

A large, artistic watercolor map of China is the central focus of the page. The map is rendered in shades of orange, blue, and grey, with a soft, painterly texture. It is set against a background of light grey clouds. The map's outline is irregular and artistic, capturing the general shape of the country.

**COASTAL** 沿海

COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 01124

Interim Report 2016

**STRIVING FOR  
INNOVATION**

## CORPORATE INFORMATION

### Registered Office

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### Head Office and Principal Place of Business in Hong Kong

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China Merchants Tower  
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Hong Kong

Tel: (852) 2877 9772  
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### Principal Registrars

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

### Non-executive Directors

Mr. LU Jiqiang  
Dr. DAI Jingming

### Independent Non-executive Directors

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

### Company Secretary

Mr. CHENG Wing Bor FCCA, CPA

### Auditor

Deloitte Touche Tohmatsu  
Certified Public Accountants

### Stock Code

1124

The Board of Directors (the “Board”) 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 2016 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 2016 together with the audited comparative figures as at 31 March 2016. The unaudited interim financial report for the six months ended 30 September 2016 has been reviewed by the Company’s Audit Committee.

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

For the six months ended 30 September 2016

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2016</b>	2015
		<b>(unaudited)</b>	(unaudited)
	Notes	<b>HK\$'000</b>	HK\$'000
			(restated)
<b>Continuing operations</b>			
Revenue	4	<b>782,286</b>	279,818
Cost of sales		<b>(636,298)</b>	(263,974)
Gross profit		<b>145,988</b>	15,844
Other income and gains	5	<b>12,609</b>	4,871
Marketing and selling expenses		<b>(26,561)</b>	(22,970)
Administrative expenses		<b>(73,850)</b>	(96,500)
Other expenses		<b>(3,538)</b>	(7,124)
Finance costs	6	<b>(104,917)</b>	(63,710)
Share of profit of associates		<b>446</b>	3,935
Share of loss of joint ventures		<b>(9,780)</b>	(14,710)
Loss before taxation		<b>(59,603)</b>	(180,364)
Taxation	7	<b>(13,269)</b>	26,219
Loss for the period from continuing operations		<b>(72,872)</b>	(154,145)
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	8	<b>–</b>	(37,458)
Loss for the period	9	<b>(72,872)</b>	(191,603)
Other comprehensive expense			
Item that will not be reclassified to profit or loss			
Exchange differences arising on translation to presentation currency		<b>(163,167)</b>	(124,776)
<b>Total comprehensive expense for the period</b>		<b>(236,039)</b>	(316,379)

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

For the six months ended 30 September 2016

	Notes	Six months ended 30 September 2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000 (restated)
Loss for the period attributable to owners of the Company:			
– from continuing operations		(72,866)	(153,905)
– from discontinued operation		–	(37,458)
		<u>(72,866)</u>	<u>(191,363)</u>
Loss for the period attributable to owners of the Company		<u>(72,866)</u>	<u>(191,363)</u>
Loss for the period attributable to non-controlling interests:			
– from continuing operations		(6)	(240)
– from discontinued operation		–	–
		<u>(6)</u>	<u>(240)</u>
Loss for the period attributable to non-controlling interests		<u>(6)</u>	<u>(240)</u>
		<u>(72,872)</u>	<u>(191,603)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(234,830)	(314,744)
Non-controlling interests		(1,209)	(1,635)
		<u>(236,039)</u>	<u>(316,379)</u>
		<b>HK cents</b>	<b>HK cents</b>
<b>Loss per share</b>	10		
From continuing and discontinued operations			
Basic and diluted		<u>(1.74)</u>	<u>(4.57)</u>
From continuing operations			
Basic and diluted		<u>(1.74)</u>	<u>(3.68)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

		<b>30 September 2016 (unaudited) HK\$'000</b>	31 March 2016 (audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	<b>237,393</b>	241,596
Investment properties	12	<b>212,191</b>	219,250
Prepaid land lease payments		<b>47,940</b>	48,876
Pledged deposits for other borrowing	14(d)	–	196,698
Interests in associates		<b>702,702</b>	724,963
Interests in joint ventures		<b>360,265</b>	382,233
Amounts due from associates and joint ventures	21(b)(i)	<b>226,292</b>	233,820
Available-for-sale investments		<b>164,638</b>	170,017
		<u><b>1,951,421</b></u>	<u>2,217,453</u>
Total non-current assets			
<b>CURRENT ASSETS</b>			
Properties under development		<b>4,307,944</b>	9,776,748
Completed properties for sale		<b>1,236,563</b>	992,917
Trade receivables	13	–	2,040
Prepayments, deposits and other receivables	14	<b>2,830,540</b>	2,968,203
Amounts due from associates and joint ventures	21(b)(ii)(iii)	<b>992,701</b>	1,015,834
Prepaid tax		<b>104,614</b>	94,999
Pledged bank deposits		<b>271,627</b>	390,305
Cash and bank balances		<b>760,588</b>	433,535
		<u><b>10,504,577</b></u>	<u>15,674,581</u>
Assets classified as held for sale	15	<b>5,529,119</b>	–
		<u><b>16,033,696</b></u>	<u>15,674,581</u>
Total current assets			

