

COASTAL 沿海

COASTAL GREENLAND LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 01124

Creating **LONG-TERM VALUE**

Interim Report 2014



CORPORATE INFORMATION

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong

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Principal Registrars

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Registrars in Hong Kong

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

Company Website

<http://www.coastal.com.cn>

Investor Relations Website

<http://www.irasia.com/listco/hk/coastal>

Executive Directors

Mr. JIANG Ming (*Chairman and Managing Director*)
Mr. TAO Lin
Mr. CAI Shaobin
Ms. WANG Hongmei

Non-executive Directors

Mr. LU Jiqiang
Dr. DAI Jingming

Independent Non-executive Directors

Mr. CHEN Xiaotian
Mr. WONG Kai Cheong
Mr. YANG Jianguang

Company Secretary

Mr. CHENG Wing Bor FCCA, CPA

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Stock Code

1124

The Board of Directors of Coastal Greenland Limited (the “Company”) herein presents the unaudited condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2014 together with the unaudited comparative figures for the last corresponding period and the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2014 together with the audited comparative figures as at 31 March 2014. The interim financial report for the six months ended 30 September 2014 has been reviewed by the Company’s Audit Committee and the Company’s external auditor, Messrs. Deloitte Touche Tohmatsu.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

Introduction

We have reviewed the condensed consolidated financial statements of Coastal Greenland Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 5 to 32, which comprise the condensed consolidated statement of financial position as of 30 September 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 28 November 2014



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

		Six months ended	
		30 September	
		2014	2013
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	541,935	1,280,123
Cost of sales		<u>(459,794)</u>	<u>(973,218)</u>
Gross profit		82,141	306,905
Other income and gains	4	63,633	95,284
Marketing and selling expenses		(51,803)	(48,676)
Administrative expenses		(174,260)	(142,136)
Other expenses		(6,130)	(41,790)
Finance costs	5	(119,264)	(210,869)
Gain on disposal of a property-based subsidiary	6	–	184,010
Share of loss of associates		(9,347)	(6,406)
Share of loss of joint ventures		<u>(4,070)</u>	<u>(4,586)</u>
(Loss) profit before taxation		(219,100)	131,736
Taxation	7	<u>(55,226)</u>	<u>(98,892)</u>
(Loss) profit for the period	8	(274,326)	32,844
Other comprehensive income			
Item that will not be subsequently reclassified to profit or loss			
Exchange differences arising on translation to presentation currency		<u>4,904</u>	<u>128,691</u>
Total comprehensive (expense) income for the period		<u>(269,422)</u>	<u>161,535</u>

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

For the six months ended 30 September 2014

		Six months ended 30 September	
		2014	2013
	Notes	(unaudited) HK\$'000	(unaudited) HK\$'000
(Loss) profit for the period attributable to:			
Owners of the Company		(273,058)	34,168
Non-controlling interests		(1,268)	(1,324)
		<u>(274,326)</u>	<u>32,844</u>
 Total comprehensive (expense) income attributable to:			
Owners of the Company		(267,619)	160,529
Non-controlling interests		(1,803)	1,006
		<u>(269,422)</u>	<u>161,535</u>
		HK cents	HK cents
(Loss) earnings per share			(restated)
Basic	9	<u>(6.52)</u>	<u>1.15</u>
Diluted		<u>(6.52)</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

	Notes	30 September 2014 (unaudited) HK\$'000	31 March 2014 (audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	242,809	260,077
Investment properties	11	230,535	230,364
Prepaid land lease payments		53,538	54,214
Interests in joint ventures		419,664	416,679
Interests in associates		53,045	179,161
Available-for-sale investments		194,175	178,485
Total non-current assets		<u>1,193,766</u>	<u>1,318,980</u>
CURRENT ASSETS			
Properties under development		6,735,736	6,554,122
Completed properties for sale		1,721,581	1,619,076
Trade receivables	12	18,771	19,328
Prepayments, deposits and other receivables	13	3,642,626	2,633,477
Amounts due from associates	20(b)(ii)(iii)(iv)(v)	653,249	681,463
Amounts due from joint ventures	20(b)(ii)(vi)	768,584	667,800
Amount due from a customer for contract work		–	46,511
Held-for-trading investments		31,753	24,905
Prepaid tax		88,267	80,264
Pledged bank deposits		800,634	746,650
Cash and bank balances		529,444	1,946,834
Assets classified as held for sale	14	<u>14,990,645</u> <u>2,571,318</u>	<u>15,020,430</u> <u>1,581,149</u>
Total current assets		<u>17,561,963</u>	<u>16,601,579</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 30 September 2014

	Notes	30 September 2014 (unaudited) HK\$'000	31 March 2014 (audited) HK\$'000
CURRENT LIABILITIES			
Trade payables	15	288,554	467,420
Deposits received from pre-sales of properties		1,640,148	1,434,745
Other payables and accruals		1,211,481	1,168,640
Amount due to a substantial shareholder of the Company	20(b)(i)	6,236	2,715
Amount due to a non-controlling interest	20(b)(vii)	–	56,743
Tax payable		758,378	876,316
Interest-bearing bank and other borrowings	16	4,770,032	1,945,251
		8,674,829	5,951,830
Liabilities classified as held for sale	14	1,901,068	1,254,364
Total current liabilities		10,575,897	7,206,194
NET CURRENT ASSETS		6,986,066	9,395,385
TOTAL ASSETS LESS CURRENT LIABILITIES		8,179,832	10,714,365
CAPITAL AND RESERVES			
Share capital	17	418,587	418,587
Reserves		4,259,729	4,514,906
Equity attributable to owners of the Company		4,678,316	4,933,493
Non-controlling interests		17,777	19,580
Total equity		4,696,093	4,953,073
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	3,202,054	5,488,656
Deferred tax liabilities		281,685	272,636
Total non-current liabilities		3,483,739	5,761,292
		8,179,832	10,714,365

