COASTAL 沿海

# COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 01124

Annual Report 2016/17

# STRIVING FOR INNOVATION

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# 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
Shun Tak Centre
200 Connaught Road Central
Hong Kong

## Principal Share Registrar

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

## Hong Kong Branch Share Registrar

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

## Investor Relations Contact

Tel: (852) 2877 9772
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## Executive Directors

Mr. JIANG Ming *(Chairman and Managing Director)*
Mr. TAO Lin
Mr. XIA Xianglong
Dr. LI Ting

## 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*

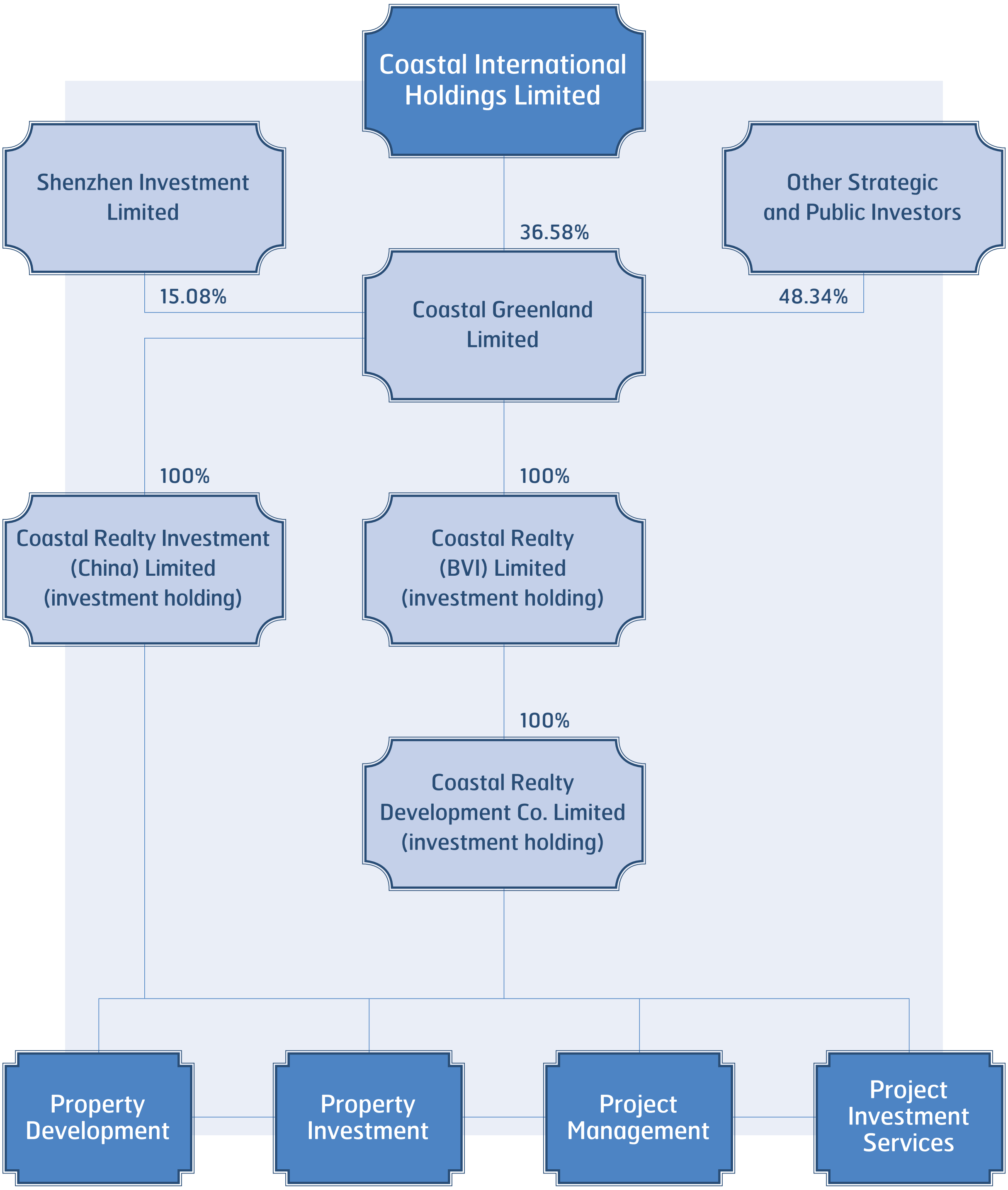
## Company Website

http://www.coastal.com.cn

## Stock Code

1124

# SHAREHOLDING STRUCTURE AND MAJOR OPERATIONS



# FINANCIAL HIGHLIGHTS

The following is a summary of the published consolidated results and of the assets and liabilities of Coastal Greenland Limited (the "Company") and its subsidiaries (the "Group") for the last five financial years, as extracted from the audited consolidated financial statements. Consolidated results for the years ended 31 March 2015 and 2016 have been restated to represent the construction business and property management business as discontinued operations respectively.

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | | (Restated) | (Restated) | | |
| Revenue | **1,131,348** | 775,043 | 2,141,477 | 2,780,503 | 3,717,094 |
| Profit (loss) before taxation | **900,577** | (570,088) | (362,736) | 34,017 | 404,163 |
| Profit (loss) for the year attributable to owners of the Company | **707,452** | (123,268) | (508,414) | 64,824 | 92,567 |
| Dividends | **–** | – | – | – | – |

## ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Total assets | **15,696,928** | 17,892,034 | 18,032,439 | 17,920,559 | 16,008,912 |
| Total liabilities | **(11,055,122)** | (13,755,905) | (13,595,873) | (12,967,486) | (11,503,906) |
| Total equity | **4,641,806** | 4,136,129 | 4,436,566 | 4,953,073 | 4,505,006 |
| Non-controlling interests | **193** | (2,114) | (4,781) | (19,580) | (80,036) |
| Equity attributable to owners of the Company | **4,641,999** | 4,134,015 | 4,431,785 | 4,933,493 | 4,424,970 |

# FINANCIAL HIGHLIGHTS

| | Year ended 31 March 2017 HK$'000 | 2016 HK$'000 (Restated) |
|---|---|---|
| **Revenue** | | |
| – Sale of properties | **1,063,757** | 773,872 |
| – Rental income | **3,021** | 1,154 |
| – Project management service income | **64,570** | 17 |
| Total | **1,131,348** | 775,043 |

| | Year ended 31 March 2017 HK$'000 | 2016 HK$'000 (Restated) |
|---|---|---|
| **Operating results by activity** | | |
| – Property development | **(483,949)** | (408,303) |
| – Property investment | **1,750** | (230) |
| – Project management | **47,581** | (14,826) |
| – Project investment services | **1,845,900** | 5,670 |
| | **1,411,282** | (417,689) |
| Amortisation of prepaid land lease payments | **(1,480)** | (1,393) |
| Finance costs | **(218,346)** | (126,814) |
| Gain on disposal of joint ventures | **–** | 998 |
| Impairment loss recognised on amounts due from associates | **(253,101)** | – |
| Interest income | **7,515** | 56,925 |
| Net foreign exchange losses | **(21,658)** | (28,032) |
| Share of (loss) profit of associates | **(10,961)** | 3,696 |
| Share of profit (loss) of joint ventures | **2,111** | (13,417) |
| Other net unallocated expense | **(14,785)** | (44,362) |
| Profit (loss) before taxation from continuing operations | **900,577** | (570,088) |

# CHAIRMAN'S STATEMENT

Shenyang Coastal International Centre

# CHAIRMAN'S STATEMENT

**On behalf of the board of directors (the "Board") of the Company, I am pleased to present to the shareholders the Group's financial results and operation report for the year ended 31 March 2017 as follows:**

**Jiang Ming**
*Chairman and Managing Director*

## Results and Dividend

For the financial year ended 31 March 2017, the Group has recorded a revenue of HK$1,131 million and a profit for the year attributable to owners of the Company of HK$707.5 million. Earnings per share for the year was HK16.90 cents.

The Board does not recommend the payment of any dividend for the year ended 31 March 2017.

## Business Overview

For the financial year ended 31 March 2017, the Group has recorded a revenue of HK$1,131 million, an increase of about 46% as compared to the HK$775 million for last year. The increase in the revenue for the year was attributable to more properties were completed and delivered to purchasers during the year.

Profit before taxation for the year was HK$900.6 million, compared to a HK$570.1 million loss before taxation for last year. Profit for the year attributable to owners of the Company was HK$707.5 million, compared to a HK$123.3 million loss attributable to owners of the Company for last year, which is mainly attributable to significant profits generated by the project investments services segment through disposal of property-based subsidiaries during the year.

For the year ended 31 March 2017, the Group recorded contracted sales in the amount of HK$3,744 million (2016: HK$3,841 million) which corresponds to a total gross floor area ("GFA") of about 298,000 sq.m. (2016: 348,000 sq.m.). Included in the amount was HK$2,411 million (2016: HK$2,751 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 162,000 sq.m. (2016: 213,000 sq.m.).

During the year ended 31 March 2017, the Group's major completed development projects were Phase VII of Wuhan Silo City, Chongqing Silo City, Wuhan Lingjiao Hu Project and Shenyang Coastal International Centre with a total GFA of approximately 533,000 sq.m. (2016: 160,000 sq.m.) of which 306,000 sq.m. (2016: 130,000 sq.m.) related to completed development projects in which the Group has 30% equity interests (2016: equity interests ranging from 12% to 20%) and of which the Group is the project manager.

## Outlook

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

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

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

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

## Appreciation

On behalf of the Board, I would like to express my gratitude to all business partners, customers, suppliers, bankers and shareholders of the Group for their continued support and trust over the years. I would also like to take this opportunity to extend my appreciation to my fellow directors and our staff for their diligence and contributions to the Group in the past year.

**Jiang Ming**
*Chairman and Managing Director*

Hong Kong
29 June 2017

Wuhan Silo City

# MANAGEMENT DISCUSSION AND ANALYSIS

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## Review of Operations

The Group's business strategy is to develop quality residential estates for the PRC upper to middle class domestic market. Despite of the PRC economy is facing the challenge of consolidation amidst uncertainties in the global market, the PRC government has emphasised its determination to maintain a stable and healthy real estate market signified that the government will formulate policies whenever needed to curb the risk of over investment in the real estate sector so as to prevent asset bubbles and uncontained financial market risks. As a usual practice, the Group will formulate its business strategy along the direction of the government policies.

Over the past years, the Group has allocated some more resources into its primary land development business of the property development segment. The Group is glad to see that after years of operations this business segment has started to contribute significant profits to the Group's operating results.

During the year under review, profit for the year attributable to owners of the Company was HK$707 million, representing a turnaround from last year's loss of about HK$123 million. Revenue of the Group amounted to HK$1,131 million, an increase of 46% from last year and with a gross profit margin of about 13% which marked an improvement from last year's gross loss of about 5%. Net debt to equity ratio has also significantly decreased by about 90% to 74% from 164% last year. Contracted sales for the year amounted to about HK$3,744 million, a slight decrease of 3% from last year. Key financial indicators including revenue, gross profit margin and net debt to total equity ratio have improved over the past year and the Group is stepping forward to a healthier financial position.

Going forward, the Group will continue to look for opportunities to participate in city redevelopment of old villages or old plants and factories so as to obtain quality land reserves at decent prices. With the Group's well established brand and seasoned experience in the PRC property market together with a robust real estate market outlook in the PRC, the Group is optimistic about the Group's business prospect in the years ahead.

## Review of Operations – Progress of Major Development Projects

A summary of the progress of the Group's major properties and development projects is set out below:

### *Anshan Greenland IT City*

Anshan Greenland IT City is a low density residential development with a total GFA of about 438,358 sq.m. located in Gaoxin District, Anshan, Liaoning Province. The Group owns 100% of the project. The development of the whole project was completed and delivered in July 2008 and October 2008, respectively. As of 31 March 2017, a remaining carpark area with a total GFA of 33 sq.m. in this project is held for sale.

### *Anshan Coastal Xintiandi Project*

The project is formerly known as Anshan Qianshan Road Project which was previously expected to be developed into a residential and commercial complex. The project was repositioned to a commercial development upon the approval by the Bureau of Land and Resources of Anshan City and Anshan Urban Planning Bureau in March 2017. The total site area and total GFA of the project are approximately 19,285 sq.m. and 28,943 sq.m. respectively. The Group owns 100% of the project. The construction has been commenced in the second quarter of 2017 and is expected to be completed in the third quarter of 2018.

### *Anshan Wisdom New City*

Anshan Wisdom New City with a total GFA of about 215,900 sq.m. is located at North Shengli Road, Lishan District, Anshan, Liaoning Province and had been developed into a residential estate by three phases. The Group owns 100% of the project. The construction of the project was completed in December 2012. As of 31 March 2017, a remaining GFA of 5,373 sq.m. is held for sale.

### *Beijing Bay Project*

The project is located in Chang Ping District, Beijing. The Group owns 40% of the equity interests in the project. The Group was appointed as the project manager of this project for provision of project management services. The project was planned to be developed into a residential estate by four phases. The GFA of phase I to Phase III is about 379,134 sq.m.. Prior to the acquisition, all units of Phase I with a total GFA of 35,200 sq.m. were sold.

## Review of Operations – Progress of Major Development Projects *(Continued)*

### *Beijing Bay Project (Continued)*

Phase II has a total GFA of about 77,000 sq.m.. Completion and delivery had taken place in October 2013. As of 31 March 2017, a remaining GFA of 13 sq.m. is held for sale.

Phase III has a total GFA of about 266,934 sq.m. and the construction has been commenced in September 2016. The construction is expected to be completed in December 2017. Pre-sale has been commenced in December 2016. As of 31 March 2017, about 12% of the GFA was pre-sold.

The development plan for Phases IV will be fixed as the development goes forward.

Beijing Bay Project

### *Beijing Jian Guo Men Wai Project*

Beijing Jian Guo Men Wai Project is located in Chaoyang District, close to the central business district in Beijing. It was planned to be developed as an office building with a total GFA of about 44,900 sq.m.. The Group has the free usage right of 65% of the GFA of the office building for 35 years starting from the completion of the development.

The Group is in the process of negotiating to dispose of its interests in the development to a third party.

### *Beijing Silo City*

Beijing Silo City is a large-scale, high quality residential and commercial development located in Chaoyang District, close to the central business district of Beijing. The development is a residential/commercial/leisure complex with a total GFA of about 862,700 sq.m. which had been completed by the Group in phases. The Group owns 100% of Beijing Silo City.

The construction of the whole project was completed in December 2013. As of 31 March 2017, retail shops with a total GFA of 3,252 sq.m. is held for sale.

## Review of Operations – Progress of Major Development Projects *(Continued)*

### *Chongqing Silo City*

Chongqing Silo City is located in Chongqing Beibei District. The Group owns 35% equity interests in the development which is to be developed into residential properties with a total GFA of 266,149 sq.m.. The construction of the project was completed and delivered in the forth quarter of 2016. As of 31 March 2017, a remaining GFA of 66,814 sq.m. is held for sale. The Group was appointed as the project manager of this project for provision of project management services.

Chongqing Silo City

### *Dalian Coastal International Centre*

Dalian Coastal International Centre is located in Shahekou District, Dalian, with a total GFA of about 379,800 sq.m. and is being developed into a residential/commercial complex. The development is being carried out in two phases with GFA of about 217,200 sq.m. and 162,600 sq.m. for Phase I and Phase II respectively. The Group owns 100% of the project.

Dalian Coastal International Centre

The construction of Phase I was completed and delivered in the first quarter of 2012. As of 31 March 2017, a remaining GFA of 11,987 sq.m. is held for sale.

In 2013, the Group had disposed of the Phase II of Dalian Coastal International Centre to an independent third party.

## Review of Operations – Progress of Major Development Projects *(Continued)*

### *Dalian Jianzhu Project*

The project is located in Ganjingzi District, Dalian, Liaoning Province which had been developed into a residential development with a total GFA of about 168,900 sq.m.. The Group owns 100% interest in the development. The project was completed and delivered in October 2013 and March 2014, receptivity. As of March 2017, a remaining GFA of 7,602 sq.m. is held for sale.

### *Dongguan Riviera Villa*

Dongguan Riviera Villa is an upscale low-density residential estate development located in the Dao Jiao Town of Dongguan. The Group owns 100% of the development. The project has a total GFA of about 384,300 sq.m. and the development is being carried out in phases.

Phase I to Phase IV, Phase VI and section A of Phase V have a total GFA of about 366,300 sq.m. These phases were completed and delivered by the third quarter of 2014. As of 31 March 2017, a remaining GFA of 304 sq.m. is held for sale.

The total GFA of section B of Phase V is about 18,000 sq.m., and its construction has been commenced in May 2015 which is expected to be completed in the second quarter of 2017. The pre-sale has been commenced in the second quarter of 2016. As of 31 March 2017, about 95% of the GFA was pre-sold.

Dongguan Riviera Villa

## Review of Operations – Progress of Major Development Projects *(Continued)*

### *Foshan Coastal Garden*

Foshan Coastal Garden is located in Chancheng District, Foshan City, Guangdong Province with a total GFA of about 179,100 sq.m.. The Group owns 20% equity interests in the development which is to be developed into residential properties. The construction was completed in the fourth quarter of 2014. As of 31 March 2017, a remaining GFA of 17,800 sq.m. is held for sale. The Group was appointed as the project manager of Foshan Coastal Garden for the provision of project management services.

Foshan Coastal Garden

### *Nanjing Nai Shan Project*

The Nanjing Nai Shan Project is a residential and commercial project located in Dong Gou Town, Liu He Nai Shan, Nanjing with a total site area of 239,774 sq.m. The Group owns 30% equity interests of the project. In June 2016, the Group entered into a sale and purchase agreement with an independent third party in respect of the disposal of the Group's 30% equity interests in the project. The disposal has been completed as at the date of this annual report subsequent to 31 March 2017.

### *Shanghai Shui Du South Crest*

Shanghai Shui Du South Crest is located in Qingpu District, Shanghai with a total GFA of about 322,360 sq.m.. The Group owns 12% of the equity interests in the development. The development is expected to be developed into a residential estate and is being carried out in phases. The Group was appointed as the project manager of the project for the provision of project management services.

Shanghai Shui Du South Crest

Phase I and Phase II with a total GFA of about 189,300 sq.m. were completed and delivered by September 2015 and December 2015, respectively. As of 31 March 2017, a remaining GFA of 12,068 sq.m. is held for sale. Phase III has a total GFA of about 133,060 sq.m.. The development plan for Phase III will be fixed as the development goes forward.

## Review of Operations – Progress of Major Development Projects *(Continued)*

### *Shenyang Silo City and Coastal International Centre*

The project is a mixed use development located in Hunnan New District, Shenyang, Liaoning Province with a total GFA of about 223,400 sq.m.. Among which, GFA of about 363,300 sq.m. is for residential development which is named as Shenyang Silo City and GFA of 187,100 sq.m. is for commercial development which is named as Shenyang Coastal International Centre. The Group owns 100% of the development.

Shenyang Coastal International Centre

The residential project was completed and delivered in June 2015. As of 31 March 2017, a remaining GFA of 328 sq.m. in the project in held for sale.

The construction of the commercial development, Shenyang Coastal International Centre, is being carried out in phases. Section A1 & A4 with a total GFA of about 39,044 sq.m. were completed and delivered in December 2016. As of 31 March 2017, a remaining GFA of 13,434 sq.m. is held for sale. The remaining Sections A2, A3 & A5 are expected to be completed in December 2017.

### *Shenyang Sujiatun Project*

Shenyang Sujiatun Project is located in Sujiatun District, Shenyang, Liaoning Province with a site area of about 1,473,000 sq.m.. The development a residential project with ancillary commercial area and has a planned GFA of about 1,914,900 sq.m.. The project is a mega development similar to the Group's Wuhan Silo City. The Group owns 100% of the project.

The Group is in the process of formulating the development plan for this project.

## Review of Operations – Progress of Major Development Projects *(Continued)*

### *Wuhan Taizi Hu Project*

The Wuhan Taizi Hu Project is a residential project located in Chaojiang Village, Hanyang District, Wuhan with a total site area of approximately 168,600 sq.m and an estimated developable total GFA of 598,179 sq.m.. The Group owns 40% of the project. In December 2016, the Group entered into a sale and purchase agreement with an independent third party in respect of the disposal of the Group's 40% interest in the project. Subject to the fulfillment of several conditions precedent, the disposal is expected to be completed in the next twelve months from the end of the reporting period.

### *Wuhan Silo City*

Wuhan Silo City is an upscale residential development conveniently located at north of Jinshan Avenue in Dongxihu District of Wuhan. The Group owns 100% of the development. This large-scale development has a total GFA of about 1,460,000 sq.m.. The development is being carried out in phases.


Wuhan Silo City

Phase I to Phase IV Section A and B of Phase V, Section B of Phase VI and residential Section of Phase VII have a total GFA of about 1,187,134 sq.m.. These phases were completed and delivered in or before June 2016. As of 31 March 2017, a remaining GFA of 126,367 sq.m. is held for sale.

The development plan for Section CD of Phase V with a GFA of 115,600 sq.m. will be fixed as the development goes forward; whereas the construction of Section B of Phase VI with a GFA of 232,465 sq.m. has been commenced in July 2014 and is expected to be completed in December 2017. The pre-sale has been commenced in June 2016. As of 31 March 2017, about 58% of the GFA was pre-sold.

* *for the purpose of chinese translation only*

## Review of Operations – Progress of Major Development Projects *(Continued)*

### *Wuhan Silo City (Continued)*

The hotel and shopping center of Phase VII have a total GFA of 28,081 sq.m.. In 2014, the Group entered into a sale and purchase agreement with two independent third parties in respect of the disposal of the hotel and shopping center of Phase VII respectively. The disposal of the hotel will be completed upon the completion of the development, while the agreement for the disposal of the shopping centre was subsequently cancelled in December 2015.

### *Wuhan Lingjiao Hu Project*

Wuhan Lingjiao Hu Project is located in the downtown area of Wuhan and is a commercial development comprising offices and serviced apartments with a total GFA of about 172,300 sq.m.. The Group owns 30% equity interests in the project. Completion and delivery had taken place in February 2017. As of 31 March 2017, a remaining GFA of 45,437 sq.m. in this project is held for sale.

The Group was appointed as the project manager of this project for provision of project management services.

Wuhan Lingjiao Hu Project

### *Schedule of Major Properties*

Please refer to the Schedule of Major Properties on pages 180 to 186 of this annual report for further information about the properties and development projects of the Group.

## Financial Review

### *Revenue*

The following table sets out an analysis of the Group's revenue together with the contribution to operating results by activity:

| | Year ended 31 March | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Revenue HK$'000 | Contribution to operating results HK$'000 | Revenue HK$'000 (Restated) | Contribution to operating results HK$'000 (Restated) |
| Property development | **1,063,757** | **(483,949)** | 773,872 | (408,303) |
| Property investment | **3,021** | **1,750** | 1,154 | (230) |
| Project management | **64,570** | **47,581** | 17 | (14,826) |
| Project investment services | **–** | **1,845,900** | – | 5,670 |
| Total | **1,131,348** | **1,411,282** | 775,043 | (417,689) |

The Group's revenue and results for the year are substantially derived from operations in the PRC.

### *Property Development*

During the year under review, the recognised sales revenue from property development segment was HK$1,063.8 million, representing an increase of about 37% from last year's HK$773.9 million, which corresponds to an increase by 45% in the total GFA delivered by the Group of 132,000 sq.m. (2016: 91,100 sq.m.). The property sales revenue for the year mainly came from the sale of Phase VII of Wuhan Silo City and Shenyang Coastal International Centre, which respectively represented about 74% and 14% of the total property sales revenue. The remaining 12% was derived from sale of the remaining inventory in the Group's development projects completed in prior years.

## Financial Review *(Continued)*

### *Property Development (Continued)*

For the year ended 31 March 2017, the Group recorded contracted sales in the amount of HK$3,744 million (2016: HK$3,841 million) which corresponds to a total GFA of about 298,000 sq.m. (2016: 348,000 sq.m.). Included in the amount was HK$2,411 million (2016: HK$2,751 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 162,000 sq.m. (2016: 213,000 sq.m.).

During the year ended 31 March 2017, the Group's major completed development projects were Phase VII of Wuhan Silo City, Chongqing Silo City, Wuhan Lingjiao Hu Project and Shenyang Coastal International Centre with a total GFA of approximately 533,000 sq.m. (2016: 160,000 sq.m.) of which 306,000 sq.m. (2016: 130,000 sq.m.) related to completed development projects in which the Group has 30% equity interests (2016: equity interests ranging from 12% to 20%) and of which the Group is the project manager.

### *Property Investment*

Revenue from property rental increased by about 150% to HK$3.0 million from last year's HK$1.2 million. The increase was mainly due to the lease of certain retail shops and car parking spaces in Phase VI of Wuhan Silo City during the year. The property investment segment for the year recorded a profit of HK$1.8 million comparing to a loss of HK$0.2 million for last year.

### *Project Management*

Revenue from project management increased to HK$64.6 million from last year's HK$17,000. The increase was due to recognition of more project management revenue in respect of which the value of contract work completed has been confirmed during the year. The project management segment for the year recorded a profit of HK$47.6 million comparing to a loss of HK$14.8 million for last year.

### *Project Investment Services*

During the year, the Group generated a profit of about HK$1,845.9 million as compared to HK$5.7 million for last year from the operations of this segment. The significant increase in the profit was due to a sale during the year of a property development interest through a disposal of 70% equity interests in a subsidiary owning the primary land development project.

### *Gross (Loss) Profit Margin*

The gross profit margin for the year was about 13% which was in contrast to a gross loss margin of about 5% for last year. The improvement was mainly due to a far lower average construction cost level attained by the Group for the year despite a challenging lower average selling price level for the Group's sale occurred for the year as compared to last year.

## Financial Review *(Continued)*

### *Other Income and Gains*

Other income and gains for the year was HK$47.3 million as compared to HK$71.1 million for last year. Other income for the year mainly represented the profit distribution from an available-for-sale investment of HK$21.0 million (2016: nil), bank interest income of HK$7.5 million (2016: HK$44.0 million), gain on disposal of property, plant and equipment of HK$3.5 million (2016: HK$9.0 million) and reversal of impairment loss recognised on trade receivables of HK$8.9 million (2016: nil). Included in last year's other income and gains were mainly other interest income of HK$12.9 million and gain on disposal of joint ventures of HK$1.0 million.

### *Marketing, Selling and Administrative Expenses*

Marketing and selling costs increased by about 9% to HK$58.7 million from last year's HK$54.1 million as a result of the Group's increased level of selling activities for promoting its sales.

Administrative expenses for the year were HK$202.9 million as compared to last year's HK$207.2 million. The Group will continue to implement cost control measures so as to enhance its operational efficiency and competitive edges.

### *Other Expenses*

Other expenses for the year was HK$653.1 million as compared to last year's HK$206.5 million. Other expenses mainly represented the impairment loss recognised on amounts due from associates of HK$253.1 million (2016: nil), impairment loss recognised on trade receivables of HK$3.8 million (2016: HK$18 million) and impairment loss recognised on prepayments, deposits and other receivables of HK$357.9 million (2016: HK$179.4 million) in relation to property development project acquisitions.

### *Finance Costs*

During the year, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings) of HK$453.3 million, representing a decrease of about 28% as compared to the HK$626.6 million incurred for last year. The decrease was mainly attributable to a decrease in the average outstanding balance of bank and other borrowings as compared to last year.