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (continued)  
At 30 September 2016

	Notes	30 September 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	16	532,307	342,753
Deposits received from pre-sales of properties		1,469,904	1,472,495
Other payables and accruals	21(b)(v)	3,889,727	3,719,767
Amount due to a substantial shareholder of the Company	21(b)(iv)	12,100	7,948
Tax payable		351,479	363,604
Interest-bearing bank and other borrowings	17	<u>3,353,505</u>	<u>3,310,054</u>
		<b>9,609,022</b>	9,216,621
Liabilities classified as held for sale	15	<u>3,902,336</u>	–
Total current liabilities		<u>13,511,358</u>	<u>9,216,621</u>
<b>NET CURRENT ASSETS</b>		<u>2,522,338</u>	<u>6,457,960</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,473,759</u>	<u>8,675,413</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	18	418,587	418,587
Reserves		<u>3,480,598</u>	<u>3,715,428</u>
Equity attributable to owners of the Company		3,899,185	4,134,015
Non-controlling interests		905	2,114
Total equity		<u>3,900,090</u>	<u>4,136,129</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	17	348,444	4,307,471
Deferred tax liabilities		<u>225,225</u>	<u>231,813</u>
Total non-current liabilities		<u>573,669</u>	<u>4,539,284</u>
		<b>4,473,759</b>	<b>8,675,413</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	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 2015	418,587	1,336,094	37,560	929	58,496	653,634	9,697	22,689	1,894,099	4,431,785	4,781	4,436,566
Exchange differences arising on translation to presentation currency	-	-	-	-	-	(123,381)	-	-	-	(123,381)	(1,395)	(124,776)
Loss for the period	-	-	-	-	-	-	-	-	(191,363)	(191,363)	(240)	(191,603)
Total comprehensive expense for the period	-	-	-	-	-	(123,381)	-	-	(191,363)	(314,744)	(1,635)	(316,379)
At 30 September 2015 (unaudited)	418,587	1,336,094	37,560	929	58,496	530,253	9,697	22,689	1,702,736	4,117,041	3,146	4,120,187
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)	(6)	(72,872)
Total comprehensive expense for the period	-	-	-	-	-	(161,964)	-	-	(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



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** (continued)  
For the six months ended 30 September 2016

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 ("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 2016

	Notes	Six months ended	
		30 September 2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Net cash from (used in) operating activities			
Increase in properties under development		(631,009)	(235,194)
Decrease in completed properties for sales		622,152	295,620
Decrease in trade receivables		9,128	–
Increase in prepayments, deposits and other receivables		(125,861)	(467,133)
Increase in deposits received from pre-sales of properties		278,218	560,452
Increase (decrease) in trade and bills payables		200,589	(628,734)
Increase (decrease) in other payables and accruals		386,069	(319,598)
Tax paid		(29,624)	(75,559)
Other operating cash flows		51,260	(50,827)
		<u>760,922</u>	<u>(920,973)</u>
Net cash from investing activities			
Purchases of property, plant and equipment		(1,311)	(11,543)
Acquisition of interest in/capital injection to joint ventures		–	(10,510)
Repayment from joint ventures and associates		23,133	48,301
Decrease in pledged bank deposits		118,388	324,133
(Increase) decrease in restricted bank deposits		(57,365)	412,116
Proceeds from disposal of property, plant and equipment		290	–
Other investing cash flows		–	(264)
		<u>83,135</u>	<u>762,233</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS** (continued)  
For the six months ended 30 September 2016

	Notes	Six months ended 30 September	
		2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Net cash (used in) from financing activities			
New bank and other borrowings		<b>871,110</b>	3,502,678
Repayment of bank and other borrowings		<b>(980,889)</b>	(3,137,888)
Interest paid		<b>(370,384)</b>	(339,982)
Other financing cash flows		<b>4,152</b>	(582)
		<b>(476,011)</b>	24,226
Net increase (decrease) in cash and cash equivalents		<b>368,046</b>	(134,514)
Cash and cash equivalents at the beginning of period		<b>249,920</b>	322,704
Effect of foreign exchange rate changes		<b>(38,757)</b>	47,349
Cash and cash equivalents at the end of period		<b>579,209</b>	235,539
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		<b>760,588</b>	432,653
Less: restricted bank balances (Note)		<b>(240,980)</b>	(197,114)
		<b>519,608</b>	235,539
Cash and bank balances included in assets classified as held for sale	15	<b>59,601</b>	—
		<b>579,209</b>	235,539

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 property development projects.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements set out in 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 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

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

### 3. RESTATEMENT OF CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

The condensed consolidated results for the six months ended 30 September 2015 presented for comparative purpose have been restated to reflect the construction 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 of the Company, 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 property management segment engages in the management of properties in the PRC;
- (d) the project management segment engages in the provision of project management services in the PRC; and
- (e) the project investment services segment engages in the provision of investment services in relation to investment in and sale of property development/land development projects in the PRC.