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Share contributed surplus HK\$'000	Capital reserve HK\$'000	Leasehold 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 2013	279,058	1,126,800	37,560	929	51,985	741,312	9,697	-	2,177,629	4,424,970	80,036	4,505,006
Exchange differences arising on translation to presentation currency	-	-	-	-	-	126,361	-	-	-	126,361	2,330	128,691
Profit (loss) for the period	-	-	-	-	-	-	-	-	34,168	34,168	(1,324)	32,844
Total comprehensive income for the period	-	-	-	-	-	126,361	-	-	34,168	160,529	1,006	161,535
Disposal of equity interest in a property-based subsidiary	-	-	-	-	-	(9,999)	-	-	9,999	-	9,614	9,614
At 30 September 2013 (unaudited)	279,058	1,126,800	37,560	929	51,985	857,674	9,697	-	2,221,796	4,585,499	90,656	4,676,155
At 11 April 2014	418,587	1,336,094	37,560	929	59,765	658,938	9,697	10,247	2,401,676	4,933,493	19,580	4,953,073
Exchange differences arising on translation to presentation currency	-	-	-	-	-	5,439	-	-	-	5,439	(535)	4,904
Loss for the period	-	-	-	-	-	-	-	-	(273,058)	(273,058)	(12,268)	(274,326)
Total comprehensive income (expense) for the period	-	-	-	-	-	5,439	-	-	(273,058)	(267,619)	(1,803)	(269,422)
Recognition of equity-settled share-based payment	-	-	-	-	-	-	-	12,442	-	12,442	-	12,442
At 30 September 2014 (unaudited)	418,587	1,336,094	37,560	929	59,765	664,377	9,697	22,689	2,128,618	4,678,316	17,777	4,696,093

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the six months ended 30 September 2014

The contributed surplus of the Group represents the surpluses arising from the issue of shares by Coastal Realty (BVI) Limited, the intermediate holding company of the Group, (i) from the acquisition of Coastal Realty Development Co. Limited, the former holding company of the Group 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 ("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 2014

		Six months ended	
		30 September	
		2014	2013
		(unaudited)	(unaudited)
	Note	HK\$'000	HK\$'000
Net cash used in operating activities			
Increase in properties under development		(93,220)	(1,038,988)
(Increase) decrease in completed properties for sales		(123,778)	737,613
Increase in prepayments, deposits and other receivables		(1,477,302)	(1,038,998)
Increase in deposits received from pre-sales of properties		594,441	167,520
Tax paid		(167,686)	(540,206)
Other operating cash flows		(65,544)	535,756
		<u>(1,333,089)</u>	<u>(1,177,303)</u>
Net cash used in investing activities			
Purchases of property, plant and equipment		(8,311)	(2,082)
Net proceeds from disposal of property, plant and equipment		8,307	193
Net proceeds from disposal of assets classified as held for sale		–	8,131
Proceeds from disposal of an associate		119,685	–
Proceeds from disposal of a joint venture		74,582	–
Proceeds from disposal of a property-based subsidiary	6	–	113,052
Acquisition of interest in/capital injection to joint ventures		(56,780)	–
Purchase of an available-for-sale investment		(15,560)	–
Advances to joint ventures		(100,784)	(663,965)
Placement of pledged bank deposits		(79,250)	(321,546)
Withdrawal of pledged bank deposits		–	3,662
Other investing cash flows		(37,979)	(15,583)
		<u>(96,090)</u>	<u>(878,138)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended 30 September 2014

	Six months ended	
	30 September	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash from financing activities		
New bank and other borrowings	1,585,330	2,681,637
Repayment of bank and other borrowings	(1,162,890)	(552,948)
Interest paid	(338,221)	(347,024)
Other financing cash flows	(53,222)	(12,957)
	<u>30,997</u>	<u>1,768,708</u>
Net decrease in cash and cash equivalents	(1,398,182)	(286,733)
Cash and cash equivalents at the beginning of period	1,946,834	1,793,085
Effect of foreign exchange rate changes	<u>(19,208)</u>	<u>54,356</u>
Cash and cash equivalents at the end of period, representing cash and bank balances	<u>529,444</u>	<u>1,560,708</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2014.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKFRS 10,
HKFRS 12 and HKAS 27

Amendments to HKAS 32
Amendments to HKAS 36

Amendments to HKAS 39

HK(IFRIC) – Int 21

Investment Entities

Offsetting Financial Assets and Financial Liabilities
Recoverable Amount Disclosures for Non-Financial
Assets

