

COASTAL 沿海

COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 01124



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Interim Report **2019**

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DEFINITIONS

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings:

| | |
|---------------------------|--|
| “Board” | the board of Directors of the Company |
| “Bye-laws” | the bye-laws of the Company |
| “CG Code” | Corporate Governance Code as set out in Appendix 14 to the Listing Rules |
| “CIH” | Coastal International Holdings Limited, the controlling Shareholder |
| “Company” | Coastal Greenland Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1124) |
| “Director(s)” | the director(s) of the Company |
| “GFA” | gross floor area |
| “Group” | the Company and its subsidiaries |
| “HK\$” and “HK cent(s) ” | Hong Kong dollar(s) and cent(s), the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Model Code” | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| “Period/Reporting Period” | the six months ended 30 September 2019 |

DEFINITIONS

| | |
|------------------|---|
| “PRC” | the People’s Republic of China which, for the purposes of this interim report, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the issued share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) of the Company |
| “sq.m.” | square metre(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “US\$” | United States dollars, the lawful currency of the United States |
| “%” | per cent. |

The Chinese version of this interim report is a translation of the English version and is for reference only. In case of any discrepancies or inconsistencies between the English version and the Chinese version, the English version shall prevail.

CORPORATE INFORMATION

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business in the PRC

38/F, Noble Center
No.1006, Third Fuzhong Road
Futian District
Shenzhen

Principal Place of Business in Hong Kong

Suite 1712-16, 17th Floor
China Merchants Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda)
Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Executive Directors

Mr. JIANG Ming
(Chairman and Managing Director)
Mr. XIA Xianglong
Dr. LI Ting
Mr. LIN Chen Hsin

Non-executive Directors

Mr. LU Jiqiang
(resigned on 17 June 2019)
Mr. ZHU Guoqiang
Mr. QIU Guizhong
(appointed on 17 June 2019)

Independent Non-executive Directors

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

Company Secretary

Mr. CHENG Wing Bor FCCA, CPA

Auditor

BDO Limited
Certified Public Accountants

Websites

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

Investor Relations Contact

Tel: (852) 2877 9772
Fax: (852) 2524 0931
Email: investorsrelationship@coastal.com.cn

Stock Code

1124

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

| | | Six months ended 30 September | |
|---|-------|--|-------------------------|
| | | 2019 | 2018 |
| | Notes | (unaudited) HK\$'000 | (unaudited) HK\$'000 |
| Revenue | 5 | 21,783 | 161,841 |
| Cost of sales | | (19,547) | (150,042) |
| Gross profit | | 2,236 | 11,799 |
| Other income and gains | 6 | 2,254 | 22,526 |
| Marketing and selling expenses | | (1,641) | (5,825) |
| Administrative expenses | | (88,045) | (131,141) |
| Other expenses | | (98,925) | (448,379) |
| Finance costs | 7 | (20,508) | (29,731) |
| Share of loss of associates | | – | (26) |
| Share of loss of joint ventures | | (1,561) | (1,736) |
| Net gain on disposal of subsidiaries | | – | 886,220 |
| (Loss) profit before taxation | | (206,190) | 303,707 |
| Taxation | 8 | 64,953 | 24,517 |
| (Loss) profit for the period | 9 | (141,237) | 328,224 |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Exchange differences arising on translation to presentation currency | | (285,710) | (1,147,413) |
| (Deficit) surplus on revaluation of buildings | | (3,409) | 23,102 |
| Deferred tax credit (charge) arising on revaluation of buildings | | 852 | (5,775) |
| Fair value gain on financial assets at fair value through other comprehensive income ("FVTOCI") | | – | 418 |
| Other comprehensive income for the period | | (288,267) | (1,129,668) |
| Total comprehensive income for the period | | (429,504) | (801,444) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

| | | Six months ended 30 September | |
|--|-------|--|------------------|
| | | 2019 | 2018 |
| | | (unaudited) | (unaudited) |
| | Notes | HK\$'000 | HK\$'000 |
| (Loss) profit for the period attributable to: | | | |
| Owners of the Company | | (133,566) | 331,213 |
| Non-controlling interests | | (7,671) | (2,989) |
| | | <u>(141,237)</u> | <u>328,224</u> |
| | | | |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | (413,925) | (781,509) |
| Non-controlling interests | | (15,579) | (19,935) |
| | | <u>(429,504)</u> | <u>(801,444)</u> |
| | | HK cents | HK cents |
| | | | |
| (Loss) earnings per share | 10 | | |
| Basic and diluted | | <u>(3.22)</u> | <u>7.91</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

