Cash consideration paid	621,579
Cash and cash equivalents acquired	<u>(158)</u>
Net cash outflow on acquisition of the Hengxiang Group	<u>621,421</u>

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.

(b) Deemed disposal of partial equity interests in Zhuhai Coastal Greenland Real Estate Co., Ltd (“Zhuhai Coastal”)

During the six months ended, the Group entered into an agreement with an independent third party pursuant to which the independent third party agreed to inject RMB50,000,000 (equivalent to approximately HK\$57,739,000) by cash for 33.33% of the registered capital of Zhuhai Coastal, previously a 100%-owned subsidiary of the Group, as enlarged after such capital injection. The capital injection was completed on 11 August 2017, whereby a gain on deemed disposal of partial equity interests in a subsidiary of approximately HK\$20,478,000 was recognised.

(c) Disposal of 80% equity interests in Guangzhou Haicong Real Estate Company Limited (“Guangzhou Haicong”)

As detailed in the announcement issued by the Company dated 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 at a total consideration of RMB80,000,000 (equivalent to approximately HK\$94,732,000). The transaction was completed on 25 September 2017 and Guangzhou Haicong become an associate of the Company.

The net assets of Guangzhou Haicong at the date of the disposal were as follows:

	HK\$'000
Net assets disposed of:	
Cash and bank balance	2
Amount due from the Group	<u>118,372</u>
	<u>118,374</u>

19. ACQUISITION AND DISPOSALS (continued)**(c) Disposal of 80% equity interests in Guangzhou Haicong Real Estate Company Limited (“Guangzhou Haicong”)** (continued)

	HK\$'000
Gain on disposal is calculated as follows:	
Consideration	94,732
Net assets disposed of	(118,374)
Fair value of 20% retained interest in an associate	23,675
	<u>33</u>
Net gain on disposal	<u>33</u>
Net cash outflow on disposal:	
Cash and bank balances disposed of	<u>(2)</u>

20. CONTINGENT LIABILITIES

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

	30 September 2017 (unaudited) HK\$'000	31 March 2017 (audited) HK\$'000
Guarantees given to banks in connection with		
– mortgage loans granted to property purchasers	2,269,202	2,828,414
– banking facilities granted to an associate	318,127	–
	<u>2,587,329</u>	<u>2,828,414</u>

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 rate track records over the past years.

21. CAPITAL COMMITMENTS

At 31 March 2017, the Group had capital commitment of HK\$34,308,000 in relation to the acquisition of property-based subsidiaries which has been contracted but not provided for.

22. 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 period ended 30 September 2017, the Group received the project management service income of HK\$8,105,000 (2016: HK\$7,743,000) from associates.
- (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 associates and joint ventures of HK\$535,434,000 (31 March 2017: HK\$736,767,000) are non-trade, unsecured, interest-free and repayable on demand.
- (iii) The amount due from an associate of HK\$229,305,000 (31 March 2017: HK\$219,456,000) represents amount due from Huizhou Shum Yip Southern Land Company Limited which is part of the consideration received by the Group in exchange for the Group's entire equity interests in Suzhou New Investment Development Co., Ltd in previous years. The amount is unsecured and carries interest at interest rate set by PBOC. 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 2017.
- (iv) The amount due from a joint venture of HK\$117,694,000 (31 March 2017: HK\$112,639,000) 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 according it is presented as non-current asset as at 30 September 2017.
- (c) Compensation of key management personnel of the Group who are the executive directors of the Company

	Six months ended	
	30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Short term benefits	6,198	5,432
Post-employment benefits	135	35
	<hr/>	<hr/>
Total compensation paid to key management personnel	6,333	5,467
	<hr/>	<hr/>

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 about 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**OPERATION REVIEW** (continued)**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 the 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Revenue (continued)

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 and gains 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**FINANCIAL REVIEW** (continued)**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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**FINANCIAL REVIEW** (continued)**Future Plans for Material Investments**

Save as disclosed in this report of the unaudited condensed consolidated financial statements 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 report.