Novation of Derivatives and Continuation of Hedge
Accounting

Levies

3. SEGMENT INFORMATION

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

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

3. SEGMENT INFORMATION (continued)

Segment revenue and results

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

	Property development		Property investment		Property management		Project management and construction		Project investment services		Total		Elimination		Operating segment		Reconciliation		Consolidated		
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
Segment revenue:	518,095	1,081,173	1,212	304	6,333	3,815	16,295	194,831	-	-	541,935	1,280,123	-	-	541,935	1,280,123	-	-	541,935	1,280,123	
Sales to external customers	-	-	-	-	-	-	415,386	131,550	-	-	415,386	131,550	(415,386)	(131,550)	-	-	-	-	-	-	-
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales of projects	-	-	-	-	-	-	-	-	-	353,147	-	353,147	-	-	353,147	-	-	(353,147)	-	-	-
Total	518,095	1,081,173	1,212	304	6,333	3,815	431,881	326,381	-	353,147	957,521	1,764,820	(415,586)	(131,550)	541,935	1,633,270	-	(353,147)	541,935	1,280,123	
Segment (losses) profits	(107,100)	172,195	443	(2,09)	2,027	3,614	(6,098)	40,052	-	184,010	(110,736)	399,662	(897)	(14,258)	(111,633)	385,404	-	-	(111,633)	385,404	
Net foreign exchange (losses) gains	-	-	-	-	-	-	-	-	-	-	(1,876)	3,301	-	-	(1,876)	3,301	-	-	(1,876)	3,301	
Interest income	-	-	-	-	-	-	-	-	-	920	1,657	-	-	-	920	1,657	-	-	920	1,657	
Other interest income	-	-	-	-	-	-	-	-	-	25,684	-	-	-	-	25,684	-	-	-	25,684	-	
Finance costs	-	-	-	-	-	-	-	-	-	(119,264)	(210,869)	-	-	-	(119,264)	(210,869)	-	-	(119,264)	(210,869)	
Amortisation of prepaid land lease payments	-	-	-	-	-	-	-	-	-	(715)	(712)	-	-	-	(715)	(712)	-	-	(715)	(712)	
Share of loss of associates	-	-	-	-	-	-	-	-	-	(9,347)	(6,406)	-	-	-	(9,347)	(6,406)	-	-	(9,347)	(6,406)	
Share of loss of joint ventures	-	-	-	-	-	-	-	-	-	(4,070)	(4,586)	-	-	-	(4,070)	(4,586)	-	-	(4,070)	(4,586)	
Gain on disposal of an associate	-	-	-	-	-	-	-	-	-	8,261	-	-	-	-	8,261	-	-	-	8,261	-	
Gain on disposal of a joint venture	-	-	-	-	-	-	-	-	-	5,915	-	-	-	-	5,915	-	-	-	5,915	-	
Other net unallocated expenses	-	-	-	-	-	-	-	-	-	(12,975)	(36,053)	-	-	-	(12,975)	(36,053)	-	-	(12,975)	(36,053)	
(Loss) profit before taxation	(219,100)	131,736	-	-	-	-	-	-	-	(219,100)	131,736	-	-	(897)	(111,633)	385,404	-	-	(219,100)	131,736	

Inter-segment revenue is charged at amounts agreed amongst the transacting segment parties.

3. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Note a: The segment revenue of project investment services operating segment for the six months ended 30 September 2013 has been restated to align with the change in measurement of segment revenue in the consolidated financial statements for the year ended 31 March 2014.

Note b: The adjustment reflects the reconciliation of revenue from the reportable and operating segment – project investment services which is identified by the CODM in 2013 to the Group's consolidated revenue.

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

4. OTHER INCOME AND GAINS

	Six months ended	
	30 September	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest income from banks	920	1,657
Net foreign exchange gains	–	3,301
Subsidies from the local government	–	675
Reversal of provision for legal claims (note a)	–	71,644
Gain on disposal of property, plant and equipment	5,080	–
Gain on disposal of an associate (note b)	8,261	–
Gain on disposal of a joint venture (note c)	5,915	–
Increase in fair value of held-for-trading investment	6,763	2,964
Other interest income	25,684	–
Others	11,010	15,043
	63,633	95,284

4. OTHER INCOME AND GAINS (continued)

Notes:

- (a) During the six months ended 30 September 2013, the legal claims had been settled based on the finalisation of the amount claimed and the type of properties compensated to the plaintiffs under the litigation.
- (b) During the six months ended 30 September 2014, the Group entered into a sale and purchase agreement to dispose of 25% interest in an associate to a third party for a consideration of HK\$119,685,000. The Group recognised gain on disposal of HK\$8,261,000.
- (c) During the six months ended 30 September 2014, the Group entered into a sale and purchase agreement to dispose of 40% interest in a joint venture to a third party for a consideration of HK\$74,582,000. The Group recognised gain on disposal of HK\$5,915,000.

5. FINANCE COSTS

	Six months ended	
	30 September	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	131,160	105,657
Interest on other loans wholly repayable within five years	183,770	286,736
	314,930	392,393
Less: Amounts capitalised in properties under development	(195,666)	(181,524)
	119,264	210,869

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

6. GAIN ON DISPOSAL OF A PROPERTY-BASED SUBSIDIARY

On 15 March 2013, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 60% equity interest in a subsidiary, the "Subsidiary" which holds a piece of land in the PRC, for a cash consideration of RMB280,000,000 (equivalent to HK\$353,147,000). The disposal was completed in July 2013.

Pursuant to the shareholder's agreement entered into by the Group and other shareholder of the subsidiary upon completion of transaction, the acquirer have a put option to sell the 60% equity interest to the Group at any time after not less than 60% of the saleable area of the developed properties held by the Subsidiary had been sold at a consideration equivalent to the fair value of the 60% equity interest in the Subsidiary at the put option exercise date. In the opinion of the directors, the risks and rewards associated with the 60% equity interest have been passed to the acquirer and Group has ceased to have control over the Subsidiary on completion. In addition, the directors of the Company considered that the fair value of the put option was minimal at initial recognition and 30 September 2013.

After the completion of the disposal, the Group is able to exercise joint control over the subsidiary which has then become a joint venture of the Group. The fair value of the 30% retained interest in the Subsidiary at the date on which the control was lost was regarded as the cost in initial recognition of the Group's interest in a joint venture.