The Group's construction business was discontinued during the year ended 31 March 2016. Details of which is 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:

##### Continuing Operations

	Property development		Property investment		Property management		Project management		Project investment services		Consolidated	
	Six months ended 30 September 2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000	Six months ended 30 September 2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000	Six months ended 30 September 2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000	Six months ended 30 September 2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000 (restated)	Six months ended 30 September 2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000 (restated)	Six months ended 30 September 2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000 (restated)
Segment revenue:												
Sales to external customers	766,792	272,919	2,564	918	5,187	5,964	7,743	17	-	-	782,286	279,818
Segment profit (loss)	82,452	(85,899)	1,948	610	3,358	2,773	1,961	(4,946)	-	-	89,719	(87,462)
Net foreign exchange gains (losses)											30	(13)
Interest income											3,051	350
Amortisation of prepaid land lease payments											(667)	(711)
Finance costs											(104,917)	(63,710)
Share of profit of associates											446	3,935
Share of loss of joint ventures											(9,780)	(14,710)
Other net unallocated expenses											(37,485)	(18,043)
Loss before taxation from continuing operations											(59,603)	(180,364)

#### 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, net foreign exchange differences, interest income, amortisation of prepaid land lease payments, finance costs 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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
		(restated)
<b>Continuing operations</b>		
Interest income from banks	<b>3,051</b>	350
Reversal of impairment loss on trade receivables	<b>7,154</b>	–
Others	<b>2,404</b>	4,521
	<b>12,609</b>	4,871

## 6. FINANCE COSTS

	<b>Six months ended 30 September</b>	
	<b>2016 (unaudited) HK\$'000</b>	<b>2015 (unaudited) HK\$'000 (restated)</b>
<b>Continuing operations</b>		
Interest on bank borrowings	234,460	151,191
Interest on other borrowings	99,866	151,686
	<u>334,326</u>	<u>302,877</u>
Less: Amounts capitalised in properties under development	(229,409)	(239,167)
	<u>104,917</u>	<u>63,710</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 8.77% (2015: 7.96%) per annum.

## 7. TAXATION

	<b>Six months ended 30 September</b>	
	<b>2016 (unaudited) HK\$'000</b>	<b>2015 (unaudited) HK\$'000 (restated)</b>
<b>Continuing operations</b>		
Current tax:		
PRC Enterprise Income Tax ("EIT")	3,970	(21,505)
PRC Land Appreciation Tax ("LAT")	10,832	8,179
	<u>14,802</u>	<u>(13,326)</u>
Deferred tax (Note):	(1,533)	(12,893)
Total tax charge (credit) for the period	<u>13,269</u>	<u>(26,219)</u>

## 7. TAXATION (continued)

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

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

Under the Law of the PRC on EIT (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 and 2015 mainly resulted from the 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 2016, the Group entered into a disposal agreement to transfer 100% equity interests in Jingdian Construction Co., Ltd. ("Jingdian") to an independent third party at nil consideration and a debt in the amount of HK\$566,064,000 (equivalent to RMB471,673,000) due and owing by a wholly-owned subsidiary of the Company to Jingdian will be waived. The disposal was completed on 31 March 2016 upon the approval of the transaction by the shareholders in a special general meeting and the approval of the transfer of the equity interests by relevant government authority.

## 8. DISCONTINUED OPERATION (continued)

The loss 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 2015 HK\$'000
Revenue	29,748
Cost of sales	<u>(25,176)</u>
Gross profit	4,572
Other income	90
Expenses	<u>(41,878)</u>
Loss before taxation	(37,216)
Taxation	<u>(242)</u>
Loss for the period	<u>(37,458)</u>
<b>Loss for the period from discontinued operation included the following:</b>	
Finance costs	34,857
Staff costs	4,345
Operating lease charges in respect of land and buildings	<u>17</u>

During the six months ended 30 September 2015, the discontinued operation had a net cash of HK\$131,549,000 used in operating activities, a net cash of HK\$453,564,000 used in investing activities and a net cash of HK\$573,753,000 generated from financing activities.