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 HK\$'000	31 March 2017 HK\$'000
Renminbi	1,494,035	1,342,864
Hong Kong dollar	13,931	5,398
United States dollar	3,467	6,730
	<u>1,511,433</u>	<u>1,354,992</u>

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**FINANCIAL REVIEW** (continued)**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 borrowings 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, certain assets of the Group with aggregate carrying value of HK\$2,518 million (31 March 2017: HK\$4,163 million), corporate guarantees given by the Company and certain of its subsidiaries, and the Group's interests in an associate and certain properties-based entities were pledged to bank and financial institutions to secure the bank and other borrowings. Details of which are set out in Note 17 to the condensed consolidated financial statements.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

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 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**FINANCIAL REVIEW** (continued)**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.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2017, 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 Securities and Futures Ordinance (the "SFO")), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, 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/ underlying shares held	Percentage of the Company's issued share capital
Mr. Jiang Ming	Through controlled corporation	1,531,261,978 (Note)	36.58%
Mr. Xia Xianglong	Directly beneficially owned	992,000	0.02%

Note: 1,531,261,978 shares are beneficially owned by Coastal International Holdings Limited ("CIH") (a substantial shareholder of the Company), of which the issued voting share capital is held as to 37.58% by Mr. Jiang Ming, 5.38% by Mr. Tao Lin, 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.

- (ii) The interests of the directors in the share options of the Company are separately disclosed under the heading "Share Option Scheme" below.

DISCLOSURE OF INTERESTS (continued)***DIRECTORS' INTERESTS IN SECURITIES*** (continued)

(iii) Long positions in the shares and underlying shares of CIH, an associated corporation of the Company

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	Through controlled corporation	21.42%
Mr. Tao Lin	538	Directly beneficially owned	5.38%

Save as disclosed above, as at 30 September 2017, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above and under the heading "Share Option Scheme" below, at no time during the period was the Company, its holding company, its subsidiaries or other associated corporations, a party to any arrangement to enable the directors or their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

On 14 September 2011, the Company adopted a share option scheme (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.

DISCLOSURE OF INTERESTS (continued)**SHARE OPTION SCHEME** (continued)

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:

Name or category of Participant	Number of share options			Date of grant of share options (Note 1)	Exercise period of share options (Note 2)	Exercise price of share options HK\$ (Note 3)
	Outstanding at 1 April 2017	Granted/ exercised/ cancelled/ forfeited/ during the period	Outstanding and exercisable at 30 September 2017			
Directors						
Tao Lin	27,000,000	-	27,000,000	17 March 2014	17 April 2014 to 16 March 2019	0.345
Li Ting	16,500,000	-	16,500,000	17 March 2014	17 April 2014 to 16 March 2019	0.345
Xia Xianglong	16,500,000	-	16,500,000	17 March 2014	17 April 2014 to 16 March 2019	0.345
Yang Jiangang	2,000,000	-	2,000,000	17 March 2014	17 April 2014 to 16 March 2019	0.345
Wong Kai Cheong	2,000,000	-	2,000,000	17 March 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 April 2014 to 16 March 2019	0.345
	<u>190,000,000</u>	<u>-</u>	<u>190,000,000</u>			

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.

DISCLOSURE OF INTERESTS (continued)***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 2017, 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:

- All the interests stated above represent long positions.
- 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 2017, 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.

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 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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.

OTHER INFORMATION***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.

CHANGES IN DIRECTORS' INFORMATION

Changes in directors' information since the date of the 2017 Annual Report up to the date of this Interim Report are set out below:

- (i) Dr. Dai Jingming retired as a non-executive director of the Company with effect from the conclusion of the Company's annual general meeting held on 15 September 2017.
- (ii) Mr. Zhu Guoqiang was appointed as a non-executive director of the Company on 3 October 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.

By Order of the Board
Jiang Ming
Chairman

Hong Kong, 24 November 2017