Interest expenses charged to profit or loss for the year was HK$218.3 million as compared to last year's HK$126.8 million. The increase was mainly due to lesser amount of finance costs were capitalised as compared to last year.

## Financial Review *(Continued)*

### *Liquidity, Financial Resources and Capital Structure*

The capital structure of the Group consists of debts which include bank and other borrowings as disclosed in note 31 to the consolidated financial statements and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Group's principal source of fund is the cashflow generated from property sales and leasings, provision of project management and project investment services supplemented by bank and other borrowings. The Directors review the capital structure periodically. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

At 31 March 2017, the Group's cash and bank deposits amounted to approximately HK$1,355 million (2016: HK$824 million). An analysis by currency denomination of the cash and bank deposits is as follows:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Renminbi | **1,342,864** | 815,268 |
| Hong Kong dollar | **5,398** | 3,063 |
| United States dollar | **6,730** | 5,509 |
| | **1,354,992** | 823,840 |

### *Net Debt to Equity Ratio and Interest Coverage Ratio*

At 31 March 2017, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to about HK$3,452 million (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 90% to 74% from 164% last year which is mainly resulting from the diminution of interest-bearing bank and other borrowings in the amount of HK$3,461 million carried by a subsidiary which was disposed of during the year.

Profit before interest, taxation, depreciation and amortisation was about HK$1,222.5 million comparing to last year's HK$6.0 million on the same basis. Profit before interest, taxation, depreciation, amortisation and the non-cash items in respect of fair value change of investment properties had a coverage of 2.7 times (2016: 0.01 times) over the interest costs for the financial year of HK$453 million (2016: HK$627 million).

## Financial Review *(Continued)*

### *Borrowings and Charges*

At 31 March 2017, the level of bank and other borrowings of the Group and their maturity profile are as follows:

| | **2017** **HK$'000** | 2016 HK$'000 |
|---|---|---|
| Bank borrowings repayable: | | |
| Within one year | **412,398** | 1,733,333 |
| In the second year | **574,460** | 915,854 |
| In the third to fifth years inclusive | **11,264** | 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 | **259,176** | 268,590 |
| | **1,257,298** | 4,450,168 |
| Other borrowings repayable: | | |
| Within one year | **1,745,908** | 1,308,131 |
| In the second year | **–** | 1,859,226 |
| In the third to fifth years inclusive | **1,803,354** | – |
| | **3,549,262** | 3,167,357 |
| | **4,806,560** | 7,617,525 |

## Financial Review *(Continued)*

### *Borrowings and Charges (Continued)*

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

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Renminbi | **4,472,905** | 7,273,166 |
| Hong Kong dollar | **158,605** | 159,896 |
| United States dollar | **175,050** | 184,463 |
| | **4,806,560** | 7,617,525 |

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

(b) Certain of the Group's bank and other borrowings as at 31 March 2017 were secured by:

(i) certain land and buildings of the Group with an aggregate carrying value of approximately HK$189 million (2016: HK$202 million);

(ii) certain bank deposits of the Group with an aggregate amount of approximately HK$261 million (2016: HK$371 million);

(iii) certain properties under development of the Group with an aggregate carrying value of approximately HK$3,623 million (2016: HK$1,815 million);

(iv) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK$90 million (2016: HK$178 million);

(v) certain deposits of the Group with an aggregate carrying value of HK$197 million as at 31 March 2016;

## Financial Review *(Continued)*

### *Borrowings and Charges (Continued)*

(b) Certain of the Group's bank and other borrowings as at 31 March 2017 were secured by: *(Continued)*

(vi) corporate guarantees from the Company and certain of its subsidiaries;

(vii) the Group's 70% and 100% (2016: 100%) equity interests respectively in two (2016: three) properties based subsidiaries;

(viii) the Group's 30% (2016: nil) equity interests in an associate; and

(ix) the Group's 12% (2016: nil) equity interests in a property-based entity which is carried as an available-for-sale investment in the 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 quite stable over the past years despite a slow depreciation in the recent period. Also the Group's operations will not be unduly exposed to exchange rates fluctuations as all the major assets, mainly property development projects of the Group are located in the PRC and will generate Renminbi revenue to the Group. Except certain bank and other borrowings which are denominated in United States dollar or Hong Kong dollar which account for less than 10% of the Group's total borrowings, most of the Group's liabilities are denominated in Renminbi. Therefore, the directors of the company (the "Director") do not foresee that movement in the exchange rates of foreign currencies against Renminbi in the foreseeable future will cause a material adverse impact on the Group's operations.

### *Contingent Liabilities*

At 31 March 2017, the Group had given guarantees to the extent of approximately HK$2,828 million (2016: HK$2,976 million) to banks in respect of mortgage loan facilities granted to the property purchasers.

### *Capital Commitment*

At 31 March 2017, the Group had capital commitment of HK$34,308,000 (2016: HK$36,553,000) in relation to the acquisition of property-based subsidiaries which has been contracted but not provided for.

## Financial Review *(Continued)*

### *Material Acquisitions and Disposal*

(a) 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"), a wholly-owned subsidiary of the Company engaged in property development with a primary land development project as its major asset, to the independent third party for a total consideration of RMB875,000,000 (equivalent to approximately HK$1,029,400,000). The disposal was completed during the year ended 31 March 2017 and Tianjin Harmonious has become an associate of the Company upon the completion of the disposal.

(b) On 16 December 2016, the Group entered into a disposal agreement with independent third parties, pursuant to which the Group conditionally agreed to sell and the independent third party conditionally agreed to purchase the entire equity interests in Kunshan Fuzhi Dingxin Equity Investment Enterprise ("Kunshan Fuzhi"), a wholly-owned subsidiary of the Company holding 97.63% equity interests in a PRC property-based company, at a maximum total consideration of RMB3,589,100,000 (equivalent to approximately HK$4,042,735,000). Subject to the fulfillment of several conditions precedent, the disposal is expected to be completed in the next twelve months from the end of the reporting period and the Group will cease to have control over Kunshan Fuzhi upon the completion of the disposal.

Save for the aforementioned, the Group did not undertake any significant acquisitions or any other significant disposal of subsidiaries during the year ended 31 March 2017.

### *Events After the Reporting Period*

(a) On 12 April 2017, the Group has completed all the relevant approval procedures to acquire 81% equity interests in Hengxiang Real Estate Development Company Limited ("Hengxiang Real Estate"). Hongxiang Real Estate is a company engaged in property development with its development project located in the southeastern of Heilongjiang province, the PRC. Upon completion of the acquisition, the Group has the power to appoint four out of five directors in the board of Hengxiang Real Estate and has obtained the control of it. Taking into account the existing 4% equity interests held, the Group has a total of 85% equity interests in Hengxiang Real Estate and thus classified as a subsidiary of the Company upon completion.

(b) On 25 April 2017, the proposed disposal of Kunshan Fuzhi has been approved by shareholders in a special general meeting. However, several conditions precedent have yet to be fulfilled. The proposed disposal of Kunshan Fuzhi has not completed as at the date of this annual report.

(c) On 22 June 2017, the Group entered into a disposal agreement with an independent third party, pursuant to which the Group agreed to sell and the independent third party agreed to purchase 80% equity interests in Guangzhou Haicong Real Estate Company Limited ("Guangzhou Haicong") at total consideration of RMB80 million. Guangzhou Haicong is a wholly-owned subsidiary of the Company which has agreed to obtain certain development rights (details of which are yet to be finalised and approved by the interested parties and relevant government authorities) of a redevelopment project in Guangzhou under a framework agreement. Guangzhou Haicong will become an associate of the Company upon the completion of the disposal.

## Financial Review *(Continued)*

### *Events After the Reporting Period (Continued)*

Save for the aforementioned, there was no other plan authorised by the Board for any material acquisition or disposal as at the date of this report.

## Employees and Remuneration Policy

At 31 March 2017, the Group had about 210 employees (2016: about 900 employees) in the PRC and Hong Kong. Significant drop in the number of employees was owing to the disposal of the property management business during the year. The related employees' cost (including the Directors' remuneration) for the year ended 31 March 2017 amounted to approximately HK$76 million (2016: HK$85 million). Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage, housing allowances and share options.

## Compliance with the Relevant Laws and Regulations

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## Relationship with Employees, Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 March 2017, there were no significant dispute between the Group and its employees, customers and suppliers.

## Environmental Polices and Performance

The Group encourages environmental protection and adopts measures to promote environmental awareness of its employees. The Group implements green office practices by encouraging employees to make use of e-statements or scanning copies, double-sided printing and copying and setting up of recycle boxes for reducing and disposing of waste. The Group also reduces green-house emissions by switching off idle lightings and other office equipments after normal working hours. The Group regularly review its environmental practices for further improvements.

## Dividend

The Board does do not recommend the payment of any dividend for the year ended 31 March 2017 (2016: nil).

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group embraces a simple but powerful corporate philosophy of "creating excellence for customers", which extends beyond our core industry role of delivering high quality dwellings. The Group believes that being excellent implies fully meeting environmental and social needs, as well as maintaining an internal corporate culture which emphasises on loyalty, commitment and full opportunities for personal development. Since its inception, the Group has engaged in its business initiatives in areas such as providing green living services, and promoted and supported a wellness lifestyle through development, advocating green and healthy living society.

This Environmental, Social and Governance ("ESG") report elaborates various aspects of the Group's philosophy and corporate behaviour focusing on ESG development and achievements over the past fiscal year. The first part lays out the initiatives of the Group adopted to maintain a happy, healthy and motivated workforce which is our underpinning to excel. The second part focuses on our environmental contribution in terms of green philosophy and green implementations taken in our property development projects. The final section addresses other community contributions, including measures of fostering harmonious communities in our development projects and promoting society improvement.

## Building a positive and fulfilling workplace environment

In 2014, the Group was in full compliance with all relevant national and local regulations governing employment practices and responsibilities. We ensure compliance with a series of internal policies and systems that it has developed, including a "Daily Employee Management System"（員工日常管理制度）which maintains full and detailed records of all employees and work performed, and a comprehensive "Employee Annual Leave Management System"（員工年休假管理制度）.

As at 31 March 2017, the Group employed a total of 210 staff whom were stationed in various locations in which the Group operates, namely Beijing, Shenyang, Dalian, Anshan, Wuhan, Chongqing, Shanghai, Tianjin, Dongguan, Foshan, Shenzhen, Zhuhai and Hong Kong. Staff ages ranged from 18 to 60, with 128 males and 82 females. Staff turnover rate was about 49%, which was higher than the industry average level. The reason for such a high turnover rate is owing to the termination of employment of staff mainly in the property management segment (safeguards, cleaners and etc.) upon the disposal of a property management company in the Group.

Based on the figures stated above, the male to female ratio within the Group is around 61:39. A higher proportion of male employees, which is mainly due to more male staff are engaged in providing on-site project management services of the Group, and is in line with the market practice. The Group is continuously working on improving to a more balanced gender ratio representation for those subsidiaries that have a heavier weighting of male employees, such as using new technology to reduce physical labour demand of certain jobs duties so as to allow a wider range of suitable candidates.

The Group values its employees and remunerates them fairly and adequately, conforming to PRC labour law and other relevant legislation. In the determination of wages and salaries for different employees, the Group takes into account such factors as the seniority, relevant experience, performance appraisals, education level and professional qualifications of the employees, as well as the nature of the work and job duties. These decisions are made in line with industry norms and adjusted according to local conditions and practice.

To maintain amicable working relationship and to ensure of efficient and effective resolutions being applied to employee related issues that may arise, the Group has developed and adopted a set of "Employee Relations Management Measures"（員工關係管理辦法）which provides an effective two-way communication guidelines between the management and the staff, and lays out clear procedures for handling staff grievances. In addition, a special mailbox has been set up for employees to express their opinions or concerns about the Group's operations directly to the management. Such written communications are supplemented by quarterly internal round-table management/staff conferences, in which the concerns and recommendations of the staff are carefully listened and considered by the management.

The Group awares that a good way of keeping its staff motivated and happy is providing them with opportunities for healthy exercise, sports and leisure activities outside working hours. Thus, the Group sets aside funds for sponsoring a number of staff committees for sports activities such as basketball, swimming, badminton and yoga, and also provides amenity area and sports equipments and facilities such as treadmills, cycle machines, etc. for sports and leisure activities. From time to time, the Group also organises leisure tours for staff.

Health and other benefits offered to employees as incentives include traffic accident insurance, annual medical check-ups, meal allowances, holiday benefits and long service payments. The Group has always been committed to providing its employees with happiness and general welfare, being evidenced by the "China's Best Employer 2007-08"（2007-2008年最佳僱主）award.

Sightseeing activities for the Beijing Office

Spring tour for the Chongqing Office

## Protecting employees

The Group strictly complies with the health and safety regulations governing the industry, and maintains a strong safety record. The Group has put in place its own "Safety Culture Management Practice Guidelines"（安全文明管理作業指引）, a set of comprehensive safety guidelines and procedures applying to every aspect of its operating activities. These guidelines are included in the training programs for new employees, and are regularly reviewed with the existing employees through on the job training and intranet postings.

The Group has its own Safety Culture Management Division（安全文明管理部門）, which is responsible for promulgating and checking the implementation of the guidelines. The division also organises regular trainings in areas such as fire-fighting and fire drills, security, emergency plans, and operation procedures.

The Group believes that maintaining strong health state of its employees is to the best benefit of the Group as well as its staff members, and thus the Group provides its employees with free annual medical check-ups.

## Opening doors to personal development

Believing that the best staff members are those who are committed to serving to the best interests of the Company and are willing to enrich their knowledge and skills continually, the Group has developed staff training systems designed to achieve these goals, including a "Training Management System"（培訓管理制度）and a "Staff Career Development Management System"（員工職業發展體系管理制度）. Opportunities for skills enhancement and training are widely publicized through company newsletters and online notifications.

Three special training schemes run annually for different levels of management staff. The Golden Eagle Scheme（金鷹計劃系列培訓）delivers a series of training sessions for all senior management personnel, focusing on strategy, marketing and operations management to improve organisational efficiency, and leadership enhancement skills. The Group's Mighty Eagle Scheme（雄鷹計劃系列培訓）offers a series of training sessions for all middle-level management personnel, for enhancing their integrated management skills. The Young Eagle Scheme（雛鷹計劃系列培訓）is structured to train budding middle managers, school recruits and other junior-level personnel through training programs focusing on occupational thinking, upgrading of professional skills, and strengthening of corporate culture.

## In tune with the environment

The Group's development philosophy is built around the concepts of sustainability, green living, and environmental friendly. Environmental impact caused by its activities is particularly being considered in its decision-making process, and the Group has constantly valued innovating measures enhancing environmental harmony. As a starting point, the Group ensures it is in strict and full compliance with the relevant laws and regulations regarding environmental protection in the jurisdictions where it operates.

The Company was one of the first Hong Kong enterprises tapping into the Mainland real estate market, and it has pioneered an innovative "healthy residence"（健康住宅）concept which has been developed and fine tuned to adapt with the changing environment. In 2004, the Group was a prime mover in the establishment of the first nationwide strategic alliance on "healthy residence"（健康住宅）with the China National Engineering Research Center For Human Settlements（國家住宅中心）. In 2013, the Group developed a detailed 10-year plan of green living concepts for its developments, in respect of which the Group published a manual of "Coastal Healthy Residence Evaluation Standards"（沿海健康住宅評價標準）.

The "Coastal Healthy Residence Evaluation Standards"（沿海健康住宅評價標準）comprises ten categories of indicators. These are (1) community planning and spatial organisation, (2) green facilities and environmental protection, (3) outdoor ecological protection and landscape, (4) living quality and comfort, (5) architectural energy efficiency and low carbon, (6) water resources protection and energy conservation, (7) materials conservation and environmental protection, (8) green construction and management, (9) green interior design and health, and (10) property management and community culture.

The "Coastal Healthy Residence Evaluation Standards"（沿海健康住宅評價標準）are used to determine the standards required for the Group's various products. To ensure these standards are met, the Group has also developed four core "Coastal Healthy Residence Technology Systems"（沿海健康住宅技術體系）designed to cover all its operations. The four core systems are the Healthy Community Products System（社區綠色產品體系）, the Healthy Living Technologies System（居住健康技術體系）, the Healthy Community Activities System（社區健康活動體系）, and the Exquisite Amenities Application System（精裝配套應用體系）. These four major systems are composed of 20 sub-systems, 10 core technologies and 60 application technologies. Supporting tools include "Coastal Healthy Residence Technology Database"（沿海健康住宅技術數據庫）, and "Green Calculator for the Healthy Residences of Coastal Greenland Group"（沿海綠色家園集團住宅綠色計算器）.

A green living area of the Shanghai Shui Du South Crest development project

A Coastal's Healthy Residence development project – Dongguan Riviera Villa

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The core elements of this ambitious set of "Coastal Healthy Residence Technology Systems"（沿海健康住宅技術體系）, which are being built into the Group's current and future developments, are set out in the table below.

| | Structure of Coastal Healthy Residence Technology Systems | | | |
|---|---|---|---|---|
| **Four core systems** | **Healthy Community Products System** | **Healthy Community Activities System** | **Healthy Living Technologies System** | **Exquisite Amenities Application System** |
| 20 sub-systems and 10 core technologies | 1. Basement lighting control and intelligent management<br>2. Sewage treatment and water reuse technology<br>3. Environmental pollution prevention, control and warning technology, etc. | 1. Community healthcare service<br>2. Fitness environment control, etc. | 1. Fresh air system<br>2. Water supply technology<br>3. Floor and wall acoustic technology, etc. | 1. Non-return valve<br>2. Intelligent home, etc. |
| 60 application technologies | Technology for the prevention and treatment of rats, bedbugs, flies and mosquitoes; three-dimensional wall and roof greening, ecological water treatment, plant air purification technology, etc. | Residential health insurance, environmental health control, nurture environment building, community environmental art, communication space and community cultural activities, etc. | Solar hot water, same-floor drainage, external shading, household centralised air-conditioning (constant temperature, humidity and oxygen), etc. | Environmental friendly construction materials, centralised dust absorption, water conservation instruments, indoor pest prevention and treatment, air quality monitoring, energy efficient lighting, overall kitchen, overall bathroom, etc. |

"Healthy residence" is a self-developed concept of the Group. The Group is also committed to integrating its self-developed healthy residence standards with the national and international green standards, including the national green building system. Highlights of our efforts and accomplishments in this regard are as follows. In 2005, the Group was one of the first Chinese real estate enterprises to join the U.S. Green Building Council (美國綠建築協會), while the Group's Beijing Silo City project was the first project in China to apply the Leadership in Energy and Environmental Design for Neighbourhood Development Certification (領先能源與環境設計認證). In 2010, the Group's Wuhan Silo City project was named a "model community for global human settlements" by the Friends of the United Nations. Its "ground source heat pump air-conditioning system application" (土壤源熱泵空調系統應用) was recognised as "Wuhan's model project for architectural renewable energy application" (武漢市可再生能源建築應用示範項目) in 2011 and Phase V of Wuhan Silo City received the "Two-star Green Building Design Label Certificate" (二星級綠色建築設計標識證書) from the Ministry of Housing and Urban-Rural Development (國家住建部) in 2012. In 2013, the Group's Chongqing Silo City was awarded the "Chongqing Golden Green Building Design Label Certificate" (重慶金級綠色建築設計標識證書), and achieved the "National Two-star Green Building Design Label Certificate" (國家二星級綠色建築設計標識證書) issued by the Ministry of Housing and Urban-Rural Development (國家住建部), thus becoming Chongqing's first golden green healthy residence project and national two-star building label project.

The Group has gained much positive media coverage for its efforts in healthy and environmental friendly housing development. External certification and recognition is not the only indication of the Group's commitment to green living concept. According to the surveys conducted by the potential buyers of the Group, the Group's green and healthy residence concept is one of the prime factors in purchasers' decisions to purchase.

The Group will constantly uphold its commitment in green and healthy residence concept. The Group is stepping up its efforts to develop new and better healthy residence technologies, and is looking for international collaboration that will enable the Group to promote the wellness concept and to engage in further studies on green and healthy living.

## Maintaining overall customer satisfaction

In order to ensure a close awareness of customers' needs and an effective and efficient management system of customer service, the Group has established a set of strict management and controlling standards for improving the experiences of customers of real estate industry, covering product planning, design management, construction management as well as sales and after sales services. These standards are established, adhering to the core philosophy of "creating excellence together with customers", to provide customers with quality products and services. For customer service management, the Group integrates customer requests with information reception, task assignment, task tracking and monitoring, customer satisfaction analysis and other customer service management by virtue of professional service system. After years of operation, the system has achieved an ideal combination of online and offline services.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Building communities, supporting society

One of the Group's core initiatives is to create a harmonious, sustainable and healthy community. Therefore, the Group seeks to build strong links not only within the communities of its developments, but also works towards to extending its presence in other cities in China.

The primary focus of the Group is on the health and welfare of the local communities. The Group believes that a healthy and supportive local community is of vital importance for maintaining a stable and prosperous society.

By fully utilising the capabilities of the Group's customer services and property management services provided to each development project, the Group has established a smooth and efficient communication mechanism to communicate with residents in communities, through which the Group is able to gain a thorough understanding of their daily needs and expectations. On that basis, the Group proactively devises community public services and maintains a good community partnership with them.

The Group responds positively to the national strategy on addressing the housing needs of low-income group and contributes to the development of harmonious society. Over the past years, the Group has participated in the establishment of local housing security system during the development of its projects in cities such as Beijing and Anshan. For example, in order to resolve the housing problems faced by the families in Haidian District, Beijing, the Group undertook the construction of Beijing Bay Project, a commodity housing project with price preset ceiling which is located in Changping District, Beijing. The purchase application of such project with 3,106 units of price-fixed housing has opened up for eligible families in the district. In addition, as the public rental housing and owner-occupied housing special allocation pilot under Beijing Municipal Housing Construction Committee, the Beijing Bay project has allocated no less than 30% of the housing, which amounted to approximately 780 houses, for those eligible residents without Beijing Hukou or a house in Beijing.

Each of the Group's project service offices organises community cultural events and activities on a quarterly basis in the residential community projects under its management. The establishment of the "Sunset Red Art Group"（夕陽紅藝術團）at the Group's Beijing Silo City sets a good example of this kind of initiative. The "Sunset Red Art Group"（夕陽紅藝術團）, established in 2008, is an arts and cultural performance group being composed primarily of middle-aged and elderly residents which has had a powerful positive impact on community cultural life over the years. To support these talented senior artists, the Group has provided not only rehearsal venues and performance platforms but also costumes to help them to expand the scale in terms of roles and scope of performances.

The management team in each development project is also encouraged to take initiatives to enhance community life for its local residents. For instance, each project was provided with resources to the residents in the community to participate in the Chinese traditional festivals celebrating events, which provided a platform for property owners in the community to showcase their talent. Property owners conferences were also held for each project in order to help the property management team and residents to better understand each other so as to improve the service quality of the property management team and foster a sense of belonging among the residents.

The Group has built-in social responsibility into the core value of its operations since its inception. Over the past 26 years, the Group has contributed funds to many social welfare programmes, and donated tens of million dollars to charity organisations. Furthermore, the Group has made significant donations and sponsorships to different bodies and programme organisers such as the China Youth Development Foundation（中國青少年發展基金）, Beijing's Peace and Development Foundation（北京和平發展基金）, the teachers' training programme of the Coastal Mental Health Seed Fund for Schools in Western China（沿海西部學校心理種子基金）, the "Tsinghua University Scholarship"（清華大學勵學金）project, and the "Water Cellar for Mothers"（母親水窖）project of China Women's Development Foundation（中國婦女發展基金）. Further information about these donations and sponsorships are set out in the following paragraph:

In September 2014, the Group donated certain audio-visual equipments, children's books, household products, sports equipments and other materials to the Qiliping Town Center School in Hongan County in Hubei Province（湖北省紅安縣七里坪鎮中心校）. In May 2014, the Group made a sponsorship donation of HK$3 million to the 2014 Hong Kong Youth Music Festival (YMF) (2014香港青年音樂節), aimed at promoting cross-strait Asian youth cultural exchanges. In 2013, through the "Emergency Student Relief Action of Hope Project"（希望工程緊急救災助學行動）of the China Youth Development Foundation（中國青少年發展基金）, the Group donated RMB500,000 to 500 needy students in the Ya'an（雅安）disaster area to help them resume their studies. In 2010, the Group sponsored Beijing's Peace and Development Foundation（北京和平發展基金）in its initiatives for peace and development in China, which included teachers' trainings in Sichuan and Xinjiang, and contributions to local work on children's mental health. In 2009, the Group set up the "Coastal Mental Health Seed Fund for Schools in Western China"（沿海西部學校心理種子基金）to assist the associated teachers' training programme. In 2008, Coastal donated RMB2.5 million to the "Tsinghua University Scholarship" project to establish the "Coastal-Tsinghua University Scholarship Fund", for poor students. For the May 12 Earthquake (5.12地震) in 2008, the Group donated RMB1.5 million to the Dujiangyan Red Cross（都江堰紅十字會）for the repairing of the Dujiangyan Center for Disease Control（都江堰控制中心大樓）, marking a start of Coastal Group's participation in the post-disaster reconstruction work. In 2007, Coastal donated RMB3 million to the "Water Cellar for Mothers"（母親水窖）project of the China Women's Development Foundation（中國婦女發展基金）, under which water cellars were built in regions suffering from water shortages. The donations were made on the basis of "a home sold, a cellar donated"（每賣出一套新房，捐助一口水窖）.

# CORPORATE GOVERNANCE REPORT

This corporate governance report (the "CG Report") presents the corporate governance matters of the Group during the period covering the financial year ended 31 March 2017 and up to the date of this annual report in which the CG Report is included (the "CG Period").

## Corporate Governance Practices

The Company acknowledges the importance of good corporate governance practices and is committed to maintaining sound internal control, transparency and accountability to all shareholders. The Company has continued to apply and comply with the code provisions contained in the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year, except for below deviations:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual for a balance of power and authority. Mr. Jiang Ming is the Chairman and Managing Director of the Company. He is also one of the founders and a substantial shareholder of the Company and has considerable industry experience. The Board considers that this situation will not impair the balance of power and authority between the Board and the management of the Company because the balance of power and authority is governed by the operations of the Board which comprises experienced and high caliber individuals with demonstrated integrity. Furthermore, decisions of the Board are made by way of majority votes. The Board believes that this structure is conducive to a more precise and more promptly response to the fast changing business environment and a more efficient management and implementation of business process.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. One independent non-executive Director was unable to attend the special general meeting of the Company (the "SGM") held on 26 May 2016, three independent non-executive Directors were unable to attend the SGM held on 19 October 2016, two independent non-executive Directors were unable to attend the SGM held on 25 April 2017 and one independent non-executive Director was unable to attend the annual general meeting of the Company (the "AGM") held on 12 September 2016 due to other important engagements. Two non-executive Directors were unable to attend the AGM held on 12 September 2016 and SGM held on 26 May 2016, 19 October 2016 and 25 April 2017 respectively due to other important engagements.

## Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by the Directors. Having made specific enquiries of all the Directors, all the Directors confirmed that they have complied with the requirements as set out in the Model Code during the year ended 31 March 2017.