## 9. LOSS FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
		(restated)
<b>Continuing operations</b>		
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	2,857	3,521
Less: Amounts capitalised in properties under development	<u>(83)</u>	<u>(287)</u>
	2,774	3,234
Amortisation of prepaid land lease payments	667	711
Net foreign exchange (gains) losses	(30)	13
Loss on disposal of property, plant and equipment	<u>66</u>	<u>1,325</u>

## 10. LOSS PER SHARE

## (a) Basic loss 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 2016 is based on the loss for the period attributable to owners of the Company of HK\$72,866,000 (2015: HK\$191,363,000) 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 2016 from continuing operations is based on the loss for the period attributable to owners of the Company from continuing operations of HK\$72,866,000 (2015(restated): HK\$153,905,000) and the denominator used is the same as that detailed above.

**10. LOSS PER SHARE** (continued)**(a) Basic loss per share** (continued)**(iii) From discontinued operation**

Basic loss per share attributable to owners of the Company for the six months ended 30 September 2015 from discontinued operation is HK0.89 cents per share, based on the loss for the period attributable to owners of the Company from discontinued operation of HK\$37,458,000 and the denominator used is the same as detailed above.

**(b) Diluted loss per share**

The calculation of diluted loss per share for the six months ended 30 September 2016 and 2015 did not assume the exercise of the Company's options as the exercise prices of the options were higher than the average market price of the Company's shares for the respective periods.

**11. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 September 2016, the Group acquired property, plant and equipment at a cost of HK\$1,311,000 (2015: HK\$11,543,000). In addition, during the period the Group disposed of certain property, plant and equipment with a carrying value of HK\$356,000 (2015: HK\$1,325,000).

**12. INVESTMENT PROPERTIES**

	<b>30 September 2016 (unaudited) HK\$'000</b>	31 March 2016 (audited) HK\$'000
Completed investment properties		
– at fair value	<b>4,054</b>	4,188
Investment property under construction		
– at cost	<b>208,137</b>	215,062
	<b>212,191</b>	219,250

## 12. INVESTMENT PROPERTIES (continued)

The fair values of the Group's completed investment properties at 30 September 2016 and 31 March 2016 have been estimated by the directors with reference to recent sale transactions of similar properties.

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:

	<b>30 September 2016 (unaudited) HK\$'000</b>	31 March 2016 (audited) HK\$'000
0 – 30 days	<u>–</u>	<u>2,040</u>

## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 September 2016 (unaudited) HK\$'000</b>	31 March 2016 (audited) HK\$'000
Other receivables (Note a)	<b>422,362</b>	490,648
Deposits for future acquisitions of land use rights (Note b and c)	<b>1,734,006</b>	1,846,833
Prepaid operating expenses and other deposits	<b>558,024</b>	630,722
Pledged deposits for other borrowing (Note d)	<b>116,148</b>	–
	<b><u>2,830,540</u></b>	<u>2,968,203</u>

## Notes:

- (a) Included in other receivables at 30 September 2016 is an amount of HK\$172,293,000 (31 March 2016: HK\$208,280,000) due from a buyer in respect of disposal of a property-based subsidiary in previous year. The amount is expected to be repaid within twelve months of the end of the reporting period.
- (b) The amounts represent deposit payments made for the acquisitions of land use rights in the PRC which will be developed for sale purpose. The deposits will be wholly refundable if the acquisitions are terminated subsequently.

Included in deposits for future acquisition of land use rights at 30 September 2016 is an amount of HK\$182,324,000 (31 March 2016: HK\$188,389,000) due from a local government of the PRC in respect of reclamation of land use right of an investment property in Shenyang being transferred from other receivables pursuant to the agreement entered with the local government during the year ended 31 March 2015.

- (c) On 14 April 2015, the Group entered into an agreement with independent third parties, in relation to the acquisition of 81% of the registered and paid up capital of Hengxiang Real Estate and its subsidiaries for an aggregate consideration of RMB602,700,000 (equivalent to approximately HK\$700,024,000) (the "Acquisition"). Deposits of RMB572,242,000 (equivalent to HK\$664,648,000) (31 March 2016: RMB572,242,000, equivalent to HK\$686,759,000) were paid to the independent third parties in respect of the Acquisition.
- (d) The pledged deposits for other borrowing of HK\$116,148,000 (31 March 2016: HK\$196,698,000 presented under non-current assets) represent deposits paid to a PRC trust company for secured long-term other borrowing. The deposits will be wholly refundable upon the expiry and repayment of the other borrowing within twelve months of the end of the reporting period and accordingly it is presented under current assets as at 30 September 2016.

## 15. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 3 August 2016, the Group entered into a disposal agreement with an independent third party, pursuant to which the Group conditionally agreed to transfer an aggregate of 70% equity interests in Tianjin Harmonious Realty Development Co., Limited ("Tianjin Harmonious") to the independent third party for a total consideration of RMB875,000,000 (equivalent to approximately HK\$1,029,400,000) (the "Disposal"). The Disposal was completed on 11 November 2016 upon the approval of the transaction by the shareholders of the Company in a special general meeting and by relevant government authority for the transfer of the 70% equity interests. Details of the transaction are set out in the circular issued by the Company on 30 September 2016.