2013
HK\$'000

The net assets disposed of in the above transaction are as follows:

Properties, plant and equipment	10
Properties under development	841,719
Prepayments, deposits and other receivable	1,543
Cash and bank balances	6,695
Trade payables	(127)
Other payables and accruals	(38,990)
Amounts due to the Group	(474,753)
Net assets disposed of	<u>336,097</u>

The gain on disposal is calculated as follow:

Consideration received	353,147
Fair value of 30% retained interest in a joint venture	176,574
Net assets of subsidiary disposed of	(336,097)
Non-controlling interests	(9,614)
Gain on disposal	<u>184,010</u>

6. GAIN ON DISPOSAL OF A PROPERTY-BASED SUBSIDIARY (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a property-based subsidiary is follows:

	2013 HK\$'000
Cash consideration	119,747
Cash and bank balances disposed of	<u>(6,695)</u>
Net inflow of cash and cash equivalents in respect of the disposal of a property-based subsidiary	<u>113,052</u>

7. TAXATION

	Six months ended 30 September	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	29,502	71,230
PRC Land Appreciation Tax ("LAT")	16,366	51,821
	45,868	123,051
Deferred tax (Note)		
PRC LAT	–	(1,937)
Other	9,358	(22,222)
	9,358	(24,159)
Total tax charge for the period	55,226	98,892

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits sourced in Hong Kong for both periods.

The Group's income tax expense represents tax charges on the assessable profits of subsidiaries operating in the PRC calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory tax rate of the Company's PRC subsidiaries is 25% from 1 January 2008 onwards.

7. TAXATION (continued)

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 2013 mainly resulted from combined effect relating to 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.

8. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30 September	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	3,750	2,152
Less: Amounts capitalised in properties under development	(861)	(1,954)
	2,889	198
Amortisation of prepaid land lease payments	715	712
Net foreign exchange losses (gains)	1,876	(3,301)
(Gain) loss on disposal of property, plant and equipment	(5,080)	929
Impairment loss on other receivables (included in "other expenses")	-	5,281
Interest compensation for late handover of completed properties (included in "other expenses")	-	12,694
	_____	_____

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the loss for the period attributable to owners of the Company of HK\$273,058,000 (2013: profit attributable to owners of the Company of HK\$34,168,000) and the number of 4,185,874,285 (2013: 2,983,036,847 (restated)) ordinary shares in issue.

The weighted average number of shares for the purpose of calculating basic earnings per share for the six months ended 30 September 2013 has been retrospectively adjusted for the effect of bonus element in connection to the open offer completed in March 2014.

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

The Company has no potential ordinary share outstanding during the six months ended 30 September 2013. Accordingly, no diluted earnings per share information is presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2014, the Group acquired property, plant and equipment at a cost of HK\$8,311,000 (2013: HK\$2,082,000). In addition, the Group disposed of certain property, plant and equipment with a carrying value of HK\$3,227,000 (2013: HK\$1,122,000).

11. INVESTMENT PROPERTIES

	30 September 2014 (unaudited) HK\$'000	31 March 2014 (audited) HK\$'000
Completed investment properties		
– at fair value	4,404	4,401
Investment property under construction		
– at cost	226,131	225,963
	230,535	230,364

The fair value of the Group's completed investment properties at 30 September 2014 and 31 March 2014 have been estimated by the directors with reference to recent sale transactions of similar properties.

11. INVESTMENT PROPERTIES (continued)

For completed investment properties, the valuations had been arrived at by considering the capitalised 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 were assessed and capitalised at market yield expected by investors for this type of property. The market rentals were also assessed by reference to the rentals achieved in other similar properties in the neighbourhood. The capitalisation rate adopted was 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 or remained vacant 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.

The investment property under construction at 30 September 2014 and 31 March 2014 was measured at cost as the development of the investment property is still at early stage and the fair value cannot be reliably determined. As the Group is considering a possible disposal of its interests in this investment property under construction, no further development cost was incurred during the period/year.

12. TRADE RECEIVABLES

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

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

	30 September 2014 (unaudited) HK\$'000	31 March 2014 (audited) HK\$'000
0 – 30 days	535	1,875
31 – 60 days	266	117
61 – 90 days	473	7,337
Over 90 days	17,497	9,999
	18,771	19,328

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2014 (unaudited) HK\$'000	31 March 2014 (audited) HK\$'000
Other receivables (Note a)	871,121	804,285
Deposits for future acquisition of land use rights (Note b)	2,404,068	1,549,135
Prepaid operating expenses and other deposits	<u>367,437</u>	<u>280,057</u>
	<u>3,642,626</u>	<u>2,633,477</u>

Notes:

- (a) Included in other receivables at 30 September 2014 is an amount of HK\$272,750,000 (31 March 2014: HK\$367,119,000) due from a local government of the PRC in respect of reclamation of land use rights of an investment property in Shenyang. The directors of the Company expect the balance to be recovered within one year.

Included in other receivables at 30 September 2014 is an amount of HK\$74,704,000 (31 March 2014: nil) due from a buyer in respect of disposal of a joint venture.

Included in other receivables at 30 September 2014 is an amount of HK\$218,865,000 (31 March 2014: HK\$221,894,000) due from a buyer in respect of disposal of a property-based subsidiary.

- (b) The amounts represent payments made for the possible acquisition of land use rights in the PRC which will be developed for sale purpose. At 30 September 2014, amounts of HK\$147,550,000 (31 March 2014: HK\$286,145,000) were paid to independent third parties which are secured by the equity interests of certain PRC companies owned by the independent third parties. For the remaining deposits paid, no assets are pledged to secure the amounts paid by the Group. These deposits will be wholly refundable if the acquisition is terminated subsequently.

14. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Assets classified as held for sales (Notes a and b)	<u>2,571,318</u>	<u>1,581,149</u>
Liabilities classified as held for sales (Notes a and b)	<u>1,901,068</u>	<u>1,254,364</u>

Notes:

- (a) In August 2014, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interest in a subsidiary for a cash consideration of RMB304,530,000 (equivalent to approximately HK\$380,663,000). The transaction is expected to be completed in the next twelve months.

The assets and liabilities attributable to the subsidiary have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position as at 30 September 2014.