## Board of Directors

### *(a) Board Composition*

The Board currently comprises nine members consisting of four executive Directors, two non-executive Directors and three independent non-executive Directors. The Directors during the CG Period were:

#### *Executive Directors*

| | |
|---|---|
| Mr. Jiang Ming *(Chairman and Managing Director)* | |
| Mr. Cai Shaobin | (Resigned on 20 March 2017) |
| Dr. Li Ting | (Appointed on 20 March 2017) |
| Mr. Tao Lin | |
| Ms. Wang Hongmei | (Resigned on 1 June 2016) |
| Mr. Xia Xianglong | (Appointed on 1 June 2016) |

#### *Non-executive Directors*

Dr. Dai Jingming
Mr. Lu Jiqiang

#### *Independent non-executive Directors*

| | |
|---|---|
| Mr. Chen Xiaotian | (Retired on 12 September 2016) |
| Mr. Huang Xihua | (Appointed on 1 June 2016) |
| Mr. Wong Kai Cheong | |
| Mr. Yang Jiangang | |

The biographical details of the Directors are set out on pages 57 to 59 of this annual report. To the best knowledge of the Company, there are no relationships (including financial, business, family or other material relationships) among the Directors. A List of Directors and their Role and Function is available from the websites of the Stock Exchange and the Company.

The Board possesses a balance of skill and experience which are appropriate for the business needs of the Group. The independent non-executive Directors of the Company have the appropriate professional qualification and accounting and related financial management expertise as required under the Listing Rules. They provide a strong support towards the effective discharge of the duties and responsibilities of the Board. The Company will review the composition of the Board regularly to ensure that the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

## Board of Directors *(Continued)*

### *(a) Board Composition (Continued)*

During the year ended 31 March 2017, the Company has all times complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of at least three independent non-executive Directors including one independent non-executive Director with accounting or related financial management expertise and the number of independent non-executive Directors representing at least one-third of the Board.

### *(b) Appointment and Re-election of Directors*

Pursuant to the Company's Bye-laws (the "Bye-laws"), the Board may appoint a Director either to fill a causal vacancy or as an addition to the Board from time to time during the year following the recommendation from the Nomination Committee according to the terms of reference and the Company's board diversity policy. Each Director was appointed by a letter of appointment/service contract setting out the key terms of his/her appointment.

The appointment of independent non-executive Directors adheres to the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules. The Company has received annual confirmation of independence from each of the independent non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgement as at the date of this annual report.

Any Director appointed by the Board to fill a causal vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office until the next following AGM and shall then be eligible for re-election. All Directors shall be subject to retirement by rotation at least once every three years and the retiring Director shall be eligible for re-election. In addition, at each AGM, at least one-third of the Directors for the time being shall retire from office by rotation and are eligible for re-election.

All executive Directors have entered into service contracts for a term of three years. The term of office of all non-executive Directors and independent non-executive Directors has been fixed for a specific term of not more than three years.

## Board of Directors *(Continued)*

### *(c) Responsibilities of and Support for Directors*

The Board's primary functions are to set corporate policy and overall strategy for the Group's operations and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves major investments and corporate transactions such as issue of debt securities and shares of the Company etc., reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or indirectly through committees established by the Board.

The Board also ensures the good corporate governance policies and practices are implemented within the Group, and is responsible for performing the corporate governance duties including the following:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of the Directors and the management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct manual applicable to employees and the Directors; and
- to review the Company's compliance with the CG Code and disclosure in the CG Report.

The day-to-day management, administration and operation of the Company are delegated to the senior management (the "Senior Management"). The Senior Management, consisting of the executive Directors only, is delegated with responsibilities to lead the key executives of each operating unit for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. The Senior Management and key executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions to the Senior Management as to matters that must be approved by the Board before decisions are made on behalf of the Company. The types of decisions to be delegated by the Board to the Senior Management include implementation of strategies and direction determined by the Board, operation of the Group's businesses, preparation of financial statements and operating budgets, and compliance with applicable laws and regulations. These arrangements are reviewed periodically to ensure that they remain appropriate to our needs.

## Board of Directors *(Continued)*

### *(c) Responsibilities of and Support for Directors (Continued)*

Directors at all times have full access to information of the Company. The Board is provided with monthly operating information and news update from time to time which contain up-to-date performance and information of the Company. Directors can have independent access to the management for information whenever they consider necessary.

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirement of the CG Code. During the year, no claim was made against the Directors and officers.

### *(d) Board and General Meetings*

Regular Board meetings are held at least four times a year at approximately quarterly intervals and additional meetings are held when necessary. During the CG Period, the Board held six Board meetings to review and approve annual and interim results, to review quarterly management accounts and to approve major investments and corporate transactions. Such Board meetings involve active participation, either in person or through other electronic means of communication, of a majority of Directors. The attendance of the Board and general meetings is set out in the table on page 43.

The Company has received annual confirmation of independence from each of the independent non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgement.

At least 14 days' notice of each Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. For other Board and committee meetings, reasonable notice is generally given. The company secretary of the Company (the "Company Secretary") assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are compiled with. The agendas and accompanying Board papers are sent not less than 3 days where possible before the date of Board meetings. All the minutes of the Board meetings are kept by the Company Secretary and are freely accessible to by any Director.

Other than regular meetings, the Chairman also meets with non-executive Directors and independent non-executive Directors without the presence of executive Directors, to facilitate an open discussion among the non-executive Directors on issues relating to the Group.

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would be dealt with by way of a physical meeting, instead of a written resolution. Such Director who is considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

## Board of Directors *(Continued)*

### *(d) Board and General Meetings (Continued)*

The attendance of individual Director at the Board and general meetings during the CG Period is set out in the following table:

| | No. of regular meetings held/No. of attendance | | | | |
|---|---|---|---|---|---|
| **Directors** | **Board Meetings** | **AGM held on 12 September 2016** | **SGM held on 26 May 2016** | **SGM held on 19 October 2016** | **SGM held on 25 April 2017** |
| **Executive Directors** | | | | | |
| Mr. Jiang Ming *(Chairman of the Board)* | 6/2 | 1/0 | 1/0 | 1/0 | 1/0 |
| Mr. Cai Shaobin (note i) | 4/1 | 1/0 | 1/0 | 1/0 | – |
| Dr. Li Ting (note ii) | 2/2 | – | – | – | 1/0 |
| Mr. Tao Lin | 6/3 | 1/0 | 1/0 | 1/0 | 1/0 |
| Ms. Wang Hongmei (note iii) | – | – | 1/1 | – | – |
| Mr. Xia Xianglong (note iv) | 6/5 | 1/1 | – | 1/1 | 1/1 |
| **Non-executive Directors** | | | | | |
| Dr. Dai Jingming | 6/0 | 1/0 | 1/0 | 1/0 | 1/0 |
| Mr. Lu Jiqiang | 6/1 | 1/0 | 1/0 | 1/0 | 1/0 |
| **Independent non-executive Directors** | | | | | |
| Mr. Chen Xiaotian (note v) | 2/0 | 1/1 | 1/0 | – | – |
| Mr. Huang Xihua (note iv) | 6/5 | 1/1 | – | 1/0 | 1/0 |
| Mr. Wong Kai Cheong | 6/5 | 1/1 | 1/1 | 1/0 | 1/1 |
| Mr. Yang Jiangang | 6/2 | 1/0 | 1/1 | 1/0 | 1/0 |

Notes:

(i) Antecedent to the resignation of Mr. Cai Shaobin on 20 March 2017, there were only 4 Board meetings held.

(ii) Subsequent to the appointment of Dr. Li Ting on 20 March 2017, there were only 2 Board meetings held.

(iii) Antecedent to the resignation of Ms. Wang Hongmei on 1 June 2016, there was no Board meeting held.

(iv) Mr. Xia Xianglong and Mr. Huang Xihua were appointed as an executive Director and an independent non-executive Director on 1 June 2016 respectively.

(v) Antecedent to the retirement of Mr. Chen Xiaotian on 12 September 2016, there was only 2 Board meetings held.

## Board of Directors *(Continued)*

### *(e) Directors' Continuous Professional Development*

The Company will provide a comprehensive, formal and tailored induction to each newly appointed Director on the first occasion of his/her appointment to enable he/she has proper understanding of the business and operations of the Company and full aware of his/her responsibilities and obligations under statute and common law, the Listing Rules and other relevant regulatory requirements and especially the Company's business and governance policies.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuing briefing and professional development for Directors are arranged where necessary.

## Board Committees

The Board has four Board Committees, namely, the Nomination Committee, the Remuneration Committee, the Audit Committee and the Investment Committee for overseeing particular aspects of the Company's affairs.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

### *(a) Nomination committee*

The Nomination Committee was established in March 2012. Attendance record during the CG Period is set out below:

| | **No. of meeting held/ No. of attendance** |
|---|---|
| **Executive Director** | |
| Mr. Jiang Ming *(Chairman of the Nomination Committee)* | 1/1 |
| **Independent non-executive Directors** | |
| Mr. Chen Xiaotian (note i) | – |
| Mr. Huang Xihua (note ii) | 1/1 |
| Mr. Wong Kai Cheong | 1/1 |

Notes:

(i) Antecedent to the retirement of Mr. Chen Xiaotian on 12 September 2016, there was no Nomination Committee meeting held.

(ii) Mr. Huang Xihua was appointed as a member of the Nomination Committee on 1 June 2016.

## Board Committees *(Continued)*

### *(a) Nomination committee (Continued)*

The written terms of reference include the primary duties of reviewing the structure, size and composition of the Board with regard to the board diversity policy, identify individuals suitably qualified to become Board members, assess the independence of independent non-executive Directors and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

In 2013, the Board has adopted a board diversity policy and revised the terms of reference for the Nomination Committee accordingly. The policy aims to set out the approach to achieve diversity on the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience and expertise, skills, knowledge and/or length of working history. The ultimate decision will be based on the merits and contributions that the selected candidates will likely be able to bring to the Board.

During the CG Period, the Nomination Committee held one meeting which is to assess the independence of the independent non-executive Directors, recommend the extension of the terms of office of non-executive and independent non-executive Directors and review the size and composition of the Board and the board diversity policy. After the above review, the Nomination Committee considered that the board diversity policy was appropriate and effective. The Nomination Committee recommended to the Board to appoint Mr. Xia Xianglong and Dr. Li Ting as executive Directors to fill the vacancy arising from the resignation of executive Directors, Ms. Wang Hongmei and Mr. Cai Shaobin, in June 2016 and March 2017 respectively.

The Nomination Committee also recommended to the Board to appoint Mr. Huang Xihua as independent non-executive Director as an addition to the existing Board in June 2016.

## Board Committees *(Continued)*

### *(b) Remuneration Committee*

The Remuneration Committee was established in December 2005. Attendance record during the CG Period is set out below:

| | No. of meeting held/ No. of attendance |
|---|---|
| **Independent non-executive Directors** | |
| Mr. Yang Jiangang *(Chairman of the Remuneration Committee)* | 1/1 |
| Mr. Wong Kai Cheong | 1/1 |
| **Executive Director** | |
| Mr. Jiang Ming | 1/1 |

The written terms of reference include the primary duties of making recommendations to the Board on the remuneration policy and structure for Directors and the management and to review and determine the specific remuneration packages of all executive Directors and the management. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the CG Period, the Remuneration Committee held one meeting which is mainly to review the remuneration policy and structure for Directors and the management. The remuneration of Directors and the management will be reviewed and determined with reference to their duties and responsibilities with the Company and the Group, their skills and experience, their work performance, the Group's performance and the prevailing industry practice and market situation.

A remuneration package for executive Directors and the management will normally comprise basic salary and allowances, mandatory provident fund and medical insurance coverage benefits, performance related discretionary bonus and share options. Particulars of the Directors' emoluments are set out in note 11 to the consolidated financial statement.

## Board Committees *(Continued)*

### *(c) Audit Committee*

The Audit Committee was established in August 1999. Attendance record during the CG Period is set out below:

| | **No. of meetings held/ No. of attendance** |
|---|---|
| **Independent non-executive directors** | |
| Mr. Huang Xihua *(Chairman of the Audit Committee)* (note i) | 2/2 |
| Mr. Chen Xiaotian (note ii) | – |
| Mr. Wong Kai Cheong | 2/2 |
| Mr. Yang Jiangang | 2/1 |

Notes:

(i) Mr. Huang Xihua was appointed a member of the Audit Committee on 1 June 2016 and was re-designated as the chairman of the Audit Committee on 12 September 2016.

(ii) Antecedent to the retirement of Mr. Chen Xiaotian on 12 September 2016, there was no Audit Committee meeting held.

The written terms of reference include the primary duties of reviewing the Group's financial reporting process, risk management and internal control system and corporate governance issues and to make relevant recommendations to the Board. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the CG Period, the Audit Committee held two meetings and has performed the major tasks summarised as below:

(i) reviewed the draft interim and annual consolidated financial statements of the Group for the six months ended 30 September 2016 and for the year ended 31 March 2017 and the related draft results announcements;

(ii) reviewed the application of the new accounting standards promulgated by the Hong Kong Institute of Certified Public Accountants in the Group's consolidated financial statements;

## Board Committees *(Continued)*

### *(c) Audit Committee (Continued)*

(iii) reviewed the Group's risk management and internal control system with management including review of the work done by the Group's internal audit function;

(iv) reviewed the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements and the Code of Conduct, and made recommendations to the Board;

(v) reviewed and monitored the training and continuous professional development of the Directors;

(vi) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;

(vii) discussed and reviewed with the external auditor the statutory audit plan and matters relating to significant accounting and auditing issues; and

(viii) reviewed and considered the audit fee of external auditor.

### *(d) Investment Committee*

The Investment Committee was established in April 2007. Attendance record during the CG Period is set out below:

| | No. of meeting held/ No. of attendance |
|---|---|
| **Executive directors** | |
| Mr. Tao Lin *(Chairman of the Investment Committee)* | 4/4 |
| Mr. Cai Shaobin (note i) | 3/3 |
| Dr. Li Ting (note ii) | 1/1 |
| Ms. Wang Hongmei (note iii) | 1/1 |
| Mr. Xia Xianglong (note iv) | 3/3 |

Notes:

(i) Antecedent to the resignation of Mr. Cai Shaobin on 20 March 2017, there were only 3 Investment Committee meetings held.

(ii) Subsequent to the appointment of Dr. Li Ting on 20 March 2017, there was only 1 Investment Committee meeting held.

(iii) Antecedent to the resignation of Ms. Wang Hongmei on 1 June 2016, there was only 1 Investment Committee meeting held.

(iv) Subsequent to the appointment of Mr. Xia Xianglong on 1 June 2016, there were only 3 Investment Committee meetings held.

## Board Committees *(Continued)*

### *(d) Investment Committee (Continued)*

The written terms of reference include the principal duties to review, pursue and evaluate investment opportunities in property development and investment projects and to approve and execute such investments within the limit as delegated and authorised by the Board from time to time.

The Investment Committee held four meetings during the CG Period which is mainly to review, evaluate and approve the identified investment opportunities in property development and investment projects.

## Accountability and Audit

### *(a) Responsibility for Consolidated Financial Statements*

The Board is responsible for the timely presentation of balanced, clear and understandable annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the consolidated financial statements. In preparing the consolidated financial statements for the year ended 31 March 2017, the Directors have adopted suitable accounting policies which are pertinent to the Group's operations and relevant to the consolidated financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the consolidated financial statements on a going concern basis. A statement by the Company's external auditor about their reporting responsibilities is set out on pages 69 and 75 of this annual report.

### *(b) Risk Management and Internal Control*

The Board recognises the importance of a sound and effective risk management and internal control system to the Group's business operations and acknowledge its responsibility to establish, maintain and review the effectiveness of such systems.

#### *Risk governance structure*

The Board oversees the Company's risk management and internal control systems on an ongoing basis. The Board assesses the effectiveness of the risk management and internal control systems through the reviews performed by the Audit Committee including the relevant works performed by internal and external auditors. During the CG Period, the Board reviewed the effectiveness of the Group's risk management and internal control systems and confirmed that the Board was not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal control systems of the Group.

Under the leadership of the Senior Management, each operating unit acts as the first line of defense of the system, responsible for the implementation and monitoring of the risk management and internal control procedures at operating level and addresses promptly on relevant risk issues.

## Accountability and Audit *(Continued)*

### *(b) Risk Management and Internal Control (Continued)*

#### *Risk governance structure (Continued)*

The Senior Management is the second line of defence of this system, responsible for the design, implementation and monitoring of the risk management and internal control systems of the Group with the objectives to maintain the effectiveness and efficiency of operations, provision of reliable financial information and the compliance of applicable laws, rules and regulations. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and aims to provide a reasonable, as opposed to an absolute, assurance against material misstatement or loss.

The internal audit department is the third line of defence of the system. During the CG Period, the internal audit department has regularly conducted internal audits on the operating units and functions of the Group on a rotational basis. The internal audit procedures include a review and/or testing on the Group's significant internal control procedures over finance, operation, compliance and risk management functions and a review on the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions. Findings and recommendations were reported to the chairman of the Audit Committee and the Senior Management. Improvement and reinforcement to the Group's internal control system were thus made as a continuing process.

#### *Risk management process*

The risk management process is integrated into daily operations and is an ongoing process involving participation from the Board down to individual employees.

Each operating unit, who directly oversees their respective processes, is responsible for risk identification which takes into account factors including economic, political, social, environmental, new or updated Group strategy, new regulations, etc.

Risks identified are evaluated by the Senior Management and prioritised according to the likelihood of their occurrence and the significance of their impact to the Group. The Senior Management shall be responsible for formulating action plans for those risks that are not considered immaterial.

Monitoring is a key component of the risk management system and ensures that risks are identified and communicated in a timely manner to those responsible for taking corrective actions and to the Board as appropriate.

The internal audit department prepares risk management report that highlights key corporate and operating level risks and action plans at least half-yearly and presented to the Audit Committee for reporting to the Board. Significant changes in key risks on a day-to-day basis are handled as they arise and reported to the Senior Management.

## Accountability and Audit *(Continued)*

### *(b) Risk Management and Internal Control (Continued)*

#### ***Other control and management***

*Whistle-blowing Policy*

Whistle-blowing system was introduced for reporting violations of the Company's code of conduct manual as well as making complaints and/or business partners. A special mailbox has been set up for employees to enable such complaints to reach the Senior Management. Such written communications are supplemented by quarterly internal round-table Senior Management/staff conferences, in which the concerns and recommendations of the staff are carefully listened and considered by the Senior Management.

*Inside Information Policy*

Proper procedures and measures have been taken by the Group to ensure compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Such measures include arousing the awareness to preserve confidentiality of inside information within the Group, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, disseminating information to specified persons on a need-to-know basis and strictly complying with the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

#### ***Principal Risks and Uncertainties***

The Group's performance is affected by a number of risk and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not currently known to the Group or which may not be material now but could turn out to be material in the future.

*Business concentration*

The Group's operation and major assets are concentrated in the PRC. Accordingly, the Group's business performance, financial position and future prospects are largely dependent on the performance of the property market in the PRC which may be adversely affected by unfavourable changes in the political, social, economic and legal environment. Control measures taken of to mitigate such risks are as follows:

– continual monitoring of the operating and political environment in the PRC that any forthcoming anticipate issues that may affect the business activities of the Group could be addressed to promptly;

– Ongoing focus to strengthen the Group's brand values and, within the fast-changing business environment in the PRC, make prompt adjustment to the Group's business strategies when necessary; and

– maintaining a comfortable level of gearing.

## Accountability and Audit *(Continued)*

### *(b) Risk Management and Internal Control (Continued)*

#### ***Principal Risks and Uncertainties (Continued)***

*Risks Pertaining to the Property Development Market and Operation*

Property development and investment usually entail heavy capital investment with a long investment period and market cycle which are challenges to be faced with in land/project acquisitions. Mistakes made in evaluation and decision would jeopardise the interest of the Group. Control measures taken of to mitigate such risk are as follows:

– Investment Committee of the Board is required to perform feasibility studies in a more scientific, accurate and practicable manner;

– respective investment criteria and risk appetite are set prior to land/project acquisition; and

– critical resources availability are adequately assessed in the acquisition plan.

*People risk*

Increasing number of the Group's development projects are penetrated to the northeast or second-tier cities of the PRC which resulted in difficulties to recruit, develop or retain sufficient staff with suitable capability and working experience to support the operations of the Group. Control measures taken of to mitigate such risk are as follows:

– review the competitiveness of the employees' compensation and benefits regularly;

– develop manpower plan to fulfill the human capital resources need for the Group's business strategy; and

– provide a comfortable working environment and atmosphere for the staff that would inspire their creativity and productivity.

*Financial Risk*

Certain financial risks and uncertainties are set out in notes 4, 40 and 41 to the consolidated financial statements in this annual report.

## Accountability and Audit *(Continued)*

### *(c) Auditor's Remuneration*

For the financial year ended 31 March 2017, Deloitte Touche Tohmatsu, the external auditor of the Company, provided the following services to the Group and the respective fees charged are set out below:

| **Services rendered for the Group** | **Fee paid/payable** HK$'000 |
|---|---|
| Audit services | 3,450 |
| Non-audit services – Other services | 1,318 |
| Total | 4,768 |

### *(d) Company Secretary*

Mr. Cheng Wing Bor is the Company Secretary, responsible directly to the Board and is responsible for providing advice to the Board for ensuring the Board procedures are followed. He has complied with all the qualification, experience and training requirements under the Listing Rules.

## Communications with Shareholders' and Investor Relation

The Company has established and maintained various channel of communication with the Company's shareholders to ensure that they are kept abreast of key business imperatives. These include convening AGM and general meetings for specific businesses, publications of annual and interim reports, notices, announcements and circulars.

Annual reports, interim reports, notices, announcements and circulars are archived in the Company's investor relations website: http://www.irasia.com/listco/hk/coastal that can be freely accessed to. Furthermore, the access to the Company's investor relations website can also be made through the "investor relations" hyperlink in the Company's website: http://www.coastal.com.cn.

### *Conduct of general meetings*

The general meetings of the Company is the principal occasion at which the Board may interface directly with the shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend. The Chairman of the Board as well as chairman of the Board Committees or in their absence, another member of the Board or its respective committees and external auditor is also invited to attend and answer questions during the general meetings.

## Communications with Shareholders' and Investor Relation *(Continued)*

### *Shareholders' enquiries*

Shareholders can send their enquiries about shareholdings, share transfer, registration and payment of dividend to the Hong Kong branch share registrar of the Company. Other shareholders' enquiries can be directed to the head office and principal place of business of the Company as set out in the "Corporate Information" section of this annual report for the attention of the Company Secretary.

### *Investor relations*

Investor relations team is responsible for communicating and enhancing relationships with the investors of the Company. Enquiries from investors are dealt with in a timely manner.

As to promote effective communication, the Company also maintains a website, where information and updates on the Company's business developments and operations, list of directors and their role and function, constitutional documents, terms of reference of the Board and its committees, corporate governance practices, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website is updated from time to time.

### *Financial calendar*

| Event | Date |
|---|---|
| 2016/2017 Interim Results Announcement | 25 November 2016 |
| 2016/2017 Annual Results Announcement | 29 June 2017 |
| Despatch of 2016/2017 Annual Report | 28 July 2017 |
| Closure of Register of Members – AGM | 12-15 September 2017 (both days inclusive) |
| 2017 AGM | 15 September 2017 |

### *Constitutional Document*

The constitutional documents of the Company are available on the websites of the Company and the Stock Exchange. There were no changes in the constitutional documents of the Company for the year ended 31 March 2017.

## Shareholders' Rights

The rights of the shareholders of the Company are set out in, amongst other things, the Bye-laws and the Companies Act 1981 of Bermuda (the "Companies Act").

### *Convening special general meeting on requisition*

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary or at the registered office of the Company, to require a SGM to be called by the Board for the transaction of any business specified in such requisition pursuant to Section 74 of the Companies Act. Under article 58 of the Bye-law, such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provision of Section 74(3) of the Companies Act.

The written requisition requiring a SGM to be called can be sent to the head office and principal place of business of the Company as set out in the "Corporate Information" section of this annual report for the attention of the Company Secretary.

### *Proposing resolution at general meeting*

Shareholders may by written requisition request, deposit at the registered office of the Company, inclusion of a resolution relating to matters in a general meeting by following the requirements and procedures as set out in Sections 79 and 80 of the Companies Act.

The above request can be sent to the Company at its head office and principal place of business as set out in the "Corporate Information" section of this annual report for the attention of the Company Secretary.

Subject to the provisions of the above-mentioned sections of the Companies Act, on the written requisition of members representing not less than one-twentieth of the total voting rights or 100 members, at the expense of the requisitionists unless the Company otherwise resolves, the Company shall give shareholders notice of any resolution which may properly be moved and is intended to be moved at that meeting and a relevant statement.

### *Procedures for nomination of Directors for election*

Under article 86(1) of the Bye-laws, shareholders are entitled to elect any person to be a Director at the AGM in accordance with article 87 of the Bye-laws or at any SGM by following the requirement set out in article 88 of the Bye-laws. The shareholder should deposit a written notice of nomination which shall be given to the Company within the 7-day period commencing the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time) and in no event ending no later than seven days prior to the date appointed for such meeting.

### *Notice of general meetings and "bundling" resolutions*

Pursuant to Code Provision E.1.3 of the CG Code, the Company will arrange for the notice to shareholders to be sent for AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.

Separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors. Where bundling the resolutions cannot be avoided, the Company shall explain the reasons and material implications in the notice of the meeting.

### *Voting by poll*

The rights of shareholders and the procedures for demanding a poll on resolutions at general meetings are contained in the Bye-laws. In accordance with Rule 13.39(4) of the Listing Rules, all resolutions put to vote at general meetings of the Company are taken by way of poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Details of the poll voting procedures will be set out in the circular sent to shareholders prior to each meeting. The chairman of a meeting shall ensure that an explanation of the detailed procedures for conducting a poll is provided and answer any questions from shareholders on voting by poll.

After each general meeting, the poll results will be published on the websites of the Stock Exchange and the Company in the manner prescribed under Rule 13.39(5) of the Listing Rules.

# BIOGRAPHY OF DIRECTORS

## Executive Directors

**Mr. Jiang Ming**, aged 59, is one of the founders of the Group. He has been an executive Director, Vice Chairman and Managing Director of the Company since its inception in 1997. On 31 December 2012, he was re-designated from the Vice Chairman to Chairman of the Company. He is also the chairman of the Nomination Committee, a member of the Remuneration Committee and an authorised representative of the Company. Mr. Jiang holds a Master's degree in Business Administration from the National University of Singapore. He has over thirty-three years' experience in investment and corporate management. He is primarily responsible for corporate direction, development of the Group's business, strategy planning and the overall management of the Group. He is also a vice-chairman of the Fujian Province Foreign Enterprises Association and an honorary professor at the Wuhan University. Prior to the establishment of the Group, he was a general manager of a joint venture enterprise in the PRC for over 7 years.

**Mr. Tao Lin**, aged 59, has been an executive Director of the Company since its inception in 1997. He is also the chairman of the Investment Committee of the Board and holds directorships in certain wholly-owned subsidiaries of the Company for the purpose of overseeing the management of such business. Mr. Tao graduated from Beijing Communication Engineering College（北京信息工程學院）and also holds a Master's degree in Business Administration from the National University of Singapore. He has over twenty-nine years' experience in investment and management. He is primarily responsible for investment planning and investment management of the Group. Mr. Tao was previously a director of Shanghai Fenghwa Group Co., Ltd. ("Shanghai Fenghwa"), a company listed on the Shanghai Stock Exchange and a former associate of the Group. Prior to joining the Group in 1991, Mr. Tao had served as an operation officer in a software development company in the PRC.