Accordingly, the assets and liabilities attributable to Tianjin Harmonious have been stated as assets and liabilities classified as held for sale respectively in the condensed consolidated statement of financial position as at 30 September 2016.

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

	<b>30 September 2016 HK\$'000</b>
Property, plant and equipment	283
Property under development	5,110,665
Prepayments, deposits and other receivables	358,280
Amount due from a joint venture	290
Cash and bank balances	<u>59,601</u>
Assets classified as held for sale	<u>5,529,119</u>
Trade and other payables	330,708
Interest-bearing bank and other borrowings	<u>3,571,628</u>
Liabilities classified as held for sale	<u>3,902,336</u>

## 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:

	<b>30 September 2016 (unaudited) HK\$'000</b>	31 March 2016 (audited) HK\$'000
0 – 30 days	228,227	222,737
31 – 60 days	9,632	11,468
61 – 90 days	190,242	4,108
Over 90 days	<u>104,206</u>	<u>104,440</u>
	<u>532,307</u>	<u>342,753</u>

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 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
CURRENT		
Bank borrowings – secured	1,495,136	2,001,923
Other borrowings – secured	<u>1,858,369</u>	<u>1,308,131</u>
	<u>3,353,505</u>	<u>3,310,054</u>
NON-CURRENT		
Bank borrowings – secured	–	2,448,245
Other borrowings – secured	<u>348,444</u>	<u>1,859,226</u>
	<u>348,444</u>	<u>4,307,471</u>
	<u>3,701,949</u>	<u>7,617,525</u>
Analysed into:		
Bank borrowings repayable:		
Within one year	1,235,960	1,733,333
In the second year	–	915,854
In the third to fifth years inclusive	<u>–</u>	<u>1,532,391</u>
	<u>1,235,960</u>	<u>4,181,578</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>268,590</u>
	<u>1,495,136</u>	<u>4,450,168</u>
Other borrowings repayable:		
Within one year	1,858,369	1,308,131
In the second year	<u>348,444</u>	<u>1,859,226</u>
	<u>2,206,813</u>	<u>3,167,357</u>
	<u>3,701,949</u>	<u>7,617,525</u>

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

Notes:

- (a) The Group's other borrowings of HK\$,1,509,925,000 (31 March 2016: HK\$3,167,357,000) and HK\$696,888,000 (31 March 2016: nil) as at 30 September 2016 are borrowed from PRC trust companies and other licensed financial institutions respectively which carry interest ranging from 10% to 13% (31 March 2016: 13% to 14%) per annum and have repayment terms ranging from 12 months to 24 months (31 March 2016: 10 months to 36 months). They are secured by:
- (i) certain properties under development of the Group with an aggregate carrying value of HK\$2,563,801,000 (31 March 2016: HK\$976,753,000);
  - (ii) no completed properties for sale of the Group was pledged as at 30 September 2016 (31 March 2016: HK\$117,791,000);
  - (iii) certain deposits of the Group with an aggregate amount of approximately HK\$116,148,000 (31 March 2016: 196,698,000);
  - (iv) corporate guarantees from the Company and certain of its subsidiaries (31 March 2016: corporate guarantees from certain subsidiaries of the Company);
  - (v) the Group's 30% and 100% (31 March 2016: 100%) equity interests in one and two (31 March 2016: three) property-based subsidiaries respectively; and
  - (vi) the Group's 12% equity interests in a property-based entity which is carried as an available-for-sale investment in the condensed consolidated statement of financial position.
- (b) Certain of the Group's bank borrowings as at 30 September 2016 and 31 March 2016 are secured by:
- (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK\$195,129,000 (31 March 2016: HK\$201,620,000);
  - (ii) certain bank deposits of the Group with an aggregate amount of approximately HK\$254,364,000 (31 March 2016: HK\$370,758,000);
  - (iii) certain properties under development of the Group with an aggregate carrying value of approximately HK\$1,188,642,000 (31 March 2016: HK\$837,766,000);
  - (iv) certain completed properties for sale of the Group with an aggregate carrying value of HK\$58,277,000 (31 March 2016: HK\$60,216,000); and
  - (v) corporate guarantees from certain subsidiaries of the Company. (31 March 2016: 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 (which also approximate to contracted interest rates) of the Group's interest-bearing bank and other borrowings are as follows:

	30 September 2016		31 March 2016	
	Borrowings HK\$'000	Interest rate	Borrowings HK\$'000	Interest rate
Effective interest rate:				
Fixed-rate borrowings	<b>2,640,211</b>	<b>2.79 to 14%</b>	3,531,116	2.47% to 14%
Variable-rate borrowings	<b>1,061,738</b>	<b>2.55% to 7.2%</b>	4,086,409	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.