- (b) During the year ended 31 March 2014, the Group entered into a sale and purchase agreement with an independent third party to dispose of 21% out of its 51% equity interest in a subsidiary, which is engaged in the property development in the PRC, for a cash consideration of RMB7,131,000 (equivalent to HK\$8,992,000). In the opinion of the directors, the risks and rewards associated with the 21% equity interest have been passed to the buyer and the Group will cease to have control over the entity on the completion date. The transaction is expected to be completed in the next six months.

14. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

Notes: (continued)

- (c) The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Property, plant and equipment	2,600	1,015
Property under development	1,494,603	1,359,968
Amount due from an associate	254,975	–
Amount due from a customer for contract work	32,934	–
Completed properties for sale	19,371	–
Prepayments, deposits and other receivables	404,328	5,219
Trade receivables	78,237	–
Prepaid tax	13,004	7,232
Pledged bank deposits	63,095	37,829
Cash and bank balances	208,171	169,886
	<hr/>	<hr/>
Assets classified as held for sale	2,571,318	1,581,149
	<hr/>	<hr/>
Trade payables	383,358	37,885
Deposits received from pre-sale of properties	354,440	197,733
Other payables and accruals	310,671	55,965
Bank and other borrowings	850,138	960,847
Deferred tax liabilities	2,461	1,934
	<hr/>	<hr/>
Liabilities classified as held for sale	1,901,068	1,254,364

15. TRADE PAYABLES

An aged analysis of trade payables as at the end of the reporting period based on invoice date is as follows:

	30 September 2014 (unaudited) HK\$'000	31 March 2014 (audited) HK\$'000
0 – 30 days	76,264	185,913
31 – 60 days	25,562	55,011
61 – 90 days	49,583	73,604
Over 90 days	137,145	152,892
	<hr/>	<hr/>
	288,554	467,420

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2014 (unaudited) HK\$'000	31 March 2014 (audited) HK\$'000
CURRENT		
Bank loans – secured	1,909,320	940,270
Other loans – secured	2,620,952	1,004,981
Other loans – unsecured	239,760	–
	<u>4,770,032</u>	<u>1,945,251</u>
NON-CURRENT		
Bank loans – secured	2,596,345	3,168,500
Other loans – secured	605,709	2,320,156
	<u>3,202,054</u>	<u>5,488,656</u>
	<u>7,972,086</u>	<u>7,433,907</u>
Analysed into:		
Bank loans repayable:		
Within one year	1,309,508	340,458
In the second year	974,182	1,650,311
In the third to fifth years inclusive	1,622,163	1,518,189
	3,905,853	3,508,958
Bank loan that is repayable within one year from the end of the reporting period and contain a repayment on demand clause	170,425	84,126
Bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	429,387	515,686
	<u>4,505,665</u>	<u>4,108,770</u>
Other loans repayable:		
Within one year	2,860,712	1,004,981
In the second year	605,709	2,156,232
In the third to fifth year inclusive	–	163,924
	<u>3,466,421</u>	<u>3,325,137</u>
	<u>7,972,086</u>	<u>7,433,907</u>

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

Notes:

- (a) The Group's other loans of HK\$2,191,909,000 (31 March 2014: HK\$2,013,744,000) and HK\$1,274,512,000 (31 March 2014: HK\$1,311,393,000) as at 30 September 2014 are borrowed from PRC trust companies and independent third parties respectively which carry interest ranging from 8% to 14% (31 March 2014: 4% to 14%) per annum and have repayment terms ranging from 12 months to 35 months (31 March 2014: 15 months to 35 months). They are secured by:
 - (i) certain properties under development of the Group with an aggregate carrying value of approximately HK\$126 million (31 March 2014: HK\$140 million);
 - (ii) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$254 million (31 March 2014: HK\$347 million);
 - (iii) the Group's 100% equity interests in four property-based subsidiaries; and
 - (iv) corporate guarantees from certain subsidiaries of the Company.
- (b) Certain of the Group's bank loans as at 30 September 2014 and 31 March 2014 are secured by:
 - (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK\$212 million (31 March 2014: HK\$169 million);
 - (ii) certain bank deposits of the Group with an aggregate carrying value of approximately HK\$659 million (31 March 2014: HK\$614 million);
 - (iii) certain properties under development of the Group with an aggregate carrying value of approximately HK\$1,434 million (31 March 2014: HK\$1,169 million);
 - (iv) certain completed properties for sale of the Group with an aggregate carrying value of HK\$249 million (31 March 2014: HK\$290 million);
 - (v) amount due from an associate of the Group with a carrying value of nil (31 March 2014: HK\$83 million); and
 - (vi) corporate guarantees from the Company and certain of its subsidiaries.

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

Notes: (continued)

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

	30 September 2014		31 March 2014	
	Borrowings HK\$'000	Interest rate	Borrowings HK\$'000	Interest rate
Effective interest rate:				
Fixed-rate borrowings	4,185,776	2.47% to 14.00%	3,924,949	2.08% to 14.00%
Variable-rate borrowings	3,786,310	6.40% to 8.00%	3,508,958	2.32% to 9.18%

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

17. SHARE CAPITAL

	Number of ordinary shares	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 31 March 2013, 30 September 2013, 31 March 2014 and 30 September 2014	<u>7,000,000,000</u>	<u>700,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 31 March 2013 and 30 September 2013	2,790,582,857	279,058
Issue of shares	<u>1,395,291,428</u>	<u>139,529</u>
At 31 March 2014 and 30 September 2014	<u>4,185,874,285</u>	<u>418,587</u>

On 17 March 2014, the Company raised HK\$348.8 million before expense for general working capital of the Group, by way of issuing 1,395,291,428 shares of HK\$0.25 per share on the basis of one offer share for every two shares held on 7 March 2014, the record date of the open offer. Details of the open offer are set out in the circular of the Company dated 19 February 2014.