**Mr. Xia Xianglong**, aged 47, has been an executive Director of the Company since 1 June 2016. He is also a member of the Investment Committee of the Board and holds directorships in certain wholly-owned subsidiaries of the Company for the purpose of overseeing the management of such business. Mr. Xia graduated from Jiangxi University of Finance and Economics in 1991 and Zhongnan University of Economics and Law in 2011 with a Bachelor's degree in Economics and Master's degree in Business Administration respectively. He is also a member of the Chinese Institute of Certified Public Accountants in the PRC. Mr. Xia joined the Group in 2005 and acted as the financial controller of Shanghai Fenghwa and Coastal Realty Investment (China) Limited from 2005 to 2012 and the president of Shenzhen Coastal Asset Management Companies (Limited Partnership) since 2012. The aforementioned companies are either subsidiaries or associated companies of the Group. Prior to joining the Group, Mr. Xia had served in Kingdee Software (China) Co., Ltd. as a finance manager and then a general manager of the finance department of such group from 2000 to 2005.

# BIOGRAPHY OF DIRECTORS

## Executive Directors *(Continued)*

**Dr. Li Ting**, aged 41, has been an executive Director of the Company since 20 March 2017. He is also a member of the Investment Committee of the Board and holds directorships in certain wholly-owned subsidiaries of the Company for the purpose of overseeing the management of such business. Dr. Li graduated from Xi'an Jiaotong University in 1997 with a Bachelor's degree in computer application and further obtained a Master's degree and a Doctorate degree in management science and engineering from Xi'an Jiaotong University in 2000 and 2005 respectively. He also obtained a Master's degree in business administration (EMBA) from China Europe International Business School in 2013. Dr. Li is primarily responsible for the Group's strategic planning, business management systems and innovative business development. Dr. Li joined the Group in 2005 and has since then served as the general manager of the strategic management department of Coastal Realty Investment (China) Limited from 2005 to 2011, the chairman of the southern China region of Coastal Realty Investment (China) Limited from 2012 to 2013 and the vice president and chief knowledge officer of the Company from 2012 to present. The aforementioned companies are subsidiaries of the Group.

## Non-Executive Directors

**Mr. Lu Jiqiang,** aged 46, has been a non-executive Director of the Company since 20 July 2012. Mr. Lu holds a Master's degree of Civil and Commercial Law from Law School of The Peking University. He has extensive experience in corporate operation management, law affairs, compliance and risk management control. He is currently the general manager of the board secretariat of Shum Yip Group Limited ("Shum Yip Group") and chief legal officer of the Shenzhen Investment Limited ("Shenzhen Investment") (0604.HK). He is also a PRC Lawyer and arbitrator of China International Economic and Trade Arbitration Commission (CIETAC), Shenzhen Court of International Arbitration, and Shanghai International Economic and Trade Arbitration Commission. Prior to this, he had served as a legal advisor and senior legal officer of the China Merchants Holdings (International) Company Limited and China Merchants Group respectively from 1996 to 2003, responsible for corporate governance, compliance, merger and acquisitions, and assets restructure matters.

**Dr. Dai Jingming,** aged 52, has been a non-executive Director of the Company since 20 July 2012. Dr. Dai graduated from The Faculty of Agricultural Mechanical Engineering of China Huazhong Agricultural University and The Zhongnan University of Economics and Law with a Bachelor of Engineering degree in 1986 and a Master's degree in economics in 1992 respectively. He also obtained his Ph.D. degree in economics from The China Ministry of Finance Institute of Fiscal Science in 1998. Dr. Dai has extensive experience in corporate investment, corporate finance and financial management. He joined the Shum Yip Group since 1998 and has been the general manager of administrative office department, audit department and risk management department respectively. He is currently an accountant and the general manager of planning and finance department of the Shum Yip Group and Shenzhen Investment. Prior to this, Dr. Dai had served in Hubei Province Agricultural Engineering Head Limited and Wuhan City Branch of the Agricultural Bank of China from 1992 to 1994.

## Independent Non-Executive Directors

**Mr. Wong Kai Cheong**, aged 55, has been an independent non-executive Director of the Company since 6 September 2004. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Board. Mr. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England & Wales. He is currently practising as a Certified Public Accountant in Hong Kong.

**Mr. Yang Jiangang**, aged 51, has been an independent non-executive Director of the Company since 31 December 2012. He is also the chairman of the Remuneration Committee and a member of the Audit Committee of the Board. Mr. Yang graduated from Peking University with a Bachelor's degree in Law in 1987. He is currently the senior partner of AllBright Law Offices (Shenzhen). Prior to joining AllBright Law Offices (Shenzhen), Mr. Yang was a partner of Hills & Co. from 2004 to 2011. He had also practiced as a lawyer in the PRC with various law firms including Jiangxi Provincial Law Firm, Jiangxi Wenlan Law Firm and Guangdong Jindi Law Firm from 1987 to 2003.

**Mr. Huang Xihua**, aged 59, has been an independent non-executive Director of the Company since 1 June 2016. He is also the chairman of the Audit Committee and a member of the Nomination Committee of the Board. Mr. Huang graduated from Lanzhou Jiaotong University and Party School of the Central Committee of C.P.C. with a Bachelor's degree in Engineering and a Postgraduate's degree in Economics respectively. Mr. Huang is currently the chairman of Zuhui (Tianjin) Investment Ltd. Prior to joining Zuhui (Tianjin) Investment Ltd, Mr. Huang was an independent director of Bridge Trust Co. Ltd from 2007 to 2010. He had also served in China Railway No.5 Engineering (Group) Co., Ltd and had held the positions as the head, general manager and chairman from 1999 to 2002 and chairman of China Railway No. 2 Engineering Group Co., Ltd. (a company listed on the Shanghai Stock Exchange) from 2002 to 2007, a designated director of China Railway Group Limited in 2007, the executive president of Hainan Boao Investment Holding Ltd of CITIC Group Corporation in 2008. Mr. Huang is one of the first group of senior professional managers and senior engineers accredited in the PRC. He had been awarded with the honours of model labour and outstanding entrepreneur of Guizhou Province, outstanding entrepreneur of Sichuan Province and outstanding entrepreneur of the construction enterprises in the PRC.

# REPORT OF THE DIRECTORS

The Board herein presents their report together with the audited consolidated financial statements for the year ended 31 March 2017.

## Principal Activities

The Company is an investment holding company and its subsidiaries are principally engaged in property development, property investment, project management and project investment services. The principal activities and particulars of the Company's subsidiaries are set out in notes 44 to the consolidated financial statements.

An analysis of the Group's revenue and segment results by operating segment are set out in note 5 to the consolidated financial statements. During the year ended 31 March 2017, the Group discontinued the property management services business.

## Business Review

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year, an indication of likely future development in the Group's business, an analysis using financial key performance indicators, a discussion on the Group's environmental policies and performance and the compliance with the relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends can be found in the preceding sections of this annual report set out on pages 1 to 56. The preceding sections form part of this Report.

## Results and Appropriations

The results of the Group for the year ended 31 March 2017 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 69 to 179.

The Board does not recommend the payment of any dividend for the year ended 31 March 2017.

## Financial Highlights

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on pages 4 to 5 of this annual report. This summary does not form part of the audited financial statements.

## Property, Plant and Equipment and Investment Properties

Details of movements in property, plant and equipment and investment properties of the Group during the year are set out in notes 16 and 17 to the consolidated financial statements respectively. Further details of the Group's investment properties are set out on pages 180 to 186 of the Annual Report.

## Properties under Development

Details of movements in properties under development of the Group during the year are set out in note 23 to the consolidated financial statements. Further details of the Group's properties under development are set out on pages 185 to 186 of this annual report.

## Share Capital

Details of shares issued by the Company during the year is set out in notes 32 to the consolidated financial statements.

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 43 to the consolidated financial statement and in the consolidated statement of changes in equity respectively.

## Distributable Reserves

At 31 March 2017, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Act, amounted to HK$2,437,379,000. In addition, the Company's share premium account, in the amount of HK$1,336,094,000 as at 31 March 2017, may be distributed in the form of fully paid bonus shares.

## Equity-Linked Agreements

Saved as disclosed in note 34 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

# REPORT OF THE DIRECTORS

## Pre-Emptive Rights

There is no provision for pre-emptive rights under the Bye-laws or the laws of Bermuda, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2017.

## Directors

The Directors during the year and up to the date of this report were:

### *Executive Directors:*

| | |
|---|---|
| Mr. Jiang Ming *(Chairman and Managing Director)* | |
| Mr. Cai Shaobin | (Resigned on 20 March 2017) |
| Dr. Li Ting | (Appointed on 20 March 2017) |
| Mr. Tao Lin | |
| Ms. Wang Hongmei | (Resigned on 1 June 2016) |
| Mr. Xia Xianglong | (Appointed on 1 June 2016) |

### *Non-executive Directors*

Dr. Dai Jingming
Mr. Lu Jiqiang

### *Independent non-executive Directors*

| | |
|---|---|
| Mr. Chen Xiaotian | (Retired on 12 September 2016) |
| Mr. Huang Xihua | (Appointed on 1 June 2016) |
| Mr. Wong Kai Cheong | |
| Mr. Yang Jiangang | |

## Directors *(Continued)*

The biographical details of the existing Directors are set out on pages 57 to 59 of this annual report.

Mr. Chen Xiaotian did not offer himself for re-election and retired from the Board with effect from the conclusion of the AGM held on 12 September 2016 as he would like to devote more time to his personal endeavors.

In accordance with article 86(2) of the Bye-laws, Dr. Li Ting shall hold office until the date of the forthcoming AGM, and being eligible, would offer himself for re-election.

In accordance with article 87(1) of the Bye-laws, Messrs. Tao Lin, Wong Kai Cheong and Dai Jingming shall retire by rotation and, being eligible, shall offer themselves for re-election at the forthcoming AGM.

The Company has received annual confirmations of independence from each of Messrs. Wong Kai Cheong, Yang Jiangang and Huang Xihua. As at the date of this report, the Company still considers all independent non-executive Directors to be independent.

## Directors' Service Contracts

Each of Mr. Jiang Ming and Mr. Tao Lin, Mr. Xia Xianglong and Dr. Li Ting have entered into service contract with the Company for a term of three years, expiring on 29 September 2018, 31 May 2019 and 19 March 2020 respectively, which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing and are subject to retirement by rotation and re-election at the AGM, in accordance with the Bye-laws.

Each of the non-executive Directors have entered into service contract with the Company for a term of one year which shall be automatically extended for another one year upon expiration of the term of the service contracts unless terminated by either party to the service contracts which requires not less than one month's length of notice and are subject to retirement by rotation and re-election at the AGM, in accordance with the Bye-laws.

Each of the independent non-executive Directors have entered into letter of appointment with the Company and is appointed for a period of one year commencing on the date of appointment, which shall be automatically extended for another one year upon expiration of the letter of appointment unless terminated by either party to the letter of appointment which equities not less than one month's length of notice and are subject to retirement by rotation and re-election at the AGM in accordance with the Bye-law.

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## Directors' Remuneration

The Directors' fees and remuneration are subject to review by the Remuneration Committee and approval by the Board which are determined with reference to directors' duties, responsibilities, performance and the results of the Group.

## Permitted Indemnity Provision

The Bye-laws provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their offices, provided that this indemnity shall not extend to any matter in respect of any wilful negligence, wilful default, fraud or dishonesty which may attach to any Directors. Such permitted indemnity provision for the benefit of the Directors was in force during the year and remained in force as of the date of this report.

A Directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

## Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## Related Party Transactions

Details of the significant related party transactions undertaken in the usual course of business are set out in note 42 to the consolidated financial statements. None of these related party transactions constitutes a discloseable connected transaction under the Listing Rules.

## Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in note 42 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its holding company or any of its respective subsidiaries was a party, and in which a Director or his connected entity was materially interested, whether directly or indirectly, subsisted at any time during or at the end of the year.

## Directors' Interests in Shares, Underlying Shares and Debentures

At 31 March 2017, the interests and short positions of each Director in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

#### *(i) Long positions in the ordinary shares of the Company*

| Name of Director | Capacity and nature of interest | Number of shares/ underlying shares held | Percentage of the Company's issued share capital |
|---|---|---|---|
| Mr. Jiang Ming | Through controlled corporation | 1,531,261,978 (Note) | 36.58% |
| Mr. Xia Xianglong | Directly beneficially owned | 992,000 | 0.02% |

Note: 1,531,261,978 shares are beneficially owned by Coastal International Holdings Limited ("CIH") (a substantial shareholder of the Company), of which the issued voting share capital is held as to 37.58% by Mr. Jiang Ming, 5.38% by Mr. Tao Lin, 21.42% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Mr. Jiang Ming). These 1,531,261,978 shares represent an aggregate of approximately 36.58% of the issued share capital of the Company.

*(ii)* The interests of the Directors in the share options of the Company are separately disclosed in note 34 to the consolidated financial statements.

## Directors' Interests in Shares, Underlying Shares and Debentures *(Continued)*

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

***Long positions in shares of CIH***

| Name of Director | Number of shares held | Capacity and nature of interest | Percentage of the associated corporation's issued share capital |
|---|---|---|---|
| Mr. Jiang Ming | 3,758 | Directly beneficially owned | 37.58% |
| | 2,142 | Through controlled corporation | 21.42% |
| Mr. Tao Lin | 538 | Directly beneficially owned | 5.38% |

Save as disclosed above, as at 31 March 2017, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any other associated corporations.

### *(C) Directors' rights to acquire shares or debentures*

Save as disclosed above and in note 34 to the consolidated financial statements, at no time during the year was the Company, its holding company, its subsidiaries or other associated corporations, a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## 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, underlying shares and debentures" above, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 31 March 2017, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

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

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 31 March 2017, to the best of the Directors' knowledge, no persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or otherwise notified to the Company and the Stock Exchange.

## Major Customers and Suppliers

During the year, sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the total sales for the year and of the total purchases for the year respectively.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers.

## Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares at the date of this report.

## Corporate Governance

Details of the corporate governance practices of the Company are set out in the Corporate Governance Report on pages 38 to 56 of this annual report.

## Auditor

The consolidated financial statements for the year ended 31 March 2017 were audited by Messrs. Deloitte Touche Tohmatsu. A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

**Jiang Ming**
*Chairman and Managing Director*

Hong Kong, 29 June 2017

Deloitte. 德勤

**To the Shareholders of Coastal Greenland Limited**
*(incorporated in Bermuda with limited liability)*

## Opinion

We have audited the consolidated financial statements of Coastal Greenland Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 76 to 179, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key Audit Matters *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment of properties under development and completed properties for sale*** | |
| We identified the impairment of the Group's properties under development ("PUD") and completed properties for sale ("PFS") as a key audit matter due to the significant judgments involved in the determination of the net realisable value (the "NRV") of PUD and PFS. As at 31 March 2017, the Group had PUD of HK$4,637 million and PFS of HK$1,381 million, all of which are situated in the People's Republic of China (the "PRC").<br><br>As set out in note 4 to the consolidated financial statements, the management of the Group determined the NRV of PUD and PFS based on the valuation performed by the independent and qualified professional valuer (the "Valuer"). The valuation is dependent on certain significant inputs, including the recent market prices of similar properties, and the prevailing real estate market condition in the PRC. In addition, in determining the NRV of PUD and PFS the management estimated the future costs to the completion of PUD with reference to the costs estimated to be required for completing the PUD based current cost data and on past experience and the net sales values based on past experience and prevailing market condition. Based on management's assessment, an impairment loss of PUD of HK$74 million was incurred for the year ended 31 March 2017. | Our procedures performed in relation to the impairment of PUD and PFS included:<br><br>• Assessing management's process on the determination of the NRV of PUD and PFS;<br><br>• Evaluating the competence, capabilities and objectivity of the Valuer;<br><br>• Obtaining an understanding from the Valuer about the valuation methodology, the performance of the property markets, significant assumptions adopted, critical judgment on key inputs and data used in the valuation, and the rationale and basis on which the methodology and assumptions were used by the Valuer;<br><br>• Assessing the reasonableness of the net sales values that was determined by management, on a sample basis, by comparing them to the latest market prices achieved in the same projects or by comparable properties in accordance with our understanding of the Group's business; and<br><br>• Evaluating the reasonableness of the estimated future costs to the completion of PUD based on past experience, on a sample basis, by comparing them to the actual development costs of similar completed projects of the Group. |

## Key Audit Matters *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment of deposits for future acquisition of land use rights*** | |
| We identified the impairment of the Group's deposits for future acquisition of land use rights as a key audit matter due to the significance of the balance to the consolidated financial statements and that it involves management's judgments in determining whether any impairment should be made for such deposits. As at 31 March 2017, the Group had deposits for future acquisition of land use rights of HK$2,066 million, representing 13.5% of the Group's total assets.<br><br>As set out in note 4 to the consolidated financial statements, the management of the Group has delegated a business team specifically responsible for monitoring the progress of the acquisitions and to safeguard the value of the deposits. In the event that the recoverable amount from the land use rights to be acquired is identified and assessed to be less than the carrying value of the deposits paid, impairment loss is recognised. Based on management's assessment, impairment losses on deposits for future acquisition of land use rights of HK$358 million were incurred for the year ended 31 March 2017. | Our procedures performed in relation to the impairment of deposits for future acquisition of land use rights included:<br><br>• Discussing with management and reviewing the relevant agreements for understanding the nature of deposits for future acquisition of land use rights;<br><br>• Obtaining an understanding on management's process of making impairment of deposits for future acquisition of land use rights and assessing the reasonableness of impairment made with reference to the development of the projects, refund status of deposits for future acquisition of land use rights during the year or subsequent to the end of the reporting period (if any); and<br><br>• Discussing with management and project managers on the development of the projects, on a sample basis, by performing site visits, conducting interviews with counterparties, and examining supporting documents including correspondences with counterparties or relevant government authorities. |

## Key Audit Matters *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Accuracy of gain on disposal of a subsidiary*** | |
| We identified this area as a key audit matter due to the nature of the disposal that involves the management's judgements in determining the fair value of the 30% retained interest in the associate and recognising the gain resulted from the disposal, including the appropriateness of the significant assumptions adopted. During the year ended 31 March 2017, the Group disposed of 70% equity interests in Tianjin Harmonious Realty Development Co., Limited ("Tianjin Harmonious Realty"), which is engaged in property development in the PRC, to an independent third party for a consideration of RMB875 million (equivalent to HK$985 million). Upon the completion of the disposal, the Group has ceased its control over Tianjin Harmonious Realty but has retained a significant influence power over Tianjin Harmonious Realty which has thus became an associate of the Group.<br><br>As disclosed in note 35 to the consolidated financial statements, the gain on disposal of a subsidiary amounting to HK$1,858 million was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017 and the fair value of the 30% retained interest in Tianjin Harmonious Realty (the "associate") amounting to HK$2,264 million was recognised in the consolidated financial statements upon completion of the disposal.<br><br>In determining the fair value of the 30% retained interests in the associate and calculating the gain on disposal of a subsidiary, certain key assumptions have been made, including the timing of distribution of dividend of the associate, discount rate adopted in discounting the estimated future cashflow to arrive at the present value, and the valuation performed by the Valuer on the properties under development held by the associate. The valuation is dependent on certain significant inputs, including the recent market prices of similar properties, and the prevailing real estate market condition in the PRC. | Our procedures performed in relation to evaluating the accuracy of gain on disposal of a subsidiary included:<br><br>• Reviewing the terms stated in the disposal agreement;<br><br>• Assessing the competence, capabilities and objectivity of the Valuer;<br><br>• Assessing the appropriateness of the valuation methodology with reference to market practices;<br><br>• Assessing the key assumptions involved in determining the fair value of the retained interest in the associate, including the timing of distribution of dividend of the associate and the discount rate adopted in the valuation, with reference to the agreed distribution date of the dividend from the associate and the borrowing interest rate of the associate;<br><br>• Assessing the reasonableness of the significant inputs used in the valuation performed by the Valuer, including recent market prices of similar properties by comparing the price of the properties used in the calculation to the latest market data available;<br><br>• Engaging our tax specialists to assess the amount of the tax exposure in relation to the disposal by using the relevant tax rules; and<br><br>• Checking the mathematical accuracy of gain on disposal of a subsidiary. |

## Key Audit Matters *(Continued)*

| **Key audit matter** | **How our audit addressed the key audit matter** |
|---|---|
| ***Revenue recognised from sales of properties*** | |
| We identified revenue recognised from sales of properties as a key audit matter as it is quantitatively significant to the consolidated statement of profit or loss and other comprehensive income and there are management's judgments involved in determining the appropriate point at which to recognise revenue from sales of properties.<br><br>Revenue from sales of properties in the PRC is recognised upon delivery of the properties to buyers pursuant to the sale and purchase agreements and when the criteria as disclosed in note 3 "Revenue recognition" to the consolidated financial statements is satisfied. The Group recognised revenue of HK$1,064 million from sales of properties for the year ended 31 March 2017 as disclosed in note 6 in the consolidated financial statements. | Our procedures performed in relation to revenue recognised from sales of properties included:<br><br>• Assessing management's process and control over the delivery of properties to buyers; and<br><br>• Evaluating the terms set out in the sale and purchase agreements, checking the payment of sales, and obtaining the relevant completion certificate of the properties and the delivery notices issued by the Group to buyers, on a sample basis, to assess whether the significant risks and rewards of ownership of the properties have been transferred to buyers. |

## Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements of our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Kuen.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
29 June 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

| | NOTES | 2017<br>HK$'000 | 2016<br>HK$'000<br>(Restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 6 | **1,131,348** | 775,043 |
| Cost of sales | | **(982,164)** | (817,456) |
| Gross profit (loss) | | **149,184** | (42,413) |
| Other income and gains | 7 | **47,304** | 71,101 |
| Marketing and selling expenses | | **(58,663)** | (54,148) |
| Administrative expenses | | **(202,850)** | (207,217) |
| Other expenses | | **(653,102)** | (206,546) |
| Finance costs | 8 | **(218,346)** | (126,814) |
| Share of (loss) profit of associates | | **(10,961)** | 3,696 |
| Share of profit (loss) of joint ventures | | **2,111** | (13,417) |
| Net gain on disposal of subsidiaries | 35 | **1,845,900** | 5,670 |
| Profit (loss) before taxation | | **900,577** | (570,088) |
| Taxation | 9 | **(176,074)** | 266,256 |
| Profit (loss) for the year from continuing operations | | **724,503** | (303,832) |
| **Discontinued operations** | | | |
| (Loss) profit for the year from discontinued operations | 13 | **(17,063)** | 180,547 |
| Profit (loss) for the year | 10 | **707,440** | (123,285) |
| Other comprehensive (expense) income | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Exchange differences arising on translation to presentation currency | | **(201,763)** | (195,574) |
| Surplus on revaluation of buildings | | **–** | 24,563 |
| Deferred tax charge arising on revaluation of buildings | | **–** | (6,141) |
| Other comprehensive expense for the year | | **(201,763)** | (177,152) |
| Total comprehensive income (expense) for the year | | **505,677** | (300,437) |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

| | NOTE | **2017 HK$'000** | 2016 HK$'000 (Restated) |
|---|---|---|---|
| Profit (loss) for the year attributable to owners of the Company: | | | |
| – from continuing operations | | **724,515** | (303,815) |
| – from discontinued operations | | **(17,063)** | 180,547 |
| Profit (loss) for the year attributable to owners of the Company | | **707,452** | (123,268) |
| Loss for the year attributable to non-controlling interests: | | | |
| – from continuing operations | | **(12)** | (17) |
| – from discontinued operations | | **–** | – |
| Loss for the year attributable to non-controlling interests | | **(12)** | (17) |
| | | **707,440** | (123,285) |
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | **507,984** | (298,477) |
| Non-controlling interests | | **(2,307)** | (1,960) |
| | | **505,677** | (300,437) |
| | | **HK cents** | HK cents |
| **Earnings (loss) per share** | 15 | | |
| From continuing and discontinued operations | | | |
| Basic and diluted | | **16.90** | (2.94) |
| From continuing operations | | | |
| Basic and diluted | | **17.31** | (7.25) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

| | NOTES | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 16 | **226,952** | 241,596 |
| Investment properties | 17 | **205,781** | 219,250 |
| Prepaid land lease payments | 18 | **44,087** | 48,876 |
| Pledged deposits for other borrowing | 22 | **–** | 196,698 |
| Interests in associates | 20 | **2,349,141** | 724,963 |
| Interests in joint ventures | 19 | **360,813** | 382,233 |
| Amounts due from associates and joint ventures | 42(b)(iii), (iv) | **332,095** | 233,820 |
| Available-for-sale investments | 21 | **163,133** | 170,017 |
| Total non-current assets | | **3,682,002** | 2,217,453 |
| **CURRENT ASSETS** | | | |
| Properties under development | 23 | **4,637,424** | 9,776,748 |
| Completed properties for sale | 24 | **1,380,756** | 992,917 |
| Trade receivables | 25 | **1,461** | 2,040 |
| Prepayments, deposits and other receivables | 26 | **2,759,669** | 2,968,203 |
| Amounts due from associates and joint ventures | 42(b)(ii) | **736,767** | 1,015,834 |
| Prepaid tax | | **21,920** | 94,999 |
| Pledged bank deposits | 22 | **412,214** | 390,305 |
| Cash and bank balances | 22 | **942,778** | 433,535 |
| | | **10,892,989** | 15,674,581 |
| Assets classified as held for sale | 27 | **1,121,937** | – |
| Total current assets | | **12,014,926** | 15,674,581 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 28 | **1,063,906** | 342,753 |
| Deposits received from pre-sales of properties | 29 | **1,488,981** | 1,472,495 |
| Other payables and accruals | 30 & 42(b)(v) | **2,421,842** | 3,719,767 |
| Amount due to a substantial shareholder of the Company | 42(b)(i) | **27,041** | 7,948 |
| Tax payable | | **481,991** | 363,604 |
| Interest-bearing bank and other borrowings | 31 | **2,417,482** | 3,310,054 |
| | | **7,901,243** | 9,216,621 |
| Liabilities classified as held for sale | 27 | **531,890** | – |
| Total current liabilities | | **8,433,133** | 9,216,621 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

| | NOTES | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| **NET CURRENT ASSETS** | | **3,581,793** | 6,457,960 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **7,263,795** | 8,675,413 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 32 | **418,587** | 418,587 |
| Reserves | | **4,223,412** | 3,715,428 |
| Equity attributable to owners of the Company | | **4,641,999** | 4,134,015 |
| Non-controlling interests | | **(193)** | 2,114 |
| Total equity | | **4,641,806** | 4,136,129 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | 31 | **2,389,078** | 4,307,471 |
| Deferred tax liabilities | 33 | **232,911** | 231,813 |
| Total non-current liabilities | | **2,621,989** | 4,539,284 |
| | | **7,263,795** | 8,675,413 |

The consolidated financial statements on pages 76 to 179 were approved and authorised for issue by the Board of Directors on 29 June 2017 and are signed on its behalf by:

**Jiang Ming**
*DIRECTOR*

**Xia Xianglong**
*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

| | | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | 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 | | – | – | – | – | – | (193,631) | – | – | – | (193,631) | (1,943) | (195,574) |
| Release upon disposal of property, plant and equipment | | – | – | – | – | 808 | – | – | – | (808) | – | – | – |
| Surplus on revaluation | 16 | – | – | – | – | 24,563 | – | – | – | – | 24,563 | – | 24,563 |
| Deferred tax charge arising on revaluation of buildings | 33 | – | – | – | – | (6,141) | – | – | – | – | (6,141) | – | (6,141) |
| Other comprehensive income (expense) for the year | | – | – | – | – | 19,230 | (193,631) | – | – | (808) | (175,209) | (1,943) | (177,152) |
| Loss for the year | | – | – | – | – | – | – | – | – | (123,268) | (123,268) | (17) | (123,285) |
| Total comprehensive income (expense) for the year | | – | – | – | – | 19,230 | (193,631) | – | – | (124,076) | (298,477) | (1,960) | (300,437) |
| Disposal of equity interests in subsidiaries | 35 | – | – | – | – | – | (3,077) | – | – | 3,077 | – | – | – |
| Acquisition of additional interest in a subsidiary | | – | – | – | 707 | – | – | – | – | – | 707 | (707) | – |
| At 31 March 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 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

| | | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | 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 |
| Exchange differences arising on translation to presentation currency | | - | - | - | - | - | (199,468) | - | - | - | (199,468) | (2,295) | (201,763) |
| Release upon disposal of property, plant and equipment | | - | - | - | - | (2,433) | - | - | - | 2,433 | - | - | - |
| Other comprehensive (expense) income for the year | | - | - | - | - | (2,433) | (199,468) | - | - | 2,433 | (199,468) | (2,295) | (201,763) |
| Profit for the year | | - | - | - | - | - | - | - | - | 707,452 | 707,452 | (12) | 707,440 |
| Total comprehensive (expense) income for the year | | - | - | - | - | (2,433) | (199,468) | - | - | 709,885 | 507,984 | (2,307) | 505,677 |
| Disposal of equity interests in subsidiaries | 35 | - | - | - | - | - | 90,404 | - | - | (90,404) | - | - | - |
| Forfeiture of share options | | - | - | - | - | - | - | - | (7,238) | 7,238 | - | - | - |
| At 31 March 2017 | | 418,587 | 1,336,094 | 37,560 | 1,636 | 75,293 | 347,862 | 9,697 | 15,451 | 2,399,819 | 4,641,999 | (193) | 4,641,806 |

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 PRC applicable to the Company's PRC subsidiaries for staff welfare and expansion of working capital.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

| | NOTE | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit (loss) before taxation | | **883,514** | (307,793) |
| Adjustments for: | | | |
| Finance costs | | **218,346** | 209,563 |
| Share of loss (profit) of associates | | **10,961** | (3,696) |
| Share of (profit) loss of joint ventures | | **(2,111)** | 13,417 |
| Interest income | | **(7,515)** | (56,951) |
| Depreciation | | **7,210** | 7,111 |
| Amortisation of prepaid land lease payments | | **1,480** | 1,393 |
| Gain on disposal of property, plant and equipment | | **(3,531)** | (8,950) |
| Impairment loss recognised on prepayments, deposits and other receivables | | **357,948** | 179,434 |
| Reversal of impairment loss recognised on trade receivables | | **(8,893)** | – |
| Impairment loss recognised on trade receivables | | **3,845** | 18,040 |
| Impairment loss recognised on properties under development | | **74,120** | 78,148 |
| Impairment loss recognised on amounts due from associates | | **253,101** | – |
| Net gain on disposal of subsidiaries | | **(1,825,527)** | (328,232) |
| Gain on disposal of joint ventures | | **–** | (998) |
| Unrealised profit on the construction income from an associate | 20 | **–** | 3,102 |
| Operating cash flows before movements in working capital changes | | **(37,052)** | (196,412) |
| Increase in properties under development | | **(1,158,609)** | (2,226,412) |
| Decrease in completed properties for sale | | **848,816** | 721,434 |
| Decrease (increase) in trade receivables | | **9,436** | (312) |
| Increase in prepayments, deposits and other receivables | | **(473,248)** | (207,533) |
| Decrease in amount due from a customer for contract work | | **–** | 59,169 |
| (Increase) decrease in restricted bank balances | | **(164,509)** | 337,632 |
| Increase (decrease) in trade and bills payables | | **744,642** | (873,907) |
| Increase in deposits received from pre-sales of properties | | **350,858** | 503,499 |
| (Decrease) increase in other payables and accruals | | **(987,047)** | 2,067,980 |
| Cash (used in) from operations | | **(866,713)** | 185,138 |
| PRC Enterprise Income Tax ("EIT"), PRC withholding tax and PRC Land Appreciation Tax ("LAT") paid | | **(35,609)** | (241,594) |
| Net cash used in operating activities | | **(902,322)** | (56,456) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

| | NOTES | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additional investment in an associate | | **(352,191)** | – |
| Advances to associates and joint ventures | | **(226,531)** | (209,641) |
| Repayment from associates and joint ventures | | **311,846** | 386,752 |
| Purchases of property, plant and equipment | | **(5,089)** | (12,811) |
| Acquisition of interests in available-for-sale investments | | **(3,379)** | – |
| Proceeds from disposal of subsidiaries | 13 & 35 | **1,005,215** | 2,981 |
| Proceeds from disposal of joint ventures | | **–** | 23,503 |
| Placement of pledged bank deposits | | **(25,696)** | (223) |
| Withdrawal of pledged bank deposits | | **3,787** | 1,161,596 |
| Proceeds from disposal of property, plant and equipment | | **7,705** | 21,737 |
| Payment of deposit for acquisition of subsidiaries | 26 | **–** | (331,951) |
| Interest received | | **7,515** | 56,951 |
| Net cash from investing activities | | **723,182** | 1,098,894 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| New bank and other borrowings raised | | **4,134,987** | 4,912,062 |
| Repayment of bank and other borrowings | | **(3,035,406)** | (5,151,191) |
| Interest paid | | **(506,691)** | (659,223) |
| Advance from a substantial shareholder of the Company | | **19,093** | 4,000 |
| Placement of pledged deposits for other borrowing | | **–** | (196,698) |
| Net cash from (used in) financing activities | | **611,983** | (1,091,050) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **432,843** | (48,612) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | | **249,920** | 322,704 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | | **(82,972)** | (24,172) |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | 39 | **599,791** | 249,920 |

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollar which is different from the functional currency of the Company, Renminbi ("RMB"), as the directors of the Company consider that Hong Kong dollar is the appropriate presentation currency in view of its place of listing. The majority of the Company's subsidiaries are operating in the PRC with RMB as their functional currency.

The Group is engaged in the following principal activities:

- property development
- property investment
- project management
- project investment services

The Group's property management services business was discontinued during the current year and its construction business was discontinued during the prior year. Details of which are set out in note 13.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### *Amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012 – 2014 Cycle |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception |
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements |

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### *Amendments to HKAS 1 Disclosure Initiative*

The Group has applied the amendments to HKAS 1 Disclosure Initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The ordering of certain notes to the consolidated financial statements have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information to financial instruments was reordered to note 41 while information in relation to segment was reordered to note 5. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments[1] |
| HKFRS 16 | Leases[2] |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014 – 2016 Cycle[5] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 7 | Disclosure Initiative[4] |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses[4] |
| Amendments to HKAS 40 | Transfers of Investment Property[1] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### *HKFRS 9 Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities and impairment requirements for financial assets.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### *HKFRS 9 Financial Instruments (Continued)*

Based on the Group's financial instruments and risk management policies as at 31 March 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

However, it is not practicable to provide reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

### *HKFRS 15 Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued *Clarifications to HKFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### *HKFRS 15 Revenue from Contracts with Customers (Continued)*

The directors of the Company anticipate that the application of HKFRS 15 may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in respective reporting periods.

### *HKFRS 16 Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

*HKFRS 16 Leases (Continued)*

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$51,079,000 as disclosed in note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The 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 at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its return.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Basis of consolidation (Continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### *Changes in the Group's ownership interests in existing subsidiaries*

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Investments in associates and joint ventures*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Investments in associates and joint ventures (Continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Investments in associates and joint ventures (Continued)*

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

### *Non-current assets held for sale*

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the purchasers. Deposits and instalments received from purchasers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income from properties under operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Project management service income is recognised when the related services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Property, plant and equipment*

Property, plant and equipment are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising on revaluation of land and buildings is recognised in other comprehensive income and accumulated in leasehold property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid land lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### *Investment properties*

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

In circumstances where the fair values of the investment properties under construction are not reliably determinable, such investment properties under construction are measured at cost less impairment, if any, until when their fair values become reliably determinable, which occur upon finalisation of the development plan, at which point in time the land and relocation costs and construction costs attributable to the investment property is reliably determinable.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Investment properties (Continued)*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

### *Properties under development*

Properties under development are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised, and other attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

### *Completed properties for sale*

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total cost of land, development expenditure, borrowing cost capitalised and other direct costs attributable to unsold properties. Net realisable value is determined by management based on prevailing market prices, on an individual property basis.

### *Impairment loss on tangible assets*

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Impairment loss on tangible assets (Continued)*

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

### *Leasing*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

#### *The Group as lessee*

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollar) using the exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributable to non-controlling interests as appropriate).

### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Retirement benefit costs*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are recognised as an expense when employees have rendered service entitling them to the contributions. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

### *Share-based payment transactions*

#### *Equity-settled share-based payment transactions*

For share options granted to the employees and directors, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with interests in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Taxation (Continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where the current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### *Financial instruments*

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Financial instruments (Continued)*

#### *Financial assets*

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from associates and joint ventures, pledged bank deposits and cash and bank balances) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

*Available-for-sale financial assets (Continued)*

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Financial instruments (Continued)*

#### *Financial assets (Continued)*

*Impairment of financial assets (Continued)*

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Financial liabilities and equity instruments*

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Financial instruments (Continued)*

#### *Financial liabilities and equity instruments (Continued)*

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group entities are recognised at the proceeds received, net of direct issue costs.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

*Financial liabilities*

Financial liabilities (including trade and bills payables, other payables, amount due to a substantial shareholder of the Company and interest-bearing bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

#### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### *Financial instruments (Continued)*

#### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### *Estimated write-downs of properties under development and completed properties for sale*

The Group writes down properties under development and completed properties for sale to net realisable value based on assessment of the realisability of properties under development and completed properties for sale. The Group engages independent and qualified professional valuer to perform the valuation of properties under development and completed properties for sale for determining the net realisable value. In addition, in determining the net realisable value, the Group has estimated the costs to completion of properties under development based on current cost data and past experience and the net sales value based on past experience and prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease and this might result in write-downs of properties under development and completed properties for sale to net realisable value. Write-downs are recorded when events or changes in circumstances indicate that the carrying balances of the pertinent assets may not be realised at the amount as stated. The identification of write-downs requires the use of judgements and estimates. If there is a change in the events on circumstances resulting in changes to the original estimations used in determining net realisable value, it will impact the carrying value and write-downs of properties under development and completed properties for sale in the period in which such a change has occurred. The carrying amounts of properties under development and completed properties for sale at 31 March 2017 were HK$4,637,424,000 (2016: HK$9,776,748,000) and HK$1,380,756,000 (2016: HK$992,917,000) respectively.

### *Deposits for acquisition of land use rights*

The Group determines whether or not the deposits paid for acquisition of land use rights for property development for sale purpose are impaired. Deposits paid to independent third parties, both secured and unsecured, are based on the agreed terms as stipulated in the relevant agreements. Impairment losses are recognised for the deposits when events or changes in circumstances indicate that the pertinent acquisition may not be completed and the deposits are not recoverable. The management has delegated a business team responsible for monitoring progress of the acquisition and to safeguard the value of the deposits. In the event that the recoverable amount from the land use rights to be acquired is identified and assessed to be less than the carrying amount of the deposits paid, impairment losses are recognised.

The carrying amount of deposits for acquisition of land use rights included in prepayments, deposits and other receivables at 31 March 2017 was HK$2,065,981,000 (2016: HK$1,846,833,000). Further details are set out in note 26.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### *Gain on disposal of a subsidiary*

During the year ended 31 March 2017, the Group disposed of 70% equity interests in Tianjin Harmonious Realty Development Co., Limited ("Tianjin Harmonious Realty"), which is engaged in property development in the PRC, to and independent third party for a consideration of RMB875,000,000 (equivalent to HK$984,883,000). Upon completion of the disposal, the Group has ceased its control over Tianjin Harmonious Realty but has retained significant influence power over Tianjin Harmonious Realty which has thus became an associate of the Group.

The Group determined the fair value of the 30% retained interest in the associate and the gain resulted from the disposal, taking into account certain key assumptions, including the timing of distribution of dividend of the associate, discount rate adopted in discounting the estimated future cashflow to arrive at the present value for deriving the fair value of the interest in the associate, and the valuation performed by the independent and qualified professional valuer on the properties under development held by the associate with reference to the recent market prices of similar properties, and the prevailing real estate market condition in the PRC. The determination of the fair value of the 30% retained interest in the associate and the gain resulted from the disposal requires the use of judgements and estimates. If the outcome of the expectation is different, it will impact on the carrying value of the interest in associate and the gain resulted from the disposal as the original estimations used might need to be changed.

During the year ended 31 March 2017, the gain on disposal of a subsidiary amounted to HK$1,857,531,000 and at 31 March 2017, the fair value of the 30% retained interest in Tianjin Harmonious Realty, amounted to HK$2,263,604,000.

### *Estimated impairment of receivables*

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of the future cash flows to be generated from the pertinent assets. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

In making the estimates, management considered the possibility of the ultimate realisation of these receivables, including the current credit worthiness, past collection history and subsequent settlement records of each debtors. If the financial positions of customers and counterparties of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances maybe required.

At 31 March 2017, amounts due from associates and joint ventures amounted to HK$1,068,862,000 (2016: HK$1,249,654,000), trade receivables amounted to HK$1,461,000 (2016: HK$2,040,000) and other receivables amounted to HK$380,508,000 (2016: HK$490,648,000).

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### *Recognition and allocation of construction cost on properties under development*

Development costs of properties are recorded as properties under development during construction stage and will be transferred to completed properties for sale upon completion. An apportionment of these costs will be recognised in the consolidated statement of profit or loss and other comprehensive income upon the recognition of the sale of the properties. Prior to the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on progress of construction and are assessed by the management.

In developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the costs of such phase. Costs that are commonly shared amongst different phases are allocated to individual phase in proportion based on the estimated saleable area of each phase.

Where the final settlement of the costs and the related cost allocation base are different from the initial estimates, such variations would affect the profit or loss in future years for absorbing such cost variances when arose.

### *LAT*

PRC LAT is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including land cost, borrowing costs and all property development expenditure.

The subsidiaries of the Company engaging in property development business in the PRC are subject to LAT charges, which will be included in the tax expenses. However, the implementation of LAT varies amongst various PRC cities and the Group has yet to be finalised certain of its LAT returns with various tax authorities. Accordingly, a significant judgement is required in determining the amount of land appreciation and its related chargeable taxes. The ultimate LAT determination is uncertain which is a common circumstance exists in the ordinary course of property development business in the PRC. The Group recognises the LAT liabilities based on management's best estimates. Where the final outcome of these LAT matters is different from the amounts that were estimated and recorded, such differences will impact on the tax expense and provision for LAT included in the tax payable in the period in which such determination is made.

## 5. 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 Directors 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 project management segment engages in the provision of project management in the PRC; and

(d) the project investment service segment engages in the provision of investment services in relation to investment in and sale of property development/land development project in the PRC.

An operating segment regarding the property management business was discontinued during the current year and the construction business was discontinued in the prior year. Segment information reported below does not include any amounts for these discontinued operations. Details of which are set out in note 13.

### *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:

## 5. SEGMENT INFORMATION *(Continued)*

### *Continuing operations*

| | Property development | | Property investment | | Project management | | Project investment services | | Total | | Reconciliation | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 (Restated) | **2017 HK$'000 (Note)** | 2016 HK$'000 (Note) | **2017 HK$'000** | 2016 HK$'000 (Restated) |
| Segment revenue: | | | | | | | | | | | | | | |
| Sales to external customers | **1,063,757** | 773,872 | **3,021** | 1,154 | **64,570** | 17 | **-** | – | **1,131,348** | 775,043 | **-** | – | **1,131,348** | 775,043 |
| Sales of projects to external customers | **-** | – | **-** | – | **-** | – | **1,053,817** | 11,651 | **1,053,817** | 11,651 | **(1,053,817)** | (11,651) | **-** | – |
| Total | **1,063,757** | 773,872 | **3,021** | 1,154 | **64,570** | 17 | **1,053,817** | 11,651 | **2,185,165** | 786,694 | **(1,053,817)** | (11,651) | **1,131,348** | 775,043 |
| Segment (loss) profits | **(483,949)** | (408,303) | **1,750** | (230) | **47,581** | (14,826) | **1,845,900** | 5,670 | **1,411,282** | (417,689) | **-** | – | **1,411,282** | (417,689) |
| Amortisation of prepaid land lease payments | | | | | | | | | | | | | **(1,480)** | (1,393) |
| Finance costs | | | | | | | | | | | | | **(218,346)** | (126,814) |
| Gain on disposal of joint ventures | | | | | | | | | | | | | **-** | 998 |
| Impairment loss recognised on amounts due from associates | | | | | | | | | | | | | **(253,101)** | – |
| Interest income | | | | | | | | | | | | | **7,515** | 56,925 |
| Net foreign exchange losses | | | | | | | | | | | | | **(21,658)** | (28,032) |
| Share of (loss) profit of associates | | | | | | | | | | | | | **(10,961)** | 3,696 |
| Share of profit (loss) of joint ventures | | | | | | | | | | | | | **2,111** | (13,417) |
| Other net unallocated expense | | | | | | | | | | | | | **(14,785)** | (44,362) |
| Profit (loss) before taxation from continuing operations | | | | | | | | | | | | | **900,577** | (570,088) |

Note: The adjustment reflects the reconciliation of revenue from the reportable and operating segments to the Group's consolidated revenue as the net profit or loss from project investment services is accounted for under the net gain on disposal of subsidiaries in the consolidated statement of profit or loss and other comprehensive income.

Segment results represent the profit (loss) before taxation made by each reportable segment without allocation of income and expenses of the Group's head office, amortisation of prepaid land lease payments, finance costs, gain on disposal of joint ventures, impairment loss recognised on amounts due from associates, interest income, net foreign exchange losses and share of results of associates and joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

## 5. SEGMENT INFORMATION *(Continued)*

### *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.

### *Other segment information*

Amounts included in the measure of segment (loss) profits:

### *Continuing operations*

| | Property development | | Property investment | | Project management | | Project investment services | | Unallocated | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 (Restated) |
| Depreciation | **1,179** | 209 | **43** | 148 | **1,011** | 1,333 | **-** | – | **4,937** | 5,314 | **7,170** | 7,004 |
| Gain on disposal of property, plant and equipment | **(3,531)** | (8,950) | **-** | – | **-** | – | **-** | – | **-** | – | **(3,531)** | (8,950) |
| Net gain on disposal of subsidiaries | **-** | – | **-** | – | **-** | – | **(1,845,900)** | (5,670) | **-** | – | **(1,845,900)** | (5,670) |
| Impairment loss recognised on trade receivables | **3,845** | 18,040 | **-** | – | **-** | – | **-** | – | **-** | – | **3,845** | 18,040 |
| Impairment loss recognised on prepayments, deposits and other receivables | **357,948** | 179,434 | **-** | – | **-** | – | **-** | – | **-** | – | **357,948** | 179,434 |
| Impairment loss recognised on properties under development | **74,120** | 78,148 | **-** | – | **-** | – | **-** | – | **-** | – | **74,120** | 78,148 |

### *Geographical information*

No geographical segment information is presented as the Group's revenue and results are substantially derived from operations in the PRC and the Group's non-current assets are mainly located in the PRC.

### *Information about major customers*

The Group does not have major customers as no single external customer contributes more than 10% of the Group's revenue for both years.

## 6. REVENUE

An analysis of the Group's revenue for the year is as follows:

| | 2017 HK$'000 | 2016 HK$'000 (Restated) |
|---|---|---|
| **Continuing operations** | | |
| Sale of properties | **1,063,757** | 773,872 |
| Rental income | **3,021** | 1,154 |
| Project management service income | **64,570** | 17 |
| | **1,131,348** | 775,043 |

## 7. OTHER INCOME AND GAINS

| | 2017 HK$'000 | 2016 HK$'000 (Restated) |
|---|---|---|
| **Continuing operations** | | |
| Bank interest income | **7,515** | 44,018 |
| Gain on disposal of joint ventures (note) | **–** | 998 |
| Gain on disposal of property, plant and equipment | **3,531** | 8,950 |
| Profit distribution from an available-for-sale investment | **20,969** | – |
| Reversal of impairment loss recognised on trade receivables | **8,893** | – |
| Other interest income | **–** | 12,907 |
| Others | **6,396** | 4,228 |
| | **47,304** | 71,101 |

Note: During the year ended 31 March 2016, the Group disposed of its interests in two joint ventures for cash consideration of HK$23,503,000 and a shareholder's loan in the amount of HK$18,877,000 due and owing by the joint ventures to the Group has been waived. The Group recognised a gain on disposal of HK$998,000.

## 8. FINANCE COSTS

| | 2017 HK$'000 | 2016 HK$'000 (Restated) |
|---|---|---|
| **Continuing operations** | | |
| Interest on bank borrowings | **247,751** | 248,785 |
| Interest on other borrowings | **205,586** | 377,843 |
| | **453,337** | 626,628 |
| Less: Amounts capitalised in properties under development | **(234,991)** | (499,814) |
| | **218,346** | 126,814 |

Borrowing costs capitalised during the year arose on the funds borrowed specifically for the purpose of obtaining qualifying assets and are calculated by applying a capitalisation rate of 9.45% (2016: 8.33%) per annum.

## 9. TAXATION

| | 2017 HK$'000 | 2016 HK$'000 (Restated) |
|---|---|---|
| **Continuing operations** | | |
| Current tax: | | |
| PRC EIT | | |
| Provision for current year | **58,555** | 7,388 |
| Underprovision (overprovision) in prior years (note a) | **3,630** | (58,315) |
| | **62,185** | (50,927) |
| PRC LAT | | |
| Provision for current year | **102,021** | 26,600 |
| Overprovision in prior years (note b) | **–** | (232,752) |
| | **102,021** | (206,152) |
| Deferred tax (note 33) | **11,868** | (9,177) |
| Total tax charge (credit) for the year | **176,074** | (266,256) |

## 9. TAXATION *(Continued)*

Notes:

(a) The assessment and computation of EIT payable in respect of certain subsidiaries with completed property development projects were finalised during the year and the actual EIT payables was different from the management's estimation on EIT in prior years, resulting in an underprovision (overprovision) of EIT in respect of prior years.

(b) The actual appreciation value of several property development projects had been confirmed and the development plan for these property development projects had been revised in which the revised appreciation value was different from the estimation made in prior years, resulting in an overprovision of LAT in respect of prior years.

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 years.

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.

## 9. TAXATION *(Continued)*

The tax charge (credit) for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2017 HK$'000 | 2017 % | 2016 HK$'000 (Restated) | 2016 % |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Profit (loss) before taxation | **900,577** | | (570,088) | |
| Tax at the statutory tax rate | **225,144** | **25.0** | (142,522) | (25.0) |
| Tax effect of income not taxable | **(477,032)** | **(53.0)** | (4,890) | (0.9) |
| Tax effect of expenses not deductible | **222,280** | **24.7** | 129,191 | 22.7 |
| Tax effect of tax losses not recognised | **152,040** | **16.9** | 32,107 | 5.6 |
| Tax effect of utilisation of tax losses previously not recognised | **(26,275)** | **(2.9)** | (192) | – |
| Tax effect of share of loss (profit) of associates | **2,740** | **0.3** | (924) | (0.2) |
| Tax effect of share of (profit) loss of joint ventures | **(528)** | **–** | 3,354 | 0.6 |
| | **98,369** | **11.0** | 16,124 | 2.8 |
| PRC LAT | **102,021** | **11.3** | 26,600 | 4.7 |
| Income tax effect of PRC LAT | **(25,505)** | **(2.8)** | (6,650) | (1.1) |
| Overprovision of LAT in prior years | **–** | **–** | (232,752) | (40.8) |
| Deferred tax credit on undistributed earnings of PRC subsidiaries | **(2,441)** | **(0.3)** | (11,263) | (2.0) |
| Underprovision (overprovision) of PRC EIT in prior years | **3,630** | **0.4** | (58,315) | (10.3) |
| Tax charge (credit) and effective tax rate for the year | **176,074** | **19.6** | (266,256) | (46.7) |

## 10. PROFIT (LOSS) FOR THE YEAR

| | 2017 HK$'000 | 2016 HK$'000 (Restated) |
|---|---|---|
| **Continuing operations** | | |
| Profit (loss) for the year has been arrived at after charging (crediting): | | |
| Cost of completed properties sold | **921,406** | 727,038 |
| Depreciation of property, plant and equipment (note 16) | **7,330** | 7,431 |
| Less: Amounts capitalised in properties under development | **(160)** | (427) |
| | **7,170** | 7,004 |
| Amortisation of prepaid land lease payments (note 18) | **1,480** | 1,393 |
| Minimum lease payments under operating leases for land and buildings | **6,518** | 7,070 |
| Less: Amounts capitalised in properties under development | **(1,112)** | (1,331) |
| | **5,406** | 5,739 |
| Auditor's remuneration | **3,450** | 3,450 |
| Staff costs: | | |
| Salaries and other benefits (including directors' remuneration – note 11) | **79,094** | 87,753 |
| Pension scheme contributions | **8,474** | 13,562 |
| Less: Amounts capitalised in properties under development | **(11,408)** | (16,424) |
| | **76,160** | 84,891 |
| Reversal of impairment loss recognised on trade receivables | **(8,893)** | – |
| Impairment loss recognised on trade receivables (included in other expenses) | **3,845** | 18,040 |
| Impairment loss recognised on prepayments, deposits and other receivables (included in other expenses) | **357,948** | 179,434 |
| Impairment loss recognised on properties under development (included in cost of sales) | **74,120** | 78,148 |
| Impairment loss recognised on amounts due from associates (included in other expenses) | **253,101** | – |
| Gain on disposal of property, plant and equipment | **(3,531)** | (8,950) |
| Net foreign exchange losses | **21,658** | 28,032 |
| Gross rental income | **(3,021)** | (1,154) |
| Less: Outgoings | **2,044** | 263 |
| Net rental income | **(977)** | (891) |

## 11. DIRECTORS' AND MANAGING DIRECTOR'S REMUNERATIONS

Directors' and managing director's remunerations for the year, disclosed pursuant to the applicable Listing Rules and the CO, are as follows:

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Fees: | | |
| Executive directors | **–** | – |
| Non-executive directors | **100** | 100 |
| Independent non-executive directors | **390** | 390 |
| | **490** | 490 |
| Other emoluments: | | |
| Salaries and other benefits | **10,689** | 11,527 |
| Pension scheme contributions | **168** | 70 |
| | **10,857** | 11,597 |
| | **11,347** | 12,087 |

## 11. DIRECTORS' AND MANAGING DIRECTOR'S REMUNERATIONS *(Continued)*

| | Fees HK$'000 | Salaries and other benefits HK$'000 | Pension scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Year ended 31 March 2017** | | | | |
| Executive directors: | | | | |
| Mr. Jiang Ming | – | 3,193 | 18 | 3,211 |
| Mr. Cai Shaobin (note b) | – | 1,975 | 18 | 1,993 |
| Dr. Li Ting (note a) | – | 317 | 5 | 322 |
| Mr. Tao Lin | – | 3,109 | 16 | 3,125 |
| Ms. Wang Hongmei (note b) | – | 656 | 8 | 664 |
| Mr. Xia Xianglong (note a) | – | 1,439 | 103 | 1,542 |
| | – | 10,689 | 168 | 10,857 |
| Non-executive directors: | | | | |
| Mr. Dai Jingming | 50 | – | – | 50 |
| Mr. Lu Jiqiang | 50 | – | – | 50 |
| | 100 | – | – | 100 |
| Independent non-executive directors: | | | | |
| Mr. Huang Xihua (note c) | 130 | – | – | 130 |
| Mr. Wong Kai Cheong | 130 | – | – | 130 |
| Mr. Yang Jiangang | 130 | – | – | 130 |
| | 390 | – | – | 390 |
| | 490 | 10,689 | 168 | 11,347 |

Notes:

(a) Mr. Xia Xianglong and Dr. Li Ting were appointed as executive directors of the Company on 1 June 2016 and 20 March 2017 respectively.