**18. SHARE CAPITAL**

	Number of ordinary shares	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 1 April 2015, 30 September 2015, 31 March 2016 and 30 September 2016	<b><u>7,000,000,000</u></b>	<b><u>700,000</u></b>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 1 April 2015, 30 September 2015, 31 March 2016 and 30 September 2016	<b><u>4,185,874,285</u></b>	<b><u>418,587</u></b>

## 19. CONTINGENT LIABILITIES

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

	<b>30 September 2016 (unaudited) HK\$'000</b>	31 March 2016 (audited) HK\$'000
Guarantees given to banks in connection with mortgage loans granted to property purchasers	<u>2,377,499</u>	<u>2,975,932</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 low default rates.

## 20. CAPITAL COMMITMENTS

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

	<b>30 September 2016 (unaudited) HK\$'000</b>	31 March 2016 (audited) HK\$'000
Contracted but not provided for: Acquisition of property-based subsidiaries	<u>35,376</u>	<u>36,553</u>

## 21. 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 related parties:

### Continuing operations

During the period ended 30 September 2016, the Group did not receive any project management service income (2015: HK\$543,000) from associates.

### Discontinued operation

During the period ended 30 September 2016, the Group did not receive any construction income (2015: HK\$29,205,000) from associates.

**21. RELATED PARTY TRANSACTIONS** (continued)

- (b) Outstanding balances with related parties:
- (i) The amount due from an associate of HK\$226,292,000 (31 March 2016: HK\$233,820,000) 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 interest in Suzhou New Investment Development Co., Ltd in previous year. The amount is unsecured and carries interest at PBOC interest rate. The amount is not expected to be repaid within twelve months of the end of the reporting period and accordingly it is presented under non-current assets as at 30 September 2016.
  - (ii) The amounts due from associates and joint ventures of HK\$876,553,000 (31 March 2016: HK\$895,822,000) are non-trade, unsecured, interest-free and repayable on demand.
  - (iii) The amount due from a joint venture of HK\$116,148,000 (31 March 2016: HK\$120,012,000) 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 interest in Beijing Huichao.
  - (iv) The amount due to a substantial shareholder of the Company represents amount due to Coastal International Holdings Limited ("CIH"), which holds 36.58% interests in the Company. The amount is unsecured, interest-free and repayable on demand.
  - (v) At 31 March 2016, an amount due to a close family member of an executive director of the Company HK\$10,000,000 has been included in other payables. The amount is unsecured, interest-free and repayable on demand. There is no such outstanding balance due at 30 September 2016.
- (c) Compensation of key management personnel of the Group who are the executive directors of the Company

	<b>Six months ended 30 September</b>	
	<b>2016</b>	2015
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Short term benefits	<b>5,432</b>	6,418
Post-employment benefits	<b>35</b>	51
<b>Total compensation paid to key management personnel</b>	<b>5,467</b>	6,469

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### *BUSINESS REVIEW*

For the first half of the financial year, the Group has recorded a revenue of HK\$782.3 million, an increase of about 180% as compared to the HK\$279.8 million for last corresponding period. The increase in the revenue for the period was attributable to more properties were completed and delivered to purchasers during the period.

Loss before taxation for the period was HK\$59.6 million, compared to a HK\$180.4 million loss before taxation for last corresponding period. Loss for the period attributable to owners of the Company was HK\$72.9 million, compared to a HK\$191.4 million loss attributable to owners of the Company for last corresponding period.

### **Property Development**

During the period under review, the recognised sales revenue from property development segment was HK\$766.8 million, representing an increase of about 181% from last corresponding period's HK\$272.9 million, which corresponds to an increase by 219% in the total gross floor area ("GFA") delivered by the Group of 100,960 sq.m. (2015: 31,660 sq.m.). The property sales revenue for the period mainly came from the sale of Phase VII of Wuhan Silo City which represented about 95% of the total property sales revenue. The remaining 5% was derived from sale of the remaining inventory in the prior phases of the Group's completed development projects.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### ***BUSINESS REVIEW*** (continued)

#### **Property Development** (continued)

For the period ended 30 September 2016, the Group recorded contracted sales in the amount of HK\$2,448 million (2015: HK\$2,193 million) which corresponds to a total GFA of about 202,000 sq.m. (2015: 199,000 sq.m.). Included in the amount was HK\$1,404 million (2015: HK\$1,565 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 97,000 sq.m. (2015: 121,000 sq.m.).