18. CONTINGENT LIABILITIES

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

	30 September 2014 (unaudited) HK\$'000	31 March 2014 (audited) HK\$'000
Guarantees given to banks in connection with:		
– mortgage loans granted to property purchasers	3,313,703	3,546,081
– banking facilities granted to an associate (Note)	157,737	195,448
	<u>3,471,440</u>	<u>3,741,529</u>

Note: A counter-guarantee was given by the associate to the Group

The directors of the Company considered 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 low default rates.

19. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	30 September 2014 (unaudited) HK\$'000	31 March 2014 (audited) HK\$'000
Contracted but not provided for:		
Acquisition of property-based subsidiaries	63,095	63,047
Authorised but not contracted for:		
Acquisition of investment properties	217,046	216,884

20. RELATED PARTY TRANSACTIONS

- (a) 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 a related party:
- (i) During the six months ended 30 September 2014, the Group received construction income of HK\$24,524,000 (2013: HK\$240,380,000) from an associate.
- (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 of HK\$154,346,000 (31 March 2014: HK\$179,740,000) and joint ventures of HK\$642,395,000 (31 March 2014: HK\$541,705,000) are non-trade, unsecured, interest-free and repayable on demand.
 - (iii) The amount due from an associate of HK\$1,240,000 (31 March 2014: HK\$256,050,000) represents trade and retention receivables balances due from Foshan Harmonious Realty Development Co., Ltd. The trade receivable balance is subject to normal credit term of 30 days, while the retention receivable balance is interest-free and recoverable at the end of the retention period of individual construction contracts ranging from 1 to 2 years.
 - (iv) The amount due from an associate of HK\$245,856,000 (31 March 2014: HK\$245,673,000) represents amount due from Huizhou Shum Yip Southern Land Company Limited. The amount is unsecured and carries interest at PBOC interest rate.
 - (v) The amount due from an associate of HK\$251,807,000 represent amount due from Nanjing Yuan Ding Enterprise Co., Ltd.. The amount is unsecured and interest bearing at 18% per annum.
 - (vi) The amount due from a joint venture of HK\$126,189,000 (31 March 2014: HK\$126,095,000) represents an amount due from Beijing Huichao Real Estate Development Co., Ltd (“Beijing Huichao”). The amount is non-trade and secured by 11% equity interest in Beijing Huichao and interest bearing at 25% per annum.

20. RELATED PARTY TRANSACTIONS (continued)

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

(vii) The amount due to a non-controlling interest of HK\$56,743,000 at 31 March 2014 represented an amount due to Chongqing City Beipui University of Science and Technology Development Co., Limited. The amount was unsecured, interest-free and repayable on demand. The amount was fully settled during the period.

(c) Compensation of key management personnel of the Group

	Six months ended	
	30 September	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Short term benefits	5,282	5,693
Share-based payments	3,880	–
Post-employment benefits	<u>60</u>	<u>39</u>
Total compensation paid to key management personnel	<u>9,222</u>	<u>5,732</u>

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 30 September 2014	Fair value as at 31 March 2014	Fair value hierarchy	Valuation technique and key inputs
Held-for-trading investments	HK\$31,753,000	HK\$24,905,000	Level 1	Quoted prices (unadjusted) in active market for identical asset as at the end of the reporting period

There were no transfers between Levels 1 and 2 in the current and prior periods.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2014 (2013: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the first half of the financial year, the Group has recorded a revenue of HK\$541.9 million, a decrease of approximately 58% as compared to the HK\$1,280.1 million for the last corresponding period. The decrease in revenue for the period was mainly attributable to lesser amount of properties were completed and delivered to purchasers during the period.

Loss before taxation for the period was HK\$219.1 million as compared to the profit before taxation of HK\$131.7 million for the last corresponding period. Loss for the period attributable to owners of the Company was HK\$273.1 million comparing to a profit of HK\$34.2 million for the last corresponding period.

Property Development

During the period under review, the recognised revenue from property development segment was HK\$518.1 million, a decrease from HK\$1,081.2 million or approximately 52% from the corresponding period in 2013, which corresponds to a decrease by 61% in the total GFA delivered by the Group decreased to 57,119 sq.m. from 145,161 sq.m. in 2013. The property revenue for the period mainly came from the sale of Phase VI of Dongguan Riviera Villa, Phase V section AB of Wuhan Silo City, Phase III of Dongguan Riviera Villa and Phase II section B2 of Dalian Jianzhu Project which respectively represented approximately 42%, 19%, 9% and 7% of the total property revenue. The remaining 23% was derived from sale of the prior phases of completed development projects.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Property Development (continued)

During the period, the Group recorded contracted revenue of HK\$1,612 million and a total GFA of 137,630 sq.m., versus contracted revenue of HK\$1,554 million and a total GFA of 170,158 sq.m. for the last corresponding period.

As at 30 September 2014, the Group has generated a total revenue of HK\$1,352 million from presale of its properties under development with a total GFA of 151,660 sq.m., contributing mainly from Phase VI section A2 of Wuhan Silo City, Chongqing Coastal Silo City, Shenyang Coastal International Centre and Phase VII of Wuhan Silo City which are expected to be completed and delivered in the coming two years.

Property Investment

Revenue from property rental increased to HK\$1.2 million from HK\$0.3 million for the last corresponding period. The property investment segment recorded a profit was HK\$0.4 comparing to a loss of HK\$0.2 million for the last corresponding period.

Property Management

The Group's property management operation recorded a profit of HK\$2.0 million for the period as compared to last corresponding period of HK\$3.6 million. The Group is committed to providing integrated and value-added property management services to foster good relations with tenants and owners and strengthen its brand image.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Project Management and Construction Service

Revenue from project management and construction segment decreased by 92% to HK\$16.3 million from last corresponding period's HK\$194.8 million. The project management and construction segment for the period recorded a loss of HK\$6.1 million comparing to a profit of HK\$40.1 million for the last corresponding period.