(b) Ms. Wang Hongmei and Mr. Cai Shaobin resigned as executive directors of the Company on 1 June 2016 and 20 March 2017 respectively.

(c) Mr. Huang Xihua was appointed as independent non-executive director of the Company on 1 June 2016.

## 11. DIRECTORS' AND MANAGING DIRECTOR'S REMUNERATIONS *(Continued)*

| | Fees HK$'000 | Salaries and other benefits HK$'000 | Pension scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Year ended 31 March 2016** | | | | |
| Executive directors: | | | | |
| Mr. Jiang Ming | – | 3,169 | 18 | 3,187 |
| Mr. Cai Shaobin | – | 2,155 | 18 | 2,173 |
| Mr. Tao Lin | – | 2,875 | 16 | 2,891 |
| Ms. Wang Hongmei | – | 3,328 | 18 | 3,346 |
| | – | 11,527 | 70 | 11,597 |
| Non-executive directors: | | | | |
| Mr. Dai Jingming | 50 | – | – | 50 |
| Mr. Lu Jiqiang | 50 | – | – | 50 |
| | 100 | – | – | 100 |
| Independent non-executive directors: | | | | |
| Mr. Chen Xiaotian (note) | 130 | – | – | 130 |
| Mr. Wong Kai Cheong | 130 | – | – | 130 |
| Mr. Yang Jiangang | 130 | – | – | 130 |
| | 390 | – | – | 390 |
| | 490 | 11,527 | 70 | 12,087 |

Note: Mr. Chen Xiaotian did not offer himself for re-election and retired as an independent non-executive director with effect from the conclusion of the annual general meeting held on 12 September 2016.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors and non-executive directors' emolument shown above were for their services as directors of the Company.

Mr. Jiang Ming is the Managing Director of the Company who also acts as the role of the Chief Executive of the Company for both years and his emolument disclosed above included those for services rendered by him as the Managing Director.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

## 12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included four (2016: four) directors, details of whose remuneration are set out in note 11 above. The remuneration of the remaining one (2016: one) highest paid individual is within the band of HK$3,000,001 to HK$3,500,000 (2016: HK$2,500,001 to HK$3,000,000) and is as follows:

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Salaries and other benefits | **3,468** | 2,776 |
| Share-based payment | **–** | – |
| Pension scheme contributions | **–** | – |
| | **3,468** | 2,776 |

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

## 13. DISCONTINUED OPERATIONS

### *Discontinued operation of property management business*

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

### *Discontinued operation of construction business*

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 in consideration that a debt in the amount of RMB471,673,000 (equivalent to HK$566,064,000) 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 transfer of the equity interests being approved by the relevant government authority.

## 13. DISCONTINUED OPERATIONS *(Continued)*

The (loss) profit for the year from discontinued operations which has been included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows is set out below:

| | Period ended 27 October 2016 | Year ended 31 March 2016 | | |
|---|---|---|---|---|
| | Property Management Group HK$'000 | Property Management Group HK$'000 | Jingdian HK$'000 | Total HK$'000 |
| Profit (loss) of discontinued operations for the period/year | 3,310 | 5,317 | (65,822) | (60,505) |
| (Loss) gain on disposal of subsidiaries | (20,373) | – | 322,562 | 322,562 |
| Tax on gain on disposal of construction business | – | – | (81,510) | (81,510) |
| | (17,063) | 5,317 | 175,230 | 180,547 |
| Revenue | 5,052 | 11,440 | 160,153 | 171,593 |
| Cost of sales | (117) | (717) | (125,870) | (126,587) |
| Gross profit | 4,935 | 10,723 | 34,283 | 45,006 |
| Other income | 162 | 476 | 163 | 639 |
| Expenses | (1,787) | (5,882) | (100,030) | (105,912) |
| Profit (loss) before taxation | 3,310 | 5,317 | (65,584) | (60,267) |
| Taxation | – | – | (238) | (238) |
| Profit (loss) for the period/year | 3,310 | 5,317 | (65,822) | (60,505) |
| Profit (loss) for the period/year from discontinued operations included the followings: | | | | |
| Depreciation | 40 | 107 | – | 107 |
| Finance costs | – | – | 82,749 | 82,749 |
| Staff costs | 1,012 | 4,069 | 6,229 | 10,298 |
| Contract work in progress recognised as expense | – | – | 125,870 | 125,870 |
| Operating lease charges in respect of land and buildings | 23 | 39 | 33 | 72 |

## 13. DISCONTINUED OPERATIONS *(Continued)*

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Consideration | **25,193** | – |
| Net assets (liabilities) disposed of: | | |
| Property, plant and equipment | **138** | 981 |
| Amounts due from the Group | **10,404** | – |
| Amounts due from the Group (take into consideration of waiver of debts owned by the Group) | **–** | 1,958,430 |
| Amounts due from associates of the Group | **–** | 190,187 |
| Trade receivables, prepayments, deposits and other receivables | **93,140** | 74,385 |
| Cash and bank balances | **14,028** | 8,316 |
| Trade, bills and other payables | **(72,144)** | (2,002,505) |
| Interest-bearing bank and other borrowings | **–** | (552,356) |
| Net assets (liabilities) disposed of | **45,566** | (322,562) |
| (Loss) gain on disposal of subsidiaries | | |
| Consideration | **25,193** | – |
| Less: Net assets (liabilities) disposed of | **45,566** | (322,562) |
| | **(20,373)** | 322,562 |
| Net cash inflow (outflow) arising on disposal: | | |
| Cash received | **25,193** | – |
| Cash and bank balances disposed of | **(14,028)** | (8,316) |
| | **11,165** | (8,316) |

## 14. DISTRIBUTIONS

The Board of Director does not recommend the payment of a dividend for the year ended 31 March 2017 (2016: nil).

## 15. EARNINGS (LOSS) PER SHARE

### (a) Basic earnings (loss) per share

#### (i) From continuing and discontinued operations

The calculation of the basic earnings (loss) per share is based on the earnings for the year attributable to owners of the Company of HK$707,452,000 (2016: loss attributable to owners of the Company of HK$123,268,000) and the number of 4,185,874,285 ordinary shares in issue for the years ended 31 March 2017 and 2016.

#### (ii) From continuing operations

The calculation of the basic earnings (loss) per share from continuing operations is based on the earnings for the year attributable to owners of the Company of HK$724,515,000 (2016: loss attributable to owners of the Company of HK$303,815,000) and the denominator used is the same as that detailed above.

#### (iii) From discontinued operations

Loss per share for the discontinued operations is HK0.41 cents per share (2016: earnings per share of HK4.31 cents), based on the loss for the year from discontinued operations of HK$17,063,000 (2016: profit for the year from discontinued operations of HK$180,547,000) and the denominator used is the same as detailed above.

### (b) Diluted earnings (loss) per share

The calculation of diluted earnings (loss) per share for the years ended 31 March 2017 and 2016 did not assume the exercise of the Company's share options as the exercise prices of the share options were higher than the average market price of the Company's shares for the respective years.

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings HK$'000 | Leasehold improvements HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| COST OR VALUATION | | | | | |
| At 1 April 2015 | 211,588 | 28,550 | 40,276 | 14,693 | 295,107 |
| Exchange realignment | (5,000) | (1,177) | (1,737) | (612) | (8,526) |
| Additions | – | 10,391 | 756 | 1,664 | 12,811 |
| Disposals | (11,043) | – | (1,746) | (2,929) | (15,718) |
| Disposal of subsidiaries (notes 13 and 35) | – | – | (11,563) | (975) | (12,538) |
| Adjustment on revaluation | 22,743 | – | – | – | 22,743 |
| At 31 March 2016 | 218,288 | 37,764 | 25,986 | 11,841 | 293,879 |
| Exchange realignment | (9,146) | (1,939) | (1,385) | (646) | (13,116) |
| Additions | 2,456 | 971 | 735 | 927 | 5,089 |
| Disposals | (4,304) | – | (431) | (233) | (4,968) |
| Disposal of subsidiaries (notes 13 and 35) | – | – | (1,815) | (582) | (2,397) |
| At 31 March 2017 | 207,294 | 36,796 | 23,090 | 11,307 | 278,487 |
| Comprising | | | | | |
| At cost | – | 36,796 | 23,090 | 11,307 | 71,193 |
| At valuation | 207,294 | – | – | – | 207,294 |
| | 207,294 | 36,796 | 23,090 | 11,307 | 278,487 |

## 16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

| | Leasehold land and buildings HK$'000 | Leasehold improvements HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| DEPRECIATION | | | | | |
| At 1 April 2015 | – | 27,129 | 27,329 | 5,448 | 59,906 |
| Exchange realignment | (40) | (1,201) | (1,195) | (256) | (2,692) |
| Provided for the year | 1,860 | 1,753 | 1,833 | 2,092 | 7,538 |
| Eliminated on disposals | – | – | (1,281) | (1,650) | (2,931) |
| Eliminated on disposal of subsidiaries (notes 13 and 35) | – | – | (7,293) | (425) | (7,718) |
| Adjustment on revaluation | (1,820) | – | – | – | (1,820) |
| At 31 March 2016 | – | 27,681 | 19,393 | 5,209 | 52,283 |
| Exchange realignment | (2,477) | (1,501) | (1,015) | (300) | (5,293) |
| Provided for the year | 2,734 | 2,436 | 941 | 1,219 | 7,330 |
| Eliminated on disposals | (257) | – | (408) | (129) | (794) |
| Eliminated on disposal of subsidiaries (notes 13 and 35) | – | – | (1,628) | (363) | (1,991) |
| At 31 March 2017 | – | 28,616 | 17,283 | 5,636 | 51,535 |
| CARRYING VALUES | | | | | |
| At 31 March 2017 | 207,294 | 8,180 | 5,807 | 5,671 | 226,952 |
| At 31 March 2016 | 218,288 | 10,083 | 6,593 | 6,632 | 241,596 |

The above items of property, plant and equipment are depreciated using the straight-line method after taking into account their estimated residual values at the following rates per annum:

| | |
|---|---|
| Leasehold land and buildings | Shorter of land lease term or 2% to 5% |
| Leasehold improvements | 10% – 20% |
| Furniture, fixtures and equipment | 10% – 20% |
| Motor vehicles | 20% |

## 16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's land and buildings were revalued individually at 31 March 2017 and 2016 by DTZ Cushman & Wakefield Limited, independent professional valuers not connected with the Group, by reference to market evidence of recent transaction prices for similar properties.

In estimating the fair value of the leasehold land and buildings, the highest and best use of the leasehold land and buildings is their current use.

The fair value of the leasehold land and buildings were determined by the valuers on direct comparison approach assuming sale of each of these properties on an immediate vacant possession basis by reference to comparable sales evidence as available in the relevant market. Comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size. The most significant input into this valuation approach is price per square meter.

There were no changes to the valuation techniques during the year.

The following table gives information about how the fair values of these leasehold land and buildings are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

| Leasehold land and buildings held by the Group in the consolidated statement of financial position | Fair value hierarchy | Valuation technique | Unobservable input | Range of Unobservable input | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|
| Leasehold land and buildings in Hong Kong of HK$107,060,000 (2016: HK$107,060,000) | Level 3 | Direct comparison method | Price per square meter | HK$97,568 – HK$272,643 (2016: HK$86,112 – HK$251,275) | The higher the price per square, the higher the fair value. |
| Leasehold land and buildings in the PRC of HK$100,234,000 (2016: HK$111,228,000) | Level 3 | Direct comparison method | Price per square meter | HK$14,006 – HK$87,079 (2016: HK$4,680 – HK$76,680) | The higher the price per square, the higher the fair value |

There were no transfers into or out of Level 3 during the year.

## 16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

In the opinion of the directors of the Company, the allocation of leasehold land and buildings elements of certain properties located in the PRC cannot be made reliably, thus the entire amount is classified as a finance lease and accounted for as property, plant and equipment.

Had the Group's land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts at 31 March 2017 would have been HK$140,547,000 (2016: HK$146,380,000).

## 17. INVESTMENT PROPERTIES

| | Completed investment properties at fair value HK$'000 | Investment property under construction at cost HK$'000 | Total HK$'000 |
|---|---|---|---|
| FAIR VALUE/COST | | | |
| At 1 April 2015 | 4,406 | 226,237 | 230,643 |
| Exchange realignment | (218) | (11,175) | (11,393) |
| At 31 March 2016 | 4,188 | 215,062 | 219,250 |
| Exchange realignment | (257) | (13,212) | (13,469) |
| At 31 March 2017 | 3,931 | 201,850 | 205,781 |

## 17. INVESTMENT PROPERTIES *(Continued)*

In 2009, the Group entered into a cooperative agreement with a PRC party to develop a commercial property in Beijing, the PRC. Pursuant to the agreement, the Group is mainly responsible for the demolition of the existing properties and construction of the property at the estimated total costs of not less than RMB340 million. Upon the completion of the property development, the Group is entitled to 65% of rental income from leasing of the property for 35 years. Such a property as at 31 March 2017 and 2016 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 this investment property under construction, no further development cost was incurred for both years.

The fair values of the Group's completed investment properties at 31 March 2017 and 2016 have been arrived at on the basis of valuations carried out on the respective dates by DTZ Cushman & Wakefield Limited, independent professional valuers not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations respectively.

For completed investment properties, the valuations have 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 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 at the properties, the highest and best use of the properties is their current use.

## 18. PREPAID LAND LEASE PAYMENTS

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| At beginning of year | **50,235** | 54,280 |
| Exchange realignment | **(3,051)** | (2,652) |
| Amortisation during the year (note 10) | **(1,480)** | (1,393) |
| At end of year | **45,704** | 50,235 |
| Analysed for reporting purposes as: | | |
| Non-current asset | **44,087** | 48,876 |
| Current asset (included in prepayments, deposits and other receivables) | **1,617** | 1,359 |
| | **45,704** | 50,235 |

## 19. INTERESTS IN JOINT VENTURES

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Cost of investment in joint ventures, unlisted | **362,698** | 386,438 |
| Share of post-acquisition losses and other comprehensive expense | **(1,885)** | (4,205) |
| | **360,813** | 382,233 |

## 19. INTERESTS IN JOINT VENTURES *(Continued)*

Aggregate information of joint ventures that are not individually material:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| The Group's share of profit (loss) and total comprehensive income (expense) | **2,111** | (13,417) |

As at 31 March 2017 and 2016, the Group had interests in the following significant joint ventures:

| Name of joint venture | Form of business structure | Place of registration and operation | Proportion of registered capital held by the Group (note a) | | Group's percentage of held by the Group: Voting power | | Group's percentage of held by the Group: Profit sharing (note b) | | Principal activity |
|---|---|---|---|---|---|---|---|---|---|
| | | | **2017 %** | 2016 % | **2017 %** | 2016 % | **2017 %** | 2016 % | |
| New Shanghai Property International Management Co., Ltd. | Incorporated | PRC | **30** | 30 | **43** | 43 | **30** | 30 | Inactive |
| Beijing Huichao Real Estate Development Co., Ltd. ("Beijing Huichao") | Incorporated | PRC | **40** | 40 | **40** | 40 | **40** | 40 | Property development |
| Shanghai Coastal Equity Investment Fund Management Co., Ltd. | Incorporated | PRC | **85** | 85 | **20** | 20 | **85** | 85 | Asset management |
| Wuhan Zhisheng Group Co., Ltd. | Incorporated | PRC | **30** | 30 | **30** | 30 | **30** | 30 | Property development |
| Hengxiang Real Estate Development Company Limited ("Hengxiang Real Estate") (note c) | Incorporated | PRC | **4** | 4 | **60** | 60 | **4** | 4 | Property development |

## 19. INTERESTS IN JOINT VENTURES *(Continued)*

Notes:

(a) The Group has joint control of the above companies with other joint venture partners in accordance with the relevant contractual agreements which decisions about the relevant activities require the unanimous consent of the parties sharing control and accordingly these companies have been accounted for as joint ventures.

(b) The Group is entitled to share the operating results of the joint ventures based on the Group's profit sharing ratio.

(c) During the year ended 31 March 2015, the Group acquired 4% equity interests in Hengxiang Real Estate from an independent third party for a cash consideration of RMB37,000,000 (equivalent to HK$46,690,000). According to the memorandum and articles of Hengxiang Real Estate, major financial and operating decisions of Hengxiang Real Estate require consent of four out of five board of directors. The Group has the power to appoint three out of five directors in the board of Hengxiang Real Estate and thus the Group is able to exercise joint control over Hengxiang Real Estate. As such, Hengxiang Real Estate has been accounted for as a joint venture for the years ended 31 March 2017 and 2016. On 14 April 2015, the Group entered into an agreement with independent third parties in relation to the acquisition of additional 81% equity interests in Hengxiang Real Estate. Details of such acquisition are included in note 26(c). On 12 April 2017, Hengxiang Real Estate has been classified as a subsidiary of the Group. Details of which are included in note 45(a).

## 20. INTERESTS IN ASSOCIATES

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Cost of investment in associates, unlisted | **2,355,448** | 721,584 |
| Share of post-acquisition (loss) profit and other comprehensive (expense) income | **(6,307)** | 6,481 |
| Other (note) | **–** | (3,102) |
| | **2,349,141** | 724,963 |

Note: At 31 March 2016, amount represented down-stream unrealised profit amounting to HK$3,102,000 on the construction income from an associate. The amount is realised during the year ended 31 March 2017.

## 20. INTERESTS IN ASSOCIATES *(Continued)*

As at 31 March 2017 and 2016, the Group had interests in the following significant associates:

| Name of associate | Form of business structure | Place of registration and operation | Proportion of registered capital held by the Group | | Proportion of voting power held | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | 2017 % | 2016 % | 2017 % | 2016 % | |
| **Unlisted** | | | | | | | |
| Foshan Harmonious Realty Development Co., Ltd. ("Foshan Harmonious Realty") | Incorporated | PRC | **20** | 20 | **20** | 20 | Property development |
| Huizhou Shum Yip Southern Land Company Limited ("Huizhou Shum Yip") (note a) | Incorporated | PRC | **30** | 30 | **17** | 17 | Property development and provision of construction services |
| Nanjing Yuan Ding Enterprise Co., Ltd ("Nanjing Yuan Ding") | Incorporated | PRC | **30** | 30 | **33** | 33 | Property development |
| Tianjin Harmonious Realty Development Co., Limited ("Tianjin Harmonious Realty") (note b) | Incorporated | PRC | **30** | 100 | **25** | 100 | Property development |
| Chongqing Yanke Enterprises Co., Ltd. ("Chongqing Yanke") | Incorporated | PRC | **35** | 35 | **40** | 40 | Property development |
| Wuhan Lan Kong Real Estate Development Company Limited ("Wuhan Lan Kong") | Incorporated | PRC | **40** | 40 | **20** | 20 | Property development |

Notes:

(a) According to the memorandum and articles of Huizhou Shum Yip, major financial and operating decisions of it requires consent of a majority of the board of directors. The Group has one out of six directors in the board of Huizhou Shum Yip and thus the Group is only able to exercise significant influence in Huizhou Shum Yip. As such, Huizhou Shum Yip is accounted for as an associate of the Group.

(b) During the year ended 31 March 2017, the Group disposed of 70% equity interests in Tianjin Harmonious Realty. Upon completion of the disposal, the Group has the power to appoint one out of four directors in the board of Tianjin Harmonious Realty, thus the Group is only able to exercise significant influence in Tianjin Harmonious Realty. As such, Tianjin Harmonious Realty is accounted for as an associate of the Group.

## 20. INTERESTS IN ASSOCIATES *(Continued)*

### *Summarised financial information of a material associate*

**Tianjin Harmonious Realty**

| | 2017<br>HK$'000 |
|---|---|
| **Assets and liabilities as at 31 March** | |
| Current assets | 6,831,416 |
| Non-current assets | 241 |
| Current liabilities | (1,198,621) |
| Non-current liabilities | (4,340,851) |

Subsequent to the completion of the disposal on 23 November 2016, Tianjin Harmonious Realty did not generate any revenue. The administrative expenses and finance costs incurred during the period were capitalised in properties under development. The Group did not receive any dividend from Tianjin Harmonious Realty during the period.

Reconciliation of the above summarised financial information to the carrying amount of the interest in Tianjin Harmonious Realty recognised in the consolidated financial statements is as follows:

| | 2017<br>HK$'000 |
|---|---|
| Net assets of Tianjin Harmonious Realty | 1,292,185 |
| Fair value adjustment at initial recognition | 6,253,162 |
| | 7,545,347 |
| Carrying amount of the Group's interest in Tianjin Harmonious Realty (Proportion of the Group's ownership interest of 30%) | 2,263,604 |

## 20. INTERESTS IN ASSOCIATES *(Continued)*

***Summarised financial information of an material associate (Continued)***

Aggregate information of associates that are not individually material:

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| The Group's share of (loss) profit and total comprehensive (expense) income | **(10,961)** | 3,696 |

## 21. AVAILABLE-FOR-SALE INVESTMENTS

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Unlisted securities: | | |
| Club membership debentures (note a) | **2,960** | 2,960 |
| Equity securities stated at cost (notes b and c) | **160,173** | 167,057 |
| | **163,133** | 170,017 |

Notes:

(a) They represent investments of unlisted club membership debentures in Hong Kong.

(b) It represents 12% equity interests in Shanghai Oriental International Culture And Sports Recreation Industry City Development Co., Ltd. ("Shanghai Oriental"). Shanghai Oriental is a private entity incorporated in the PRC and its principal activity is property development in the PRC.

(c) During the year ended 31 March 2017, 15% of the equity interests in Dongnan Ding Sheng (Beijing) Network Technology Co. Ltd has been acquired. It is a private entity incorporated in the PRC and its principal activity is provision of network services in the PRC.

The above unlisted investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so widespread that the directors of the Company are of the opinion that the fair values cannot be measured reliably.

## 22. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES/PLEDGED DEPOSITS FOR OTHER BORROWING

Pledged bank deposits mainly represent (i) deposits with an aggregate carrying amount of HK$261,323,000 (2016: HK$370,758,000) pledged to banks for banking facilities granted to the Group (note 31(b)(ii)); (ii) deposits with an aggregate carrying amount of HK$135,189,000 (2016: nil) pledged to banks for short-term bills payables; and (iii) deposits with an aggregate carrying amount of HK$15,702,000 (2016: HK$19,547,000) pledged to banks in respect of mortgage loan facilities granted to the buyers of certain properties developed by the Group.

The pledged bank deposits will be released upon the issuance of title deeds to the buyers of properties for bank deposits pledged for the purpose as stated in (iii) above or the settlement of relevant bank loans and bills payables for bank deposits pledged for the purposes as stated in (i) and (ii) above. The pledged bank deposits will be released within one year.

Included in cash and bank balances are restricted bank balances of HK$348,124,000 (2016: HK$183,615,000) which are limited to be used in the development of certain property projects.

Bank balances carry interest at market rates which range from 0.3% to 2.75% (2016: 0.3% to 2.75%) per annum. The pledged bank deposits carry fixed interest rates from 0.35% to 2.1% (2016: 0.35% to 4.13%) per annum.

As at 31 March 2016, pledged deposits for other borrowing amounting to HK$196,698,000 represent deposits paid to a PRC trust company for secured long-term other borrowing and therefore classified as non-current assets. The amount has been derecognised during the year as the pledged deposits have been released upon repayment of the other borrowing.

## 23. PROPERTIES UNDER DEVELOPMENT

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| CARRYING AMOUNT | | |
| At beginning of year | **9,776,748** | 7,808,925 |
| Exchange realignment | **(647,898)** | (494,276) |
| Additions | **1,927,894** | 2,724,943 |
| Transferred to completed properties for sale | **(1,381,544)** | (184,696) |
| Disposal of a property-based subsidiary | **(4,963,656)** | – |
| Impairment loss recognised during the year | **(74,120)** | (78,148) |
| At end of year | **4,637,424** | 9,776,748 |

Properties under development with carrying amount of HK$1,668,043,000 (2016: HK$1,205,022,000) are expected to be completed and available for sale after twelve months from the end of the reporting period.

## 24. COMPLETED PROPERTIES FOR SALE

The Group's completed properties for sale are situated in the PRC and are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, capitalised borrowing cost. Net realisable value is determined based on prevailing market conditions.

## 25. 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 doubtful debts, is as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Balance HK$'000 | Percentage | Balance HK$'000 | Percentage |
| 0 – 30 days | 1,356 | 93 | 2,040 | 100 |
| 31 – 60 days | – | – | – | – |
| 61 – 90 days | – | – | – | – |
| Over 90 days | 105 | 7 | – | – |
| | 1,461 | 100 | 2,040 | 100 |

**Movement in the allowance for impairment of trade receivables**

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| At beginning of the year | – | – |
| Impairment loss recognised on trade receivables | 3,845 | 18,040 |
| Amounts written off as uncollectible | (3,845) | (18,040) |
| At end of the year | – | – |

## 25. TRADE RECEIVABLES *(Continued)*

The Group has minimal trade receivable balances which has been past due at the reporting date. The trade receivables balance with age over 90 days at the end of the reporting period represents the receivable from sales of completed properties to customers which is not impaired at the end of the reporting period as the management of the Group expects the balances will be fully settled in accordance with repayment schedules set out in the relevant agreements.

In determining the recoverability of trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited as the customer base is large and unrelated, the directors of the Company believe that no further impairment is required as at the end of the reporting period.

## 26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Other receivables (note a) | **380,508** | 490,648 |
| Deposits for future acquisition of land use rights (notes b and c) | **2,065,981** | 1,846,833 |
| Prepaid operating expenses and other deposits | **313,180** | 630,722 |
| | **2,759,669** | 2,968,203 |

## 26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) At 31 March 2017, included in other receivables is an amount of HK$200,560,000 (2016: HK$208,280,000) due from a buyer in respect of the disposal of a property-based subsidiary in prior years. The amount has been fully impaired during the year, as the counterparty is in severe financial difficulties and the Group does not hold any collateral over the balance.

(b) The amounts represent payments made for the possible acquisition of land use rights in the PRC which will be developed for sale purpose. These deposits will be wholly refundable if the acquisition is terminated subsequently.

At 31 March 2017, included in deposits for future acquisition of land use rights is an amount of HK$176,822,000 (2016: HK$188,389,000) due from a PRC local government in respect of the reclamation of land use rights of an investment property in Shenyang pursuant to an agreement entered into with the PRC local government in prior years.

In addition, an amount of HK$130,828,000 (2016: HK$139,391,000) represents payments made for the possible acquisition of land use rights in the PRC which will be developed for sale purpose. The amount has been fully impaired during the year as the Group is under dispute with the counterparty in the refund of the balance in which the Group does not hold any collateral.