#### **Property Investment**

Revenue from property rental increased to HK\$2.6 million from HK\$0.9 million for last corresponding period. The increase was mainly due to the lease of certain retail shops in Phase VI of Wuhan Silo City during the period. The property investment segment for the period recorded a profit of HK\$1.9 million comparing to HK\$0.6 million for last corresponding period.

#### **Property Management**

The Group's property management operations recorded a profit of about HK\$5.2 million for the period as compared to HK\$6.0 million for last corresponding period. The Group is committed to providing integrated and value-added property management services to foster good relations with tenants and owners and strengthen its brand image.

#### **Project Management**

Revenue from project management increased to HK\$7.7 million from last corresponding period's HK\$17 thousand. The increase was due to recognition of 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 gain of about HK\$2.0 million comparing to a loss of HK\$4.9 million for last corresponding period.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### *BUSINESS REVIEW* (continued)

#### **Project Investment Services**

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

#### **Gross Profit Margin**

The gross profit margin for the current period was about 19% which was higher than the gross profit margin for last corresponding period's 6%. The increase was mainly due to a higher 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\$12.6 million as compared to HK\$4.9 million for last corresponding period. Other income for the period mainly represented the interest income from banks of HK\$3.1 million (2015: HK\$0.4 million) and a reversal of impairment on trade receivables of HK\$7.2 million (2015: nil).

#### **Marketing, Selling and Administrative Expenses**

Marketing and selling costs increased by about 16% to HK\$26.6 million from last corresponding period's HK\$23.0 million as a result of the increase in the Group's selling activities to promote its contracted sales.

Administrative expenses decreased by about 23% to HK\$73.9 million from last corresponding period's HK\$96.5 million as a result of the implementation of the cost control measures. The Group will continue to implement cost control measures so as to enhance its operational efficiency and competitive edges.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### ***BUSINESS REVIEW*** (continued)

#### **Other Expenses**

Other expenses for the period was HK\$3.5 million as compared to last corresponding period's HK\$7.1 million. Other expenses mainly comprised of a tax penalty of HK\$2.1 million (2015: HK\$4.9 million).

#### **Finance Costs**

During the period, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings) of HK\$334.3 million, representing an increase of about 10% as compared to HK\$302.9 million incurred for last corresponding period. The increase was mainly attributable to an increase in the average level of bank and other borrowings as compared to last corresponding period.

Interest expenses charged to profit or loss for the period were HK\$104.9 million as compared to last corresponding period's HK\$63.7 million. The increase was mainly due to increase in interest cost incurred and lesser amount of finance costs were capitalised as compared to last corresponding period.

#### **Corporate Brand**

Coastal Greenland, the corporate brand, had been ranked among the top ten most valuable Chinese real estate company brands for the thirteen consecutive years between 2004 and 2016 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".

**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 services supplemented by bank and other borrowings.

At 30 September 2016, the Group's cash and bank deposits amounted to approximately HK\$1,032 million (31 March 2016: HK\$824 million). An analysis by currency denomination of the cash and bank deposits is as follows:

	<b>30 September 2016 HK\$'000</b>	31 March 2016 HK\$'000
Renminbi	<b>1,026,037</b>	815,268
Hong Kong dollar	<b>3,070</b>	3,063
United States dollar	<b>3,108</b>	5,509
	<b><u>1,032,215</u></b>	<u>823,840</u>

At 30 September 2016, 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\$2,670 million (31 March 2016: HK\$6,794 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 96% to 68% from 164% as at 31 March 2016, which is mainly resulting from the reclassification of interest-bearing bank and other borrowings in the amount of HK\$3,571,628,000 to liabilities held for sale due to the subsequent disposal of 70% equity interests in a subsidiary. Details regarding the reclassification are set out in note 15 to the condensed consolidated financial statements for the six months ended 30 September 2016.

**MANAGEMENT DISCUSSION AND ANALYSIS** (continued)**FINANCIAL REVIEW** (continued)**Borrowings and Charges**

At 30 September 2016, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	<b>30 September 2016 HK\$'000</b>	31 March 2016 HK\$'000
Bank borrowings repayable:		
Within one year	<b>1,235,960</b>	1,733,333
In the second year	–	915,854
In the third to fifth years inclusive	–	1,532,391
Bank borrowings that is repayable within one year from the end of the reporting period and contain a repayment on demand clause	<b>259,176</b>	268,590
	<b>1,495,136</b>	4,450,168
Other borrowings repayable:		
Within one year	<b>1,858,369</b>	1,308,131
In the second year	<b>348,444</b>	1,859,226
	<b>2,206,813</b>	3,167,357
	<b>3,701,949</b>	7,617,525

**MANAGEMENT DISCUSSION AND ANALYSIS** (continued)**FINANCIAL REVIEW** (continued)**Borrowings and Charges** (continued)

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

	<b>30 September 2016 HK\$'000</b>	31 March 2016 HK\$'000
Renminbi	<b>3,368,293</b>	7,273,166
Hong Kong dollar	<b>158,606</b>	159,896
United States dollar	<b>175,050</b>	184,463
	<b><u>3,701,949</u></b>	<u>7,617,525</u>