Project Investment Services

In the corresponding period of year, the Group generated a profit of about HK\$184.0 million from the operations of this segment during the last period.

Gross Profit Margin

The gross profit margin for the current period dropped to 15% from 24% for the last corresponding period. The decrease was mainly due to a lower level of selling price attained for the properties completed and delivered to purchasers during the period.

Other Income and Gains

Other income and gains for the period was HK\$63.6 million as compared to HK\$95.3 million for the last corresponding period. Other income for the period mainly represented the interest income from banks of HK\$0.9 million (2013: HK\$1.7 million), gain on disposal of property, plant and equipment of HK\$5.1 million (2013: nil), other interest income of HK\$25.7 million (2013: nil), gain on disposal of an associate of HK\$8.3 million (2013: nil), gain on disposal of a joint venture of HK\$5.9 million (2013: nil) and increase in fair value of held-for-trading investment of HK\$6.8 million (2013: HK\$3.0 million). Included in the last corresponding period's other income was the reversal of provision of legal claims of HK\$71.6 million, subsidies from the local government of HK\$0.7 million and the net foreign exchange gain of HK\$3.3 million on translation of the Company's United States dollar denominated debts into the Company's functional currency, Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Marketing, Selling and Administrative Expenses

Marketing and selling expenses increased to HK\$51.8 million from HK\$48.7 million as a result of the increase in the Group's selling activities. The contracted revenue for the period increased to HK\$1,612 million from HK\$1,554 million for the last corresponding period.

Administrative expenses for the period was HK\$174.3 million as compared to HK\$142.1 million for the last corresponding period. The increase was attributable to increase in staff costs. The Group will continue to implement cost control measures so as to enhance its operational efficiency and competitiveness.

Other Expenses

Other expenses for the period decreased to HK\$6.1 million from HK\$41.8 million for the last corresponding period. Other expenses mainly represented other compensation of HK\$2.4 million (2013: HK\$8.0 million) to the property purchasers. Included in the last corresponding period's other expenses were interest compensation of HK\$12.7 million for a delay in the handover of certain completed properties to the purchasers and impairment loss recognised on trade and other receivables of HK\$5.3 million.

Finance Costs

During the period, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings) of HK\$314.9 million, representing a decrease of approximately 20% as compared to HK\$392.4 million incurred for the last corresponding period. The decrease was mainly attributable to a decrease in the average cost of bank and other borrowings as compared to last period.

Interest expenses charged to profit or loss for the period were HK\$119.3 million as compared to last corresponding period's HK\$210.9 million. The decrease was mainly due to higher amount of finance costs were qualified for capitalisation to properties under development as compared to last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Gain on disposal of a property-based subsidiary

In March 2013, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 60% equity interest in a subsidiary, which holds a piece of land in the PRC, for a cash consideration of RMB280.0 million (equivalent to HK\$353.1 million). The disposal was completed during the last period and realised a profit of about HK\$184.0 million.

Corporate Brand

Coastal Greenland, the corporate brand, had been ranked among the top ten most valuable Chinese real estate company brands for the eleven consecutive years between 2004 and 2014 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.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

Financial Resources and Liquidity

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

At 30 September 2014, the Group's cash and bank deposits amounted to approximately HK\$1,330.1 million (31 March 2014: HK\$2,693.5 million). An analysis by currency denomination of the cash and bank deposits is as follows:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Renminbi	1,313,498	2,504,988
Hong Kong dollar	9,966	120,767
United States dollar	6,614	67,729
	<u>1,330,078</u>	<u>2,693,484</u>

At 30 September 2014, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to approximately HK\$6,642.0 million (31 March 2014: HK\$4,740.4 million). Net debt to total equity ratio, which is expressed as a percentage of net borrowings over total equity of the Group, increased from 96% as at 31 March 2014 to 141% as at 30 September 2014. The increase in net debt to total equity ratio was mainly due to the increase in net borrowings of the Group at 30 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Borrowings and Changes

At 30 September 2014, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Bank loans repayable:		
Within one year	1,309,508	340,458
In the second year	974,182	1,650,311
In the third to fifth years inclusive	1,622,163	1,518,189
Bank loan that is repayable within one year from the end of the reporting period and contain a repayment on demand clause	170,425	84,126
Bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	429,387	515,686
	4,505,665	4,108,770
Other borrowings repayable:		
Within one year	2,860,712	1,004,981
In the second year	605,709	2,156,232
In the third to fifth year inclusive	–	163,924
	3,466,421	3,325,137
	7,972,086	7,433,907

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Borrowings and Changes (continued)

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

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Renminbi	7,294,374	6,756,195
Hong Kong dollar	162,026	162,026
United States dollar	<u>515,686</u>	<u>515,686</u>
	<u>7,972,086</u>	<u>7,433,907</u>

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

- (a) Certain of the Group's bank and other loans as at 30 September 2014 were secured by:
- (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK\$212 million (31 March 2014: HK\$169 million);
 - (ii) certain bank deposits of the Group with an aggregate carrying value of approximately HK\$659 million (31 March 2014: HK\$614 million);
 - (iii) certain properties under development of the Group with an aggregate carrying value of approximately HK\$1,560 million (31 March 2014: HK\$1,309 million);
 - (iv) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$503 million (31 March 2014: HK\$637 million);
 - (v) amount due from an associate of the Group with carrying value of nil (31 March 2014: HK\$83 million);
 - (vi) the Group's 100% equity interests in four property-based subsidiaries; and
 - (vii) corporate guarantees from the Company and certain of its subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

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. Renminbi continued to appreciate against Hong Kong dollars and United States dollar. The Group's major assets, mainly property development projects, are located in the PRC and will generate Renminbi revenue to the Group. Except certain bank and other loans which are denominated in United States dollar or Hong Kong dollar, most of the Group's liabilities are denominated in Renminbi. Therefore, the Directors do not foresee that movement in the exchange rates of foreign currencies against Renminbi in the foreseeable future will cause a material adverse impact on the Group's operations.