(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$723,312,000) (the "Acquisition"). Deposits of RMB572,242,000 (equivalent to HK$644,569,000) (2016: RMB572,242,000, equivalent to HK$686,759,000) have been paid to the independent third parties. On 12 April 2017, Hengxiang Real Estate has been classified as a subsidiary of the Group. Details of which are included in note 45(a).

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

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

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

## 27. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE *(Continued)*

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

| | **2017** **HK$'000** |
|---|---|
| Interest in an associate | **588,527** |
| Amount due from an associate | **528,273** |
| Cash and bank balances | **5,137** |
| Assets classified as held for sale | **1,121,937** |
| Other payables and accruals | **531,890** |
| Liabilities classified as held for sale | **531,890** |

## 28. 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:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Balance HK$'000** | **Percentage** | Balance HK$'000 | Percentage |
| 0 – 30 days | **652,308** | **61** | 222,737 | 65 |
| 31 – 60 days | **158,587** | **15** | 11,468 | 3 |
| 61 – 90 days | **172,467** | **16** | 4,108 | 1 |
| Over 90 days | **80,544** | **8** | 104,440 | 31 |
| | **1,063,906** | **100** | 342,753 | 100 |

## 28. TRADE AND BILLS PAYABLES *(Continued)*

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.

## 29. DEPOSITS RECEIVED FROM PRE-SALES OF PROPERTIES

Deposits received from pre-sales of properties amounting to HK$1,002,992,000 (2016: HK$84,203,000) are expected to be released to the profit or loss in more than twelve months after the end of the reporting period.

## 30. OTHER PAYABLES AND ACCRUALS

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Sales and other taxes payable | **120,590** | 123,529 |
| Other payables (notes a and b) | **1,965,566** | 3,037,366 |
| Accrued construction costs | **297,603** | 456,154 |
| Other accrued operating expenses | **38,083** | 102,718 |
| | **2,421,842** | 3,719,767 |

Notes:

(a) Included in other payables at 31 March 2017 is an amount of HK$914,163,000 (2016: HK$1,958,430,000) due to Jingdian Construction Co., Ltd., which was previously accounted as a wholly-owned subsidiary of the Company. During the year ended 31 March 2016, the Group disposed of the entire equity interests in Jingdian Construction Co., Ltd. to an independent third party.

(b) Included in other payables at 31 March 2016 is an amount of HK$10,000,000 due to a close family member of an executive director of the Company. The amount is unsecured, interest-free and repayable on demand. The balance was fully settled during the year ended 31 March 2017.

## 31. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| CURRENT | | |
| Bank borrowings – secured | **671,574** | 2,001,923 |
| Other borrowings – secured | **1,745,908** | 1,308,131 |
| | **2,417,482** | 3,310,054 |
| NON-CURRENT | | |
| Bank borrowings – secured | **585,724** | 2,448,245 |
| Other borrowings – secured | **1,803,354** | 1,859,226 |
| | **2,389,078** | 4,307,471 |
| | **4,806,560** | 7,617,525 |

## 31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Analysed into: | | |
| Bank borrowings repayable: | | |
| Within one year | **412,398** | 1,733,333 |
| In the second year | **574,460** | 915,854 |
| In the third to fifth years inclusive | **11,264** | 1,532,391 |
| | **998,122** | 4,181,578 |
| Bank borrowings that is repayable within one year from the end of the reporting period and contain a repayment on demand clause | **259,176** | 268,590 |
| | **1,257,298** | 4,450,168 |
| Other borrowings repayable: | | |
| Within one year | **1,745,908** | 1,308,131 |
| In the second year | **–** | 1,859,226 |
| In the third to fifth years inclusive | **1,803,354** | – |
| | **3,549,262** | 3,167,357 |
| | **4,806,560** | 7,617,525 |

## 31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) The Group's other borrowings of HK$2,535,509,000 (2016: HK$3,167,357,000) and HK$1,013,753,000 (2016: nil) as at 31 March 2017 are borrowed from PRC trust companies and financial institutions respectively which carry interest ranging from 6.67% to 19% (2016: 13% to 14%) per annum and have repayment terms ranging from 3 months to 48 months (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$2,666,664,000 (2016: HK$976,753,000);
- (ii) certain completed properties for sale of the Group with an aggregate carrying value of HK$117,791,000 as at 31 March 2016;
- (iii) the Group's 70% and 100% (2016: 100%) equity interests respectively in two (2016: three) property-based subsidiaries;
- (iv) corporate guarantees from the company and certain of its subsidiaries (2016: corporate guarantee from certain subsidiaries of the Company);
- (v) certain deposits of the Group with an aggregate carrying value of HK$196,698,000 as at 31 March 2016;
- (vi) the Group's 30% (2016: nil) equity interests in an associate; and
- (vii) the Group's 12% (2016: nil) equity interests in a property-based entity which is carried as an available-for-sale investment in the consolidated statement of financial position.

(b) Certain of the Group's bank borrowings as at 31 March 2017 and 2016 are secured by:

- (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK$189,234,000 (2016: HK$201,620,000);
- (ii) certain bank deposits of the Group with an aggregate carrying value of approximately HK$261,323,000 (2016: HK$370,758,000);
- (iii) certain properties under development of the Group with an aggregate carrying value of approximately HK$956,050,000 (2016: HK$837,766,000);
- (iv) certain completed properties for sale of the Group with an aggregate carrying value of HK$90,391,000 (2016: HK$60,216,000);
- (v) corporate guarantees from the Company and certain of its subsidiaries.

## 31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

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

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Borrowings HK$'000 | Interest rate | Borrowings HK$'000 | Interest rate |
| Effective interest rate: | | | | |
| Fixed-rate borrowings | **4,540,594** | **2.47% to 19%** | 3,531,116 | 2.47% to 14% |
| Variable-rate borrowings | **265,966** | **2.55% to 7.2%** | 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 ("LIBOR") plus a specified margin.

The Group's borrowings that are denominated in currencies other than RMB, the functional currency of the respective group entities, are set out below:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| United States dollar | **175,050** | 184,463 |
| Hong Kong dollar | **158,605** | 159,896 |
| | **333,655** | 344,359 |

## 32. SHARE CAPITAL

### *Shares*

| | Number of ordinary shares | Nominal value HK$'000 |
|---|---|---|
| Authorised: | | |
| Ordinary shares of HK$0.10 each at 1 April 2015, 31 March 2016 and 31 March 2017 | 7,000,000,000 | 700,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.10 each at 1 April 2015, 31 March 2016 and 31 March 2017 | 4,185,874,285 | 418,587 |

### *Share options*

Details of the Company's share option scheme and the share options granted under the scheme are included in note 34.

## 33. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities (asset) recognised and movements thereon during the current and prior years:

| | Business combinations (note a) HK$'000 | Fair value adjustments of investment properties HK$'000 | Unrealised profit HK$'000 | Undistributed profits of PRC subsidiaries (note b) HK$'000 | Others (note c) HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 April 2015 | 114,804 | 1,357 | (62,880) | 170,808 | 19,969 | 244,058 |
| Exchange realignment | (5,499) | (57) | 3,106 | (5,818) | (941) | (9,209) |
| (Credited) debited to profit or loss during the year | (7,820) | – | – | (11,263) | 9,906 | (9,177) |
| Charged to other comprehensive income during the year | – | – | – | – | 6,141 | 6,141 |
| At 31 March 2016 | 101,485 | 1,300 | (59,774) | 153,727 | 35,075 | 231,813 |
| Exchange realignment | (5,943) | (67) | 3,672 | (9,387) | 955 | (10,770) |
| (Credited) debited to profit or loss during the year | (12,413) | – | – | (2,441) | 26,722 | 11,868 |
| At 31 March 2017 | 83,129 | 1,233 | (56,102) | 141,899 | 62,752 | 232,911 |

Notes:

(a) This represents the tax effect of the temporary differences arising from the fair value adjustments to the carrying amounts of properties under development upon acquisition of subsidiaries under business combination.

(b) At the end of the reporting period, deferred tax credit of HK$2,441,000 (2016: deferred tax credit of HK$11,263,000) has been recognised on the undistributed profits of PRC subsidiaries during the year.

(c) This represents the tax effect of the temporary differences arising from determining the accounting profit and taxable profit in respect of sale of certain properties, as well as capitalisation of interest expenses and other property development costs.

(d) At the end of the reporting period, the Group has unused tax losses of HK$1,015,317,000 (2016: HK$1,066,150,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$898,185,000 (2016: HK$959,010,000) that will gradually expire in five years. Other losses will be carried forward indefinitely. During the year ended 31 March 2017, no tax loss (2016: HK$20,227,000) had been forfeited due to disposal of subsidiaries.

## 34. SHARE OPTION SCHEME

On 14 September 2011, the Company adopted a share option scheme (the "Scheme 2011"). A summary of the principal terms of the Scheme 2011 is set out as follows:

### (a) *Purpose of the Scheme 2011*

The purpose of the Scheme 2011 is to enable the Company to grant options to any employee, executive or officer of the Company or any of the subsidiaries (including executive and non-executive directors of the Company or any of the subsidiaries) and any suppliers, consultants, agents, advisers, shareholders, customers, partners, business associates who, in the sole discretion of the board of directors of the Company, have contributed to the Company and/or any of the subsidiaries (the "Eligible Participants").

### (b) *Administration of the Scheme 2011*

The Scheme 2011 shall be subject to the administration of the directors of the Company whose decision on all matters arising in relation to the Scheme 2011 or their interpretation or effect shall (save as otherwise provided therein) be final and binding on all persons who may be affected thereby.

### (c) *Grant and acceptance of options*

An offer for the grant of an option (the "Offer") shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as the board of directors of the Company may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 28 days inclusive of, and from the date of which an Offer is made to an Eligible Participant provided that no such Offer shall be open for acceptance after the earlier of the 10th anniversary of the adoption date of the Scheme 2011 or the termination of the Scheme 2011. A non-refundable nominal consideration of HK$1 is payable by the grantee upon acceptance of an option. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Eligible Participant together with the said consideration of HK$1 is received by the Company. Any Offer may be accepted in respect of less than the number of shares in respect of which it is offered provided that it is accepted in such number of shares as represents a board lot for the time being for the purpose of trading on main board or an integral multiple thereof.

## 34. SHARE OPTION SCHEME *(Continued)*

### *(d) Exercise of options and price of shares*

An option may be exercised in whole or in part by the grantee giving notice in writing to the Company stating that the option is thereby exercised and the number of shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for the shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate from the Company's auditors or independent financial advisers, the Company shall allot and issue the relevant shares to the grantee (or his legal personal representative(s)) credited as fully paid.

The exercise price for the option under the Scheme 2011 shall be determined by the board of directors of the Company at its absolute discretion but in any event will not be less than the higher of: (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant of an option, which must be a business day; and (ii) the average closing price of the Company's shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant of an option.

### *(e) Maximum number of shares available for issue*

(i) Subject to the Listing Rules, the overall limit on the number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme 2011 and any other scheme of the Company must not, in aggregate, exceed 30% of the shares in issue from time to time (the "Overall Limit"). No options shall be granted under any share option schemes of the Company (including the Scheme 2011) if this will result in the Overall Limit being exceeded.

(ii) Subject to the Overall Limit, the total number of shares which may be issued upon exercise of all options to be granted under the Scheme 2011 and any other share option schemes of the Company adopted by the Group must not, in aggregate, exceed 10% of the shares in issue as at the date of the approval of the Scheme 2011 (the "Scheme Mandate Limit"), unless shareholders' approval has been obtained. Options lapsed in accordance with the terms of the Scheme 2011 will not be counted for the purpose of calculating the Scheme Mandate Limit.

## 34. SHARE OPTION SCHEME *(Continued)*

### *(f) Grant of options to connected persons or any of their associates*

Any grant of options to a connected person or its associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Where options are proposed to be granted to a connected person who is also a substantial shareholder of the Company or an independent non-executive director or their respective associates and if such grant would result in the total number of shares issued and to be issued upon exercise of the share options granted and to be granted (including share options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, then the proposed grant must be subject to the approval of shareholders taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting (except where any connected person intends to vote against the proposed grant provided that his intention to do so has been stated in the shareholders' circular to be issued).

### *(g) Maximum entitlement of each Eligible Participant*

The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Participant or grantee (including exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue at the date of grant (the "Individual Limit"). Where it is proposed that any offer is to be made to a Eligible Participant (or where approximate, an existing grantee) which would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the relevant date of grant to exceed his, her or its Individual Limit, such offer and any acceptance thereof must be conditional upon shareholders' approval in general meeting with such Eligible Participant (or where appropriate, an existing grantee) and his, her or its associates abstaining from voting.

### *(h) Time of exercise of options*

Subject to the terms of the Scheme 2011, an option may be exercised in whole or in part at any time during the period to be determined and identified by the board of directors of the Company to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Scheme 2011. There is no specified minimum period under the Scheme 2011 for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the Scheme 2011.

## 34. SHARE OPTION SCHEME *(Continued)*

### *(i) Duration of the Scheme 2011*

Scheme 2011 shall continue in force for the period commencing from the date of adoption of the Scheme 2011 and expiring at the close of business on the tenth anniversary thereof, after such period no further options will be granted but the provisions of the Scheme shall remain in full force and effect in respect of any options granted before its expiry or termination but not yet exercised.

No options were granted for the year ended 31 March 2017 and 31 March 2016.

The following table discloses movements of the Company's share options by the vesting period granted under the Scheme 2011 during the current and prior years:

| | Number of share options | | |
|---|---|---|---|
| **Option type** | **Outstanding and exercisable at 1 April 2015 and 31 March 2016** | **Lapsed during the year** | **Outstanding and exercisable at 31 March 2017** |
| Granted on 17 March 2014 – with vesting period from 17 March 2014 to 16 April 2014 | 279,000,000 | (89,000,000) | 190,000,000 |
| | 279,000,000 | (89,000,000) | 190,000,000 |

## 34. SHARE OPTION SCHEME *(Continued)*

The following table discloses movements of the Company's share options granted under the Scheme 2011 during the current and prior years:

### *Scheme 2011*

| | Number of share options | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Name or category of Participant** | **Outstanding and exercisable at 1 April 2015 and 31 March 2016** | **Reclassified from Other employees and participants to Directors** | **Lapsed during the year** | **Outstanding and exercisable at 31 March 2017** (note 1) | **Date of grant of share options** (note 2) | **Vesting Period** | **Exercise period of share options** (note 3) | **Exercise price of share options HK$** |
| **Directors** | | | | | | | | |
| Tao Lin | 27,000,000 | – | – | 27,000,000 | 17 March 2014 | 17 March 2014 to 16 April 2014 | 17 April 2014 to 16 March 2019 | 0.345 |
| Wang Hongmei | 27,000,000 | – | (27,000,000) | – | 17 March 2014 | 17 March 2014 to 16 April 2014 | 17 April 2014 to 16 March 2019 | 0.345 |
| Cai Shaobin | 27,000,000 | – | (27,000,000) | – | 17 March 2014 | 17 March 2014 to 16 April 2014 | 17 April 2014 to 16 March 2019 | 0.345 |
| Chen Xiaotian | 2,000,000 | – | (2,000,000) | – | 17 March 2014 | 17 March 2014 to 16 April 2014 | 17 April 2014 to 16 March 2019 | 0.345 |
| Yang Jiangang | 2,000,000 | – | – | 2,000,000 | 17 March 2014 | 17 March 2014 to 16 April 2014 | 17 April 2014 to 16 March 2019 | 0.345 |
| Wong Kai Cheong | 2,000,000 | | – | 2,000,000 | 17 March 2014 | 17 March 2014 to 16 April 2014 | 17 April 2014 to 16 March 2019 | 0.345 |
| Li Ting | – | 16,500,000 | – | 16,500,000 | 17 March 2014 | 17 March 2014 to 16 April 2014 | 17 April 2014 to 16 March 2019 | 0.345 |
| Xia Xianglong | – | 16,500,000 | – | 16,500,000 | 17 March 2014 | 17 March 2014 to 16 April 2014 | 17 April 2014 to 16 March 2019 | 0.345 |
| **Other employees and participants** | | | | | | | | |
| In aggregate | 192,000,000 | (33,000,000) | (33,000,000) | 126,000,000 | 17 March 2014 | 17 March 2014 to 16 April 2014 | 17 April 2014 to 16 March 2019 | 0.345 |
| | 279,000,000 | – | (89,000,000) | 190,000,000 | | | | |

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.

## 34. SHARE OPTION SCHEME *(Continued)*

There was no share option expense in relation to the share options under the Scheme 2011 granted by the Company recognised for the years ended 31 March 2017 and 2016 as they were fully amortised in 2015.

## 35. DISPOSAL OF SUBSIDIARIES

(a) On 29 March 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in a subsidiary ("Subsidiary A") for a consideration of HK$23,000. The disposal was completed in March 2017.

(b) During the year ended 31 March 2017, the Group disposed of the entire equity interests in a subsidiary ("Subsidiary B") to an independent third party for a consideration of HK$68,934,000. The disposal was completed in October 2016.

(c) 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" or "Subsidiary C"), a wholly-owned subsidiary of the Company engaged in property development with a primary land development project as its major asset, to the independent third party for a total consideration of RMB875,000,000 (equivalent to approximately HK$1,029,400,000). The disposal was completed during the year ended 31 March 2017 and Tianjin Harmonious has become an associate of the Company upon the completion of the disposal.

(d) An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries was as follows:

| | **2017<br>HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Cash consideration | **1,053,817** | 11,651 |
| Cash and bank balances disposed of | **(59,767)** | (354) |
| Net inflow of cash and cash equivalents in respect of the disposals of subsidiaries/property-based subsidiaries | **994,050** | 11,297 |

## 35. DISPOSAL OF SUBSIDIARIES *(Continued)*

The net (liabilities) assets of the subsidiaries at the date of disposal were as follows:

| | Subsidiary A HK$'000 | Subsidiary B HK$'000 | Subsidiary C HK$'000 | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|---|---|
| Net (liabilities) assets disposed of: | | | | | |
| Property, plant and equipment | – | – | 268 | **268** | 3,839 |
| Completed properties for sale | – | 79,644 | – | **79,644** | – |
| Properties under development | – | – | 4,963,656 | **4,963,656** | – |
| Trade receivables | – | – | – | **–** | 3,360 |
| Prepayments, deposits and other receivables | 23,340 | 942 | 344,966 | **369,248** | 4,870 |
| Amounts due from joint ventures | – | – | 281 | **281** | 3,587 |
| Cash and bank balances | 24 | 10 | 59,733 | **59,767** | 354 |
| Amounts due (to) from the Group | (15,592) | – | (295,009) | **(310,601)** | (3,752) |
| Trade payables | – | – | – | **–** | (1,633) |
| Other payables and accruals | (7,780) | – | (320,475) | **(328,255)** | (4,644) |
| Interest-bearing bank and other borrowings | – | – | (3,461,235) | **(3,461,235)** | – |
| | (8) | 80,596 | 1,292,185 | **1,372,773** | 5,981 |
| Gain (loss) on disposal is calculated as follows: | | | | | |
| Cash | – | 68,934 | 984,883 | **1,053,817** | 11,651 |
| Other receivable | 23 | – | – | **23** | – |
| Net liabilities (assets) of subsidiaries disposed of | 8 | (80,596) | (1,292,185) | **(1,372,773)** | (5,981) |
| Fair value of 30% retained interest in an associate | – | – | 2,263,604 | **2,263,604** | – |
| Tax gain on disposal | – | – | (98,771) | **(98,771)** | – |
| Net gain (loss) on disposal | 31 | (11,662) | 1,857,531 | **1,845,900** | 5,670 |
| Satisfied by: | | | | | |
| Cash | – | 68,934 | 984,883 | **1,053,817** | 11,651 |
| Other receivable | 23 | – | – | **23** | – |
| | 23 | 68,934 | 984,883 | **1,053,840** | 11,651 |

## 35. DISPOSAL OF SUBSIDIARIES *(Continued)*

During the year ended 31 March 2017, loss after taxation of HK$318,000 (2016: HK$9,698,000) attributed by the disposed subsidiaries have been included in the Group's consolidated statement of profit or loss and other comprehensive income.

Other than the consideration received from the disposal of the interest in the subsidiaries, the disposed subsidiaries had no significant contribution to the Group's operating, investing and financing cash flows for the years ended 31 March 2017 and 2016.

## 36. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had given guarantees to the extent of HK$2,828,414,000 (2016: HK$2,975,932,000) to banks in respect of mortgage loan facilities granted to the property purchasers.

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.

## 37. OPERATING LEASE ARRANGEMENTS

### *(a) As lessor*

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from 1 month to over 5 years at fixed rentals. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Within one year | **375** | 55 |
| In the second to fifth years inclusive | **35** | – |
| Over five years | **65** | – |
| | **475** | 55 |

## 37. OPERATING LEASE ARRANGEMENTS *(Continued)*

### *(b) As lessee*

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 5 years with fixed rentals.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | **2017** **HK$'000** | 2016 HK$'000 |
|---|---|---|
| Within one year | **7,740** | 7,310 |
| In the second to fifth years inclusive | **43,339** | 30,197 |
| Over five years | **–** | 15,606 |
| | **51,079** | 53,113 |

## 38. CAPITAL COMMITMENTS

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

| | **2017** **HK$'000** | 2016 HK$'000 |
|---|---|---|
| Contracted but not provided for: | | |
| Acquisition of property-based subsidiaries | **34,308** | 36,553 |

## 39. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Cash and bank balances | **942,778** | 433,535 |
| Cash and bank balances included in assets classified as held for sale | **5,137** | – |
| Less: restricted bank balances (note 22) | **(348,124)** | (183,615) |
| | **599,791** | 249,920 |

## 40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 31, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

## 41. FINANCIAL INSTRUMENTS

### *(a) Categories of financial instruments*

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including pledged bank deposits, cash and bank balances) | **2,918,462** | 2,762,880 |
| Available-for-sale investments | **163,133** | 170,017 |
| **Financial liabilities** | | |
| Amortised cost | **7,863,073** | 11,005,592 |

### *(b) Financial risk management objectives and policies*

The Group's major financial instruments include trade receivables, other receivables, pledged deposits for other borrowing, amounts due from associates and joint ventures, pledged bank deposits, cash and bank balances, trade and bills payables, other payables, amount due to a substantial shareholder of the Company and interest-bearing bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## 41. FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Financial risk management objectives and policies (Continued)*

#### *(i) Market risk*

*Currency risk*

The Group has other receivables, amounts due from associates and joint ventures, cash and bank balances, other payables, amounts due to a substantial shareholder of the Company and borrowings denominated in Hong Kong dollar and United States dollar, which are different from the functional currency of the respective group entity and accordingly expose the Group to foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its foreign currency risk by monitoring the movement of the foreign currency rate and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2017<br>HK$'000** | 2016<br>HK$'000 | **2017<br>HK$'000** | 2016<br>HK$'000 |
| Hong Kong dollar | **159,383** | 141,097 | **263,025** | 260,329 |
| United States dollar | **6,730** | 5,509 | **176,187** | 185,601 |

## 41. FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Financial risk management objectives and policies (Continued)*

#### *(i) Market risk (Continued)*

*Sensitivity analysis*

The following table details the Group's sensitivity to a 5% (2016: 5%) increase in RMB against Hong Kong dollar and United States dollar. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates. A positive number below indicates a decrease in profit (loss) for the year where RMB strengthens against the relevant foreign currencies. For a 5% (2016: 5%) weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the loss for the year.

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| **Hong Kong dollar** | | |
| Decrease in profit/increase in loss for the year | **3,980** | 4,471 |
| **United States dollar** | | |
| Decrease in profit/increase in loss for the year | **6,500** | 6,753 |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

## 41. FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Financial risk management objectives and policies (Continued)*

#### *(i) Market risk (Continued)*

*Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings. The Group is also exposed to cash flow interest rate primarily in relation to variable-rate bank and other borrowings. The Group's cash flow interest rate is mainly concentrated on the fluctuation of LIBOR and PBOC prescribed interest rate arising from the Group's Hong Kong dollar and RMB denominated borrowings. The management considers the exposure to interest rate risk in relation to pledged bank deposits and bank balances is insignificant due to the low level of bank interest rate. During the year, the Group has not entered into any derivative contracts to hedge against its cash flow and fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arose.

*Sensitivity analysis*

The following table details the Group's sensitivity to a 100 basis points (2016: 100 basis points) increase and decrease in LIBOR and PBOC prescribed interest rate. 100 basis points are the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The sensitivity analysis includes only variable-rate bank and other borrowings assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A positive number below indicates an increase in profit (loss) where the interest rate increases. If the interest rate decreases, there would be an equal and opposite impact on the profit (loss) for the year.

In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| **LIBOR** | | |
| Increase in profit/decrease in loss for the year | **744** | 568 |
| **PBOC prescribed interest rate** | | |
| Increase in profit/decrease in loss for the year | **–** | 1,261 |

## 41. FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Financial risk management objectives and policies (Continued)*

#### *(ii) Credit risk*

As at 31 March 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee contracts issued by the Group as disclosed in note 36.

The Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. With respect to financial guarantee provided to a bank to secure the banking facility granted to an associate by the Group, the directors consider the credit risk is limited because the associate has a strong financial position. The management considers the credit risk exposure to financial guarantee provided to banks to secure the banking facilities granted to property purchasers is also limited. Upon default in mortgage payments by property purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted property purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 March 2017 and 2016, the Group has concentration of credit risk in respect of the amounts due from associates and joint ventures. The management closely monitors the financial position and repayment status of the debtors, and considers that the credit risk is low. The Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by credit-ratings agencies.

#### *(iii) Liquidity risk*

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate working capital and continuously monitoring forecast and actual cash flows.

## 41. FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Financial risk management objectives and policies (Continued)*

#### *(iii) Liquidity risk (Continued)*

The Group relies on bank and other borrowings as a significant source of liquidity. The Group manages the maturities profile of its bank and other borrowings by designating a team to closely monitor the funding requirement with lending covenants and its compliance and early negotiate with lenders for refinancing arrangement or seek for new sources of financing prior to maturity.

*Liquidity tables*

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

| | Weighted average effective interest rate | On demand or less than 1 month HK$'000 | 1 – 3 months HK$'000 | 3 months to 1 year HK$'000 | 1 – 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.3.2017 HK$'000 |
|---|---|---|---|---|---|---|---|
| As at 31 March 2017 | | | | | | | |
| Trade, bills and other payables | – | 3,029,472 | – | – | – | 3,029,472 | 3,029,472 |
| Amount due to a substantial shareholder of the Company | – | 27,041 | – | – | – | 27,041 | 27,041 |
| Interest-bearing bank and other borrowings | | | | | | | |
| – fixed rate | 10.78% | 319,099 | 943,727 | 488,629 | 3,000,410 | 4,751,865 | 4,540,594 |
| – variable rate | 6.38% | 1,270 | 2,583 | 109,003 | 176,625 | 289,481 | 265,966 |
| Financial guarantee contracts | – | 2,828,414 | – | – | – | 2,828,414 | – |
| | | 6,205,296 | 946,310 | 597,632 | 3,177,035 | 10,926,273 | 7,863,073 |

## 41. FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Financial risk management objectives and policies (Continued)*

#### *(iii) Liquidity risk (Continued)*

*Liquidity tables (Continued)*

| | Weighted average effective interest rate | On demand or less than 1 month HK$'000 | 1 – 3 months HK$'000 | 3 months to 1 year HK$'000 | 1 – 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.3.2016 HK$'000 |
|---|---|---|---|---|---|---|---|
| As at 31 March 2016 | | | | | | | |
| Trade, bills and other payables | – | 3,380,119 | – | – | – | 3,380,119 | 3,380,119 |
| Amount due to a substantial shareholder of the Company | – | 7,948 | – | – | – | 7,948 | 7,948 |
| Interest-bearing bank and other borrowings | | | | | | | |
| – fixed rate | 14.35% | 310,972 | 882,269 | 816,914 | 1,985,865 | 3,996,020 | 3,531,116 |
| – variable rate | 7.22% | 21,527 | 43,771 | 1,821,667 | 2,722,988 | 4,609,953 | 4,086,409 |
| Financial guarantee contracts | – | 2,975,932 | – | – | – | 2,975,932 | – |
| | | 6,696,498 | 926,040 | 2,638,581 | 4,708,853 | 14,969,972 | 11,005,592 |

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2017, the undiscounted principal amount of such bank loans amounted to HK$259,176,000 (2016: HK$268,590,000). Taking into account the Group's financial position, the directors do not believe that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid during the "3 months to 1 year" (2016: "3 months to 1 year") time band after the reporting date in accordance with the scheduled repayment dates set out in the loan agreement. At that time, the aggregate principal and interest cash outflows in relation to this loan will amount to HK$281,302,000 (2016: HK$275,849,000).