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

- (a) Certain of the Group's bank and other borrowings as at 30 September 2016 were secured by:
- (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK\$195,129,000 (31 March 2016: HK\$201,620,000);
  - (ii) certain bank deposits of the Group with an aggregate amount of approximately HK\$254,364,000 (31 March 2016: HK\$370,758,000);
  - (iii) certain properties under development of the Group with an aggregate carrying value of approximately HK\$3,752,443,000 (31 March 2016: HK\$1,814,519,000);
  - (iv) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$58,277,000 (31 March 2016: HK\$178,007,000);

**MANAGEMENT DISCUSSION AND ANALYSIS** (continued)**FINANCIAL REVIEW** (continued)**Borrowings and Charges** (continued)

(a) (continued)

- (v) certain deposits of the Group with an aggregate amount of approximately HK\$116,148,000 (31 March 2016: HK\$196,698,000);
- (vi) corporate guarantees from the Company and certain of its subsidiaries;
- (vii) the Group's 30% and 100% (31 March 2016: 100%) equity interests in one and two (31 March 2016: three) property-based subsidiaries respectively; and
- (viii) the Group's 12% equity interests in a property-based entity which is carried as an available-for-sale investment in the condensed consolidated statement of financial position.

**Exposure to Fluctuations in Exchange Rates**

The Group's operations are principally in the PRC and accordingly a majority part of its income and expenditure is denominated in Renminbi. The exchange rates of Renminbi against Hong Kong dollar and United States dollar have been rather stable over the past years despite a slow depreciation in the recent period. Also the Group's operations will not be unduly expose to exchange rates fluctuations as all the major assets, mainly property development projects of the Group are located in the PRC and will generate Renminbi revenue to the Group. Except certain bank and other borrowings which are denominated in United States dollar or Hong Kong dollar which account for less than 10% of the Group's total borrowings, 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.

**MANAGEMENT DISCUSSION AND ANALYSIS** (continued)**FINANCIAL REVIEW** (continued)**Contingent Liabilities**

At 30 September 2016, the Group had given guarantees to the extent of approximately HK\$2,377 million (31 March 2016: HK\$2,976 million) to banks in respect of mortgage loan facilities granted to the property purchasers.

**EMPLOYEES AND REMUNERATION POLICY**

The Group employs a total of about 430 employees in the PRC 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**

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

The Group has a well established brand and seasoned experience in the property market. It will optimise its operations with its geographically well-distributed and diversified 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 2016, 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:

**DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES** (continued)**(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%
Mr. Cai Shaobin		49,701,000 (L) – (S)	–	1.19%
Mr. Xia Xianglong		992,000 (L) – (S)	–	0.02%

L: Long position

S: Short position

Note:

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

<b>Name of director</b>	<b>Number of shares held</b>	<b>Capacity and nature of interest</b>	<b>Percentage of the associated corporation's issued share capital</b>
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 2016, 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 (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			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 2016	Forfeited during the period	Outstanding and exercisable at 30 September 2016			
<b>Directors</b>						
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
Xia Xianglong	16,500,000	–	16,500,000	17 March 2014	17 April 2014 to 16 March 2019	0.345
Chen Xiaotian	2,000,000	(2,000,000)	–	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
<b>Other employees and participants</b>						
In aggregate	175,500,000	(33,000,000)	142,500,000	17 March 2014	17 April 2014 to 16 March 2019	0.345
	<u>279,000,000</u>	<u>(62,000,000)</u>	<u>217,000,000</u>			

**SHARE OPTION SCHEME** (continued)

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 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 2016, the Company had been notified of the following interests of 5% or more in the issued share capital of the Company:

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)	1,531,261,978 (L)	36.58%
		– (S)	
Shenzhen Investment Limited	Corporate	631,092,857 (L)	15.08%
		– (S)	

L: Long position

S: Short position

Note: 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 2016, 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 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 fast changing business environment and a more efficient management and implementation 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. One independent non-executive director was unable to attend the special general meeting of the Company held on 26 May 2016, three independent non-executive directors were unable to attend the special general meeting of the Company held on 19 October 2016 and one independent non-executive director was unable to attend the annual general meeting of the Company held on 12 September 2016 due to other important engagements. Two non-executive directors were unable to attend the annual general meeting and special general meetings of the Company held on 12 September 2016, 26 May 2016 and 19 October 2016 due to other important engagements.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the requirements as set out in the Model Code during the six months ended 30 September 2016.

## 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 2016.

## 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 2016.

By Order of the Board

**Jiang Ming**  
*Chairman*

Hong Kong, 25 November 2016