Contingent Liabilities

At 30 September 2014, the Group had given guarantees to the extent of approximately HK\$3,314.0 million (2014: HK\$3,546.1 million) to banks in respect of mortgage loan facilities granted to the property purchasers. The Group had also given guarantees amounting to approximately HK\$157.7 million (2014: HK\$195.4 million) to banks in connection with banking facility granted to the associate, against which a counter-guaranteed was given by the associate to the Group.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of approximately 2,000 employees in the mainland China and Hong Kong. Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage, housing allowances and share options.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECTS

Looking forward, China's economy is expected to remain vibrant in the second half of 2014. Following the relaxation of the austerity measures on property purchase policy in a substantial number of cities in the PRC, the real estate market is gradually recovering. Regulations on house purchasing have become less restrictive and market confidence has gradually restored. We expect that the recent lowering of the Renminbi interest rate, the possible further loosening up of control measures, the ongoing urbanisation and the continued increase in the household income are the major drivers that will boost the end users' demand for quality properties in the coming years. Concurrently, the Group will leverage on its experience and expertise in property development business seeking to expand its property investment services and project management services businesses. The Group is committed to offering value-for-money property, enhancing the living experience for customers and creating value and satisfactory results for shareholders.

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2014, the interests (including short positions) of the directors of the Company 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")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(A) Interests in shares and underlying shares of the Company

(i) Interests in the ordinary shares of the Company

Name of director	Note	Number of shares held, or short positions capacity and nature of interest		Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporation	
Mr. Jiang Ming	(a)	–	1,531,261,978 (L) – (S)	36.58%
Mr. Tao Lin	(a)	–	1,531,261,978 (L) – (S)	36.58%
Ms. Wang Hongmei	(a)	1,344,000 (L) – (S)	1,531,261,978 (L) – (S)	36.61%
Mr. Cai Shaobin	(a)	47,701,000 (L) – (S)	–	1.19%

L: Long position

S: Short position

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

(A) Interests in shares and underlying shares of the Company (continued)

- (i) Interests in the ordinary shares of the Company (continued)

Note:

- (a) 1,531,261,978 shares are beneficially owned by Coastal International Holdings Limited (“CIH”), of which the entire 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) and 5.38% by Cyberich Development Limited (the entire issued voting share capital of which is held by Ms. Wang Hongmei). 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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

(B) Interests in shares of the associated corporation of the Company

*Long positions in shares of Coastal International Holdings Limited ("CIH")
(a substantial shareholder 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%
Ms. Wang Hongmei	538	Through controlled corporation	5.38%

Save as disclosed above, as at 30 September 2014, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors of the Company or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in 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 (“Participants”) (as defined in the Scheme 2011, and include the employees and directors of the Company and its subsidiaries) thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. The principal terms of the Scheme 2011 are summarised in appendix II to the Company’s circular dated 25 July 2011.

Up to the date of this report, 279,000,000 share options under the Scheme 2011 were granted.

The following share options were outstanding under the Scheme 2011 during the period:

Name or category of Participant	Number of share options		Outstanding and exercisable at 30 September 2014	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 2014	Granted during the period				
Directors						
Tao Lin	27,000,000	–	27,000,000	17 March 2014	17 April 2014 to 16 March 2019	0.345
Wang Hongmei	27,000,000	–	27,000,000	17 March 2014	17 April 2014 to 16 March 2019	0.345
Cai Shaobin	27,000,000	–	27,000,000	17 March 2014	17 April 2014 to 16 March 2019	0.345
Chen Xiaotin	2,000,000	–	2,000,000	17 March 2014	17 April 2014 to 16 March 2019	0.345
Yang Jiangan	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

SHARE OPTION SCHEME (continued)

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 2014	Granted during the period	Outstanding and exercisable at 30 September 2014			
Other employees and participants						
In aggregate	192,000,000	-	192,000,000	17 March 2014	17 April 2014 to 16 March 2019	0.345
	<u>279,000,000</u>	<u>-</u>	<u>279,000,000</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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Apart from the interests of CIH as disclosed under the heading "Directors' interests in shares and underlying shares" above, the register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 September 2014, the Company had been notified of the following interests of 5% or more in the issued share capital of the Company:

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

L: Long position

S: Short position

Note: Ms. Yang Sun Xin is the spouse of Mr. Jiang Ming (the chairman and the 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 as disclosed under the heading "Directors' interests in shares and underlying shares" above.

Save as disclosed above, as at 30 September 2014, no persons, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company is committed to ensure high standards of corporate governance in the interest of all its shareholders. The Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (“CG Code”) contained in Appendix 14 of the Listing Rules, except for below deviations:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual for a balance of power and authority. Mr. Jiang Ming is the chairman and managing director of the Company. Mr. Jiang Ming is the founder and a substantial shareholder of the Company and has considerable industry experience. The board of directors of the Company (the “Board”) considers that this situation will not impair the balance of power and authority between the Board and the management of the Company. This is because the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals with demonstrated integrity. Further, decisions of the Board are made by way of majority voting. The Board believes that this structure is conducive to strong, prompt response and efficient management and implementation.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Two non-executive directors were unable to attend the annual general meeting and special general meeting of the Company held on 15 September 2014 and 30 September 2014 respectively due to other important engagements. One independent non-executive director was unable to attend the annual general meeting of the Company held on 15 September 2014 and two independent non-executive directors were unable to attend the special general meeting of the Company held on 30 September 2014 due to other important engagements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2014.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a general review of the unaudited interim financial report for the six months ended 30 September 2014.

REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2014 have been reviewed by the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

By Order of the Board
Jiang Ming
Chairman

Hong Kong, 28 November 2014