## 41. FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Financial risk management objectives and policies (Continued)*

#### *(iii) Liquidity risk (Continued)*

*Liquidity tables (Continued)*

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if the amount is claimed by the counterparty to the guarantee. Based on expectation at the end of the reporting period, the Group considers that it is more likely than not that amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change, if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

### *(c) Fair values of financial instruments*

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices and rates from observable current market transactions as input.

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

## 42. RELATED PARTY TRANSACTIONS

*(a)* In addition to the transactions and balances disclosed elsewhere in the notes to the consolidated financial statements, the Group had the following significant transactions with related parties:

***Continuing operations***

(i) During the year ended 31 March 2017, the Group received the project management service income of HK$64,570,000 (2016: HK$2,646,000) from associates.

***Discontinued operations***

(ii) During the year ended 31 March 2016, the Group received construction income of HK$160,153,000 from associates.

### *(b) Outstanding balances with related parties*

(i) The amount due to a substantial shareholder of the Company represents amount due to Coastal International Holdings Limited, which holds 36.58% interests in the Company. The amount is unsecured, interest-free and repayable on demand.

(ii) The amounts due from associates and joint ventures of HK$736,767,000 (2016: HK$895,822,000) are non-trade, unsecured, interest-free and repayable on demand.

(iii) The amount due from an associate of HK$219,456,000 (2016: HK$233,820,000) represents amount due from Huizhou Shum Yip which is part of the consideration received by the Group in exchange for the Group's entire equity interests in Suzhou New Investment Development Co., Ltd in previous years. The amount is unsecured and carries interest at PBOC interest rate. In the opinion of the directors of the Company, the amount is not expected to be repaid within twelve months after the end of the reporting period and accordingly it is presented as non-current asset as at 31 March 2017.

(iv) The amount due from a joint venture of HK$112,639,000 (2016: HK$120,012,000 presented as current asset) represents an amount due from Beijing Huichao. The amount is non-trade, interest-free, repayable on demand and secured by 11% equity interests in Beijing Huichao. In the opinion of the directors of the Company, the amount is not expected to be repaid within twelve months after the end of the reporting period and according it is presented as non-current asset as at 31 March 2017.

(v) At 31 March 2016, an amount due to a close family member of an executive director of the Company of HK$10,000,000 has been included in other payables. The amount was fully repaid during the year.

## 42. RELATED PARTY TRANSACTIONS *(Continued)*

### *(c) Compensation of key management personnel of the Group who are the executive directors of the Company*

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Short term benefits | **10,689** | 11,527 |
| Post-employment benefits | **168** | 70 |
| Total compensation paid to key management personnel | **10,857** | 11,597 |

Further details of directors' emoluments are included in note 11.

The remuneration of directors of the Company and senior management is determined by the remuneration committee having regard to the performance of individuals and market trend.

## 43. FINANCIAL INFORMATION OF THE COMPANY

Financial information of the financial position of the Company:

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Interests in subsidiaries | a | **2,963,596** | 3,511,197 |
| Available-for-sale investments | | **2,400** | 2,400 |
| Total non-current assets | | **2,965,996** | 3,513,597 |
| **CURRENT ASSETS** | | | |
| Prepayments, deposits and other receivables | | **92,890** | 92,890 |
| Bank balances | | **2,387** | 363 |
| Total current assets | | **95,277** | 93,253 |
| **CURRENT LIABILITIES** | | | |
| Other payables and accruals | | **2,260** | 12,744 |
| Amounts due to subsidiaries | | **–** | 166,552 |
| Interest-bearing bank borrowings | | **175,050** | 184,464 |
| Total current liabilities | | **177,310** | 363,760 |
| **NET CURRENT LIABILITIES** | | **(82,033)** | (270,507) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,883,963** | 3,243,090 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **418,587** | 418,587 |
| Reserves | b | **2,465,376** | 2,824,503 |
| Total equity | | **2,883,963** | 3,243,090 |

## 43. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Notes:

(a) Interests in subsidiaries are included in the Company's statement of financial position at cost less identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Movement of reserves of the Company

| | **Share premium** HK$'000 | **Contributed surplus** HK$'000 | **Exchange fluctuation reserve** HK$'000 | **Share options reserve** HK$'000 | **Accumulated losses** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|---|---|
| At 1 April 2015 | 1,336,094 | 2,315,240 | 280,489 | 22,689 | (990,186) | 2,964,326 |
| Exchange differences arising on translation to presentation currency | – | – | (110,752) | – | – | (110,752) |
| Loss for the year | – | – | – | – | (29,071) | (29,071) |
| At 31 March 2016 | 1,336,094 | 2,315,240 | 169,737 | 22,689 | (1,019,257) | 2,824,503 |
| Exchange differences arising on translation to presentation currency | – | – | (330,094) | – | – | (330,094) |
| Forfeiture of share options | – | – | – | (7,238) | – | (7,238) |
| Loss for the year | – | – | – | – | (21,795) | (21,795) |
| At 31 March 2017 | 1,336,094 | 2,315,240 | (160,357) | 15,451 | (1,041,052) | 2,465,376 |

## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at the end of the reporting period are as follows:

| Name of subsidiary | Place of incorporation/ registration and operation | Nominal value of issued share capital/ registered capital (Note i) | Percentage of equity attributable to the Company 2017 % | 2016 % | Principal activities |
|---|---|---|---|---|---|
| **Directly held subsidiaries:** | | | | | |
| Coastal Commercial Developments Limited | Hong Kong | HK$1 Ordinary | **100** | 100 | Investment holding |
| Coastal Realty (BVI) Limited | British Virgin Islands/ Hong Kong | US$200 Ordinary | **100** | 100 | Investment holding |
| Coastal Realty Investment (China) Limited # | PRC | US$100,000,000 | **100** | 100 | Investment holding |
| **Indirectly held subsidiaries:** | | | | | |
| Beijing Coastal Green Sea Bay Real Estate Co., Ltd.^ | PRC | RMB50,000,000 | **–** | 90 | Property development |
| Beijing Gaosheng Real Estate Company Limited * | PRC | RMB466,800,000 | **100** | 100 | Property development and investment and investment holding |
| Beijing Xing Gang Real Estate Co., Ltd. * | PRC | US$13,500,000 | **100** | 100 | Property development and investment holding |
| Capital Top Trading Limited | Hong Kong | US$96,000,000 | **100** | 100 | Loan financing |
| Coastal Development (Anshan) Ltd. * | PRC | RMB50,000,000 | **100** | 100 | Property development |

## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Name of subsidiary | Place of incorporation/ registration and operation | Nominal value of issued share capital/ registered capital (Note i) | Percentage of equity attributable to the Company 2017 % | 2016 % | Principal activities |
|---|---|---|---|---|---|
| **Indirectly held subsidiaries:** *(Continued)* | | | | | |
| Coastal Greenland Development Jiangxi Limited # | PRC | US$12,000,000 | **100** | 100 | Property development |
| Coastal Greenland Development (Shenyang) Ltd. * | PRC | US$20,000,000 | **100** | 100 | Investment holding |
| Coastal Greenland Development (Shenzhen) Ltd. # | PRC | US$12,000,000 | **100** | 100 | Property development |
| Coastal Greenland Development (Wuhan) Ltd. # | PRC | RMB250,000,000 | **100** | 100 | Property development |
| Coastal Realty Development Co. Limited | Hong Kong | HK$10 Ordinary HK$20,000,000 Non-voting deferred shares (note ii) | **100** | 100 | Investment holding |
| Coastal Realty Development (Shanghai) Co., Ltd. # | PRC | US$12,000,000 | **100** | 100 | Investment holding |
| Coastal Realty Management Company Limited | Hong Kong | HK$500,000 Ordinary | **100** | 100 | Investment holding |
| Coastal Riviera Garden (Anshan) Development Co., Ltd. # | PRC | RMB42,000,000 | **100** | 100 | Investment holding |
| Dongguan Riviera Garden Development Co., Ltd. * | PRC | RMB10,000,000 | **100** | 100 | Property development |

## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Name of subsidiary | Place of incorporation/ registration and operation | Nominal value of issued share capital/ registered capital (Note i) | Percentage of equity attributable to the Company 2017 % | 2016 % | Principal activities |
|---|---|---|---|---|---|
| **Indirectly held subsidiaries:** *(Continued)* | | | | | |
| Dragon Gain Investment Limited | Hong Kong | HK$1,000 Ordinary | **100** | 100 | Investment holding |
| Fenhall Development Limited | Hong Kong/PRC | HK$10,000 Ordinary | **100** | 100 | Property investment |
| Fenson Development Limited | Hong Kong/PRC | HK$10,000 Ordinary | **100** | 100 | Property investment |
| Frenwick Development Limited | Hong Kong/PRC | HK$10,000 Ordinary | **100** | 100 | Property investment |
| Globe Gain Limited | Hong Kong | HK$3 Ordinary | **100** | 100 | Investment holding |
| Goldwide Group Limited | British Virgin Islands/ Hong Kong | US$10 | **100** | 100 | Investment holding |
| Innovative Marketing and Strategy (Shenzhen) Ltd. # | PRC | HK$1,000,000 | **100** | 100 | Provision of management services |
| Joinwell Investment Limited | Hong Kong | HK$2 Ordinary | **100** | 100 | Investment holding |
| Kings Crown Holdings Ltd. | British Virgin Islands/ Hong Kong | US$50,000 Ordinary | **100** | 100 | Investment holding |
| My Home Services (Shenzhen) Ltd. # | PRC | US$1,400,000 | **–** | 100 | Property management |
| North Coastal Real Estate Development (Dalian) Co., Ltd. # | PRC | US$15,000,000 | **100** | 100 | Property development |

## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Name of subsidiary | Place of incorporation/ registration and operation | Nominal value of issued share capital/ registered capital (Note i) | Percentage of equity attributable to the Company 2017 % | 2016 % | Principal activities |
|---|---|---|---|---|---|
| **Indirectly held subsidiaries:** *(Continued)* | | | | | |
| Pearl Square Enterprises Limited | Hong Kong | HK$2 Ordinary | **100** | 100 | Investment holding |
| Shanghai Coastal Commercial Investment Management Co., Ltd. * | PRC | RMB10,000,000 | **100** | 100 | Investment holding |
| Shanghai Coastal Greenland Real Estate Ltd. ^ | PRC | RMB110,000,000 | **100** | 100 | Investment holding |
| Shanghai Xinhongda Real Estate Ltd. * | PRC | RMB248,292,951 | **100** | 100 | Property development |
| Shenyang Coastal Rongtian Real Estate Co., Ltd. # | PRC | US$18,000,000 | **100** | 100 | Property development |
| Shenyang Market Real Estate Development Co., Ltd. * | PRC | RMB12,000,000 | **100** | 100 | Property investment |
| Shenyang Rongtian Real Estate Development Co., Ltd. # | PRC | RMB238,845,953 | **100** | 100 | Property development |
| Shenyang Zhong Guang Bei Fang Ying Shi Cheng Co., Ltd. * | PRC | RMB200,000,000 | **100** | 100 | Property development |
| Shenzhen Coastal Property Investment Limited # | PRC | US$11,000,000 | **100** | 100 | Investment holding |
| Shenzhen Tongzhe Culture Limited * | PRC | RMB1,000,000 | **100** | 100 | Provision of management services |

## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Name of subsidiary | Place of incorporation/ registration and operation | Nominal value of issued share capital/ registered capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | (Note i) | 2017 | 2016 | |
| | | | % | % | |
| **Indirectly held subsidiaries:** *(Continued)* | | | | | |
| Smooth Land Limited | Hong Kong | HK$1 Ordinary | **100** | 100 | Investment holding |
| Suzhou Gaotong Information Services and Consultation Ltd. # | PRC | US$45,000,000 | **100** | 100 | Investment holding |
| Tacklemate Investment Limited | Hong Kong | HK$2 Ordinary | **100** | 100 | Property investment |
| Tianjin Harmonious Realty Development Co., Limited* ("Tianjin Harmonious Realty") (note iii) | PRC | RMB750,000,000 | **30** | 100 | Property development |

Notes:

(i) For those companies incorporated in Hong Kong and the British Virgin Islands, the amounts stated represent the nominal value of the issued share capital. For those companies registered in the PRC, the amounts stated represent the registered capital.

(ii) Non-voting deferred shares do not entitle the holders to receive any profit, or to receive notice of or to attend or vote at any general meeting of the company. On a return of assets on a winding-up or otherwise, the assets of the company available for distribution among the members shall be distributed as regards the first HK$100,000,000,000,000 thereof among the holders of ordinary shares in proportion to the amounts paid up on the ordinary shares held by them, respectively, and the balance (if any) of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the holders of the ordinary shares pari passu among themselves in each case in proportion to the amounts paid up on the shares held by them, respectively.

(iii) During the year ended 31 March 2017, the Group disposed of 70% equity interests in Tianjin Harmonious Realty. Tianjin Harmonious Realty is accounted for as an associate of the Company upon completion of the disposal.

# wholly foreign owned enterprise
^ sino-foreign joint venture
* wholly domestic owned enterprise

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

## 45. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 12 April 2017, the Company has completed all the relevant approval procedures to acquire 81% equity interests in Hengxiang Real Estate. Hengxiang Real Estate is a company engaged in property development with its development project located in the Southeastern of Heilongjiang province, the PRC. Upon completion of the acquisition, the Group has the power to appoint four out of five directors in the board of Hengxiang Real Estate and has obtained the control of it. Taking into account the existing 4% equity interests held, the Group has a total of 85% equity interests in Hengxiang Real Estate and thus classified as a subsidiary of the Company upon completion.

(b) Saved as disclosed in note 27 to the consolidated financial statements, the proposed disposal of Kunshan Fuzhi has been approved by shareholders in a special general meeting of the Company held on 25 April 2017. However, several conditions precedent have yet to be fulfilled. The proposed disposal has not completed as at the date of this annual report.

(c) On 22 June 2017, the Group entered into a disposal agreement with an independent third party, pursuant to which the Group agreed to sell and the independent third party agreed to purchase 80% equity interests in Guangzhou Haicong Real Estate Company Limited ("Guangzhou Haicong") at total consideration of RMB80 million. Guangzhou Haicong is a wholly-owned subsidiary of the Company which has agreed to obtain development rights (details of which are yet to be finalised and approved by the interested parties and relevant government authorities) of a redevelopment project in Guangzhou under a framework agreement. Guangzhou Haicong will become an associate of the Company upon the completion of the disposal.

# SCHEDULE OF MAJOR PROPERTIES

## Properties Held for Sale and Investment

| Property description | Address | Type of development | GFA of the development (sq.m.) | GFA held at 31 March 2017 (sq.m.) | Interest in the Development attributable to the Group | Completion/ delivery time |
|---|---|---|---|---|---|---|
| **Developments in which the Group has the controlling interests:** | | | | | | |
| **The PRC** | | | | | | |
| Anshan Greenland IT City | 268 Qianshan Road Gaoxin District Anshan | Residential | 438,358 | 33 | 100% | |
| Phase I | | | | | | Jun 2000/Jun 2000 |
| Phase II | | | | | | Dec 2000/Dec 2000 |
| Phase III | | | | | | Apr 2002/Apr 2002 |
| Phase IV | | | | | | May 2003/Jun 2003 |
| Phase V | | | | | | Jun 2005/Oct 2005 |
| Phase VI A | | | | | | Dec 2006/May 2007 |
| Phase VI B's E | | | | | | Dec 2007/Apr 2008 |
| Phase VI B's L | | | | | | Jul 2008/Oct 2008 |
| Anshan Wisdom New City | 275 North Shengli Road Lishan District Anshan | Residential | 215,900 | 5,373 | 100% | |
| Phase I | | | | | | Dec 2009/Dec 2009 |
| Phase II | | | | | | Oct 2011/Oct 2011 |
| Phase III | | | | | | Dec 2012/Dec 2012 |
| Beijing Silo City | 5 Baizi Bay Chaoyang District Beijing | Residential/ commercial | 862,700 | 3,252 | 100% | |
| Phase I | | | | | | Mar 2007/Mar 2007 |
| Phase II | | | | | | Mar 2007/Jun 2007 |
| Phase III | | | | | | Sep 2007/Oct 2007 |
| Phase IV the Loft | | | | | | Dec 2010/Dec 2010 |
| Phase IV East | | | | | | Dec 2010/Dec 2010 |
| Phase IV West A3 | | | | | | Jun 2011/Sep 2011 |
| Phase IV West A1A2 | | | | | | Dec 2013/Dec 2013 |
| Phase V | | | | | | Mar 2008/Jun 2008 |
| Phase VI | | | | | | Sep 2009/Sep 2009 |
| Phase VII North | | | | | | Mar 2009/Jun 2009 |
| Phase VII South | | | | | | Aug 2009/Aug 2009 |
| Dalian Coastal International Centre Phase I | Zone A, Xinghai Bay Shahekou District Dalian | Residential/ commercial | 217,200 | 11,987 | 100% | Jan 2012/Jan 2012 |
| Dalian Jianzhu Project | South of Huabei Road and West of Huadong Road Ganjingzi District Dalian | Residential | 168,900 | 7,602 | 100% | |
| Phase I | | | | | | Oct 2011/Oct 2011 |
| Phase II B1 | | | | | | Jul 2013/Aug 2013 |
| Phase II B2 | | | | | | Oct 2013/Mar 2014 |

## Properties Held for Sale and Investment *(Continued)*

| Property description | Address | Type of development | GFA of the development (sq.m.) | GFA held at 31 March 2017 (sq.m.) | Interest in the Development attributable to the Group | Completion/ delivery time |
|---|---|---|---|---|---|---|
| **Developments in which the Group has the controlling interests:** *(Continued)* | | | | | | |
| **The PRC** *(Continued)* | | | | | | |
| Dongguan Riviera Villa | Cai Bai Cun Dao Jiao Town Dongguan | Residential | 366,300 | 304 | 100% | |
| Phase I | | | | | | Jul 2007/Jul 2007 |
| Phase II | | | | | | Mar 2008/May 2008 |
| Phase III A | | | | | | Nov 2010/Mar 2011 |
| Phase III B | | | | | | Jun 2011/Jul 2011 |
| Phase IV | | | | | | Jan 2013/Mar 2013 |
| Phase V A | | | | | | Jan 2013/Mar 2014 |
| Phase VI | | | | | | Jul 2014/Aug 2014 |
| Shanghai Golden Bridge Mansion | 2077 Yanan West Road Changning District Shanghai | Commercial | 35,768 | 1,250 | 100% | August 1993 (Note) |
| Shenyang Silo City | 8 Tiantan South Street Hunnan New Street Shenyang | Residential | 363,300 | 328 | 100% | |
| Phase I | | | | | | May 2009/May 2009 |
| Phase II | | | | | | Sep 2011/Sep 2011 |
| Phase III A | | | | | | Nov 2012/Dec 2012 |
| Phase III B | | | | | | Jun 2015/Jun 2015 |
| Shenyang Coastal International Centre Section A1 & A4 | 8 Tiantan South Street Hunnan New Street Shenyang | Residential | 39,044 | 13,434 | 100% | Dec 2016/Dec 2016 |
| Shenzhen Dragon Court | Junction of Dongmen Central Road and Wenjin Central Road Luohu District Shenzhen | Residential | 45,582 | 3,381 | 100% | |
| Phase I | | | | | | Mar 2000/Mar 2000 |
| Phase II | | | | | | May 2003/May 2003 |

## Properties Held for Sale and Investment *(Continued)*

| Property description | Address | Type of development | GFA of the development (sq.m.) | GFA held at 31 March 2017 (sq.m.) | Interest in the Development attributable to the Group | Completion/ delivery time |
|---|---|---|---|---|---|---|
| **Developments in which the Group has the controlling interests:** *(Continued)* | | | | | | |
| **The PRC** *(Continued)* | | | | | | |
| Wuhan Silo City | West of Zhangbo | Residential/ commercial | 1,187,174 | 126,367 | 100% | |
| Phase IA | Freeway and north | | | | | Sep 2007/Nov 2007 |
| Phase IB | of Jinshan Avenue | | | | | Mar 2008/Aug 2008 |
| Phase II A, B and C | Dongxihu District | | | | | Mar 2009/Aug 2009 |
| Phase II D | Wuhan | | | | | Jul 2009/Dec 2009 |
| Phase III A | | | | | | Jul 2011/Sep 2011 |
| Phase III B | | | | | | Sep 2010/Sep 2010 |
| Phase IV | | | | | | Nov 2011/Jan 2012 |
| Phase V AB | | | | | | Jul 2013/Sep 2013 |
| Phase VI A1 | | | | | | Jan 2014/Jan 2014 |
| Phase VI A2 | | | | | | Nov 2014/Dec 2014 |
| Phase VII – Residential Section | | | | | | Jun 2016/Jun 2016 |
| **Subtotal** | | | | 173,311 | | |

## Properties Held for Sale and Investment *(Continued)*

| Property description | Address | Type of development | GFA of the development (sq.m.) | GFA held at 31 March 2017 (sq.m.) | Interest in the Development attributable to the Group | Completion/ delivery time |
|---|---|---|---|---|---|---|
| **Developments in which the Group has minority interests:** | | | | | | |
| **The PRC** | | | | | | |
| Beijing Bay Project<br>Phase II | Chang Ping District<br>Beijing | Residential | 77,000 | 13 | 40% | Oct 2013/Oct 2013 |
| Chongqing Silo City | Beipei Town Chongqing | Residential | 266,149 | 66,814 | 35% | Dec 2016/Dec 2016 |
| Foshan Coastal Garden | 16 Kangko Road<br>Chancheng District<br>Foshan | Residential | 179,100 | 17,800 | 20% | Nov 2014/Dec 2014 |
| Shanghai Shui Du<br>South Crest<br>Phase I<br>Phase II | Kangyuan Road<br>Zhujiajiao Town<br>Qingpu District<br>Shanghai | Residential | 189,300 | 12,068 | 12% | <br><br>May 2008/May 2008<br>Sep 2015/Dec 2015 |
| Wuhan Lingjiao Hu Project | Tangjiadun Street<br>Huanzihu Village<br>Jianghan District<br>Wuhan | Commercial | 172,300 | 45,437 | 30% | Feb 2017/Feb 2017 |
| **Subtotal** | | | | 142,132 | | |
| **Total** | | | | 315,443 | | |

Note: The properties were developed by other PRC developers and the marketing and sales of which were underwritten by the Group.

# SCHEDULE OF MAJOR PROPERTIES

## Properties Held for Sale and Investment *(Continued)*

| Property description | Address | Type of development | GFA of the development (sq.m.) | GFA held by the Group at 31 March 2017 (sq.m.) | Interest in the Development attributable to the Group | Completion/ delivery time |
|---|---|---|---|---|---|---|
| **Properties in which the Group has the controlling interests:** | | | | | | |
| **HONG KONG** | | | | | | |
| Shun Tak Centre | Suite 1712-16, 17th Floor China Merchants Tower Shun Tak Centre 200 Connaught Road Central Hong Kong | Commercial – office | N/A | 578 | 100% | 1986 (Notes 1 & 3) |
| Vienna Mansion | Flat B, 10th Floor 55 Paterson Street Causeway Bay Hong Kong | Residential | N/A | 113 | 100% | 1958 (Notes 2 & 3) |
| **Subtotal** | | | | 691 | | |
| **The PRC** | | | | | | |
| Shenzhen Noble Center | 38/F., Noble Center No.1006, 3 Fuzhong Road Futian District Shenzhen | Commercial – offices | N/A | 1,957 | 100% | 2006 (Notes 1 & 4) |
| **Subtotal** | | | | 1,957 | | |
| **Total** | | | | 2,648 | | |

Note 1: The property is occupied by the Group as its office.
Note 2: This residential property is occupied by the Group as staff quarter.
Note 3: The Group's properties in Hong Kong were developed by other independent developers.
Note 4: The property was developed by other PRC independent developer.

## Properties under Development

| Property description | Address | Type of development | Estimated GFA of the development (sq.m.) | Interest in the Development attributable to the Group (Note) | Estimated completion/ delivery time |
|---|---|---|---|---|---|
| **Developments in which the Group has the controlling interests:** | | | | | |
| **The PRC** | | | | | |
| Anshan Costal Xinttandi Project | 268 Qianshan Road Gaoxin District Anshan | Commercial | 28,943 | 100% | 2018 |
| Beijing Jian Guo Men Wai Project | North of 1A Jian Guo Men Wai Avenue Chaoyang District Beijing | Commercial | 44,900 | 65% | To be determined |
| Dongguan Riviera Villa Phase V section B | Cai Bai Cun Dao Jiao Town Dongguan | Residential | 18,000 | 100% | 2017 |
| Shenyang Coastal International Centre Section A2, A3 & A5 | 8 Tiantan South Street Hunnan New District Shenyang | Commercial | 148,056 | 100% | 2017 |
| Shenyang Sujiatun Project | Sujiatun District Shenyang | Residential/ commercial | 1,914,900 | 100% | To be determined |
| Wuhan Silo City Phase VCD, Phase VIB, hotel and shopping section of Phase VII | West of Zhangbo Freeway and north of Jinshan Avenue Dongxihu District Wuhan | Residential | 376,146 | 100% | 2018 |
| **Subtotal** | | | 2,530,945 | | |

# SCHEDULE OF MAJOR PROPERTIES

## Properties under Development *(Continued)*

| Property description | Address | Type of development | Estimated GFA of the development (sq.m.) | Interest in the Development attributable to the Group (Note) | Estimated completion/ delivery time |
|---|---|---|---|---|---|
| **Developments in which the Group has minority interests:** | | | | | |
| **The PRC** | | | | | |
| Beijing Bay Project Phase III | Chang Ping District, Beijing | Residential | 266,934 | 40% | 2017 |
| Shanghai Shui Du South Crest Phase III | Kangyuan Road Zhujiajiao Town Qingpu District Shanghai | Residential | 133,060 | 12% | To be determined |
| **Subtotal** | | | 399,994 | | |
| **Total** | | | 2,930,939 | | |

Note: For projects to be completed and delivered in phases, the year given refers to the estimated year of completion/delivery of the first mentioned phase. The estimated year of completion is the estimation of the directors of the Company based on existing market conditions and assuming no unforeseen circumstances.

Please see further discussion on the properties and development projects of the Group in the "Review of Operations – Progress of Major Development Projects" section on pages 13 to 20 of the Annual Report.