| | | 30 September 2019 (unaudited) HK\$'000 | 31 March 2019 (audited) HK\$'000 |
|---|------------|---|---|
| | Notes | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 306,903 | 318,750 |
| Investment properties | 12 | 3,869 | 4,069 |
| Right-of-use assets | | 2,984 | – |
| Prepaid land lease payments | | 39,051 | 41,894 |
| Interest in a joint venture | | 153,450 | 162,964 |
| Amount due from a joint venture | 19(b)(iii) | 110,864 | 116,579 |
| Financial assets at FVTOCI | | 67,467 | 34,894 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 684,588 | 679,150 |
| | | <hr/> | <hr/> |
| CURRENT ASSETS | | | |
| Properties under development | | 1,665,300 | 1,717,146 |
| Completed properties for sale | | 161,747 | 191,579 |
| Trade receivables | 13 | – | – |
| Prepayments, deposits and other receivables | 14 | 5,777,084 | 5,546,542 |
| Amounts due from an associate and a joint venture | 19(b)(ii) | 232,217 | 256,906 |
| Financial assets at fair value through profit or loss (“FVTPL”) | | 33,259 | – |
| Prepaid tax | | – | 31,897 |
| Pledged bank deposits | | 750,295 | 245,414 |
| Cash and bank balances | | 80,881 | 35,273 |
| | | <hr/> | <hr/> |
| Total current assets | | 8,700,783 | 8,024,757 |
| | | <hr/> | <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

| | | 30 September 2019 (unaudited) HK\$'000 | 31 March 2019 (audited) HK\$'000 |
|---|----------|---|---|
| | Notes | | |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 15 | 75,888 | 75,296 |
| Contract liabilities | | 216,121 | 220,405 |
| Other payables and accruals | | 1,829,128 | 594,015 |
| Amount due to a substantial shareholder of the Company | 19(b)(i) | 64,350 | 61,509 |
| Lease liabilities | | 1,243 | – |
| Tax payable | | 155,570 | 147,028 |
| Interest-bearing bank and other borrowings | 16 | <u>2,217,123</u> | <u>2,339,368</u> |
| Total current liabilities | | <u>4,559,423</u> | <u>3,437,621</u> |
| NET CURRENT ASSETS | | <u>4,141,360</u> | <u>4,587,136</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>4,825,948</u> | <u>5,266,286</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

| | Notes | 30 September 2019 (unaudited) HK\$'000 | 31 March 2019 (audited) HK\$'000 |
|--|-------|---|---|
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 16 | 105,320 | 29,145 |
| Lease liabilities | | 1,765 | – |
| Deferred tax liabilities | | 48,812 | 137,572 |
| Total non-current liabilities | | 155,897 | 166,717 |
| NET ASSETS | | 4,670,051 | 5,099,569 |
| CAPITAL AND RESERVES | | | |
| Share capital | 17 | 414,602 | 414,602 |
| Reserves | | 4,163,303 | 4,577,242 |
| Equity attributable to owners of the Company | | 4,577,905 | 4,991,844 |
| Non-controlling interests | | 92,146 | 107,725 |
| Total equity | | 4,670,051 | 5,099,569 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

| | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---------------------------------------|---------------------------|---------------------------------|-----------------------------|--|----------------------------|--|-------------------------------|-----------------------------------|------------------------------|--------------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Contributed surplus HK\$'000 | Capital reserve HK\$'000 | Leasehold property revaluation reserve HK\$'000 | FVTOCI reserve HK\$'000 | Exchange fluctuation reserve HK\$'000 | PRC reserve funds HK\$'000 | Share options reserve HK\$'000 | Retained profits HK\$'000 | Total equity HK\$'000 | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
| At 1 April 2018 | 418,387 | 1,336,094 | 37,560 | 22,114 | 134,140 | (2,739) | 871,068 | 9,697 | 15,451 | 2,629,678 | 5,471,650 | 133,877 | 5,605,527 |
| Exchange differences arising on translation to presentation currency | - | - | - | - | - | - | (1,130,467) | - | - | - | (1,130,467) | (16,946) | (1,147,413) |
| Surplus on revaluation of buildings | - | - | - | - | 23,102 | - | - | - | - | - | 23,102 | - | 23,102 |
| Deferred tax charge arising on revaluation of buildings | - | - | - | - | (5,775) | - | - | - | - | - | (5,775) | - | (5,775) |
| Gain on fair value change on FVTOCI | - | - | - | - | - | 418 | - | - | - | - | 418 | - | 418 |
| Other comprehensive income for the period | - | - | - | - | 17,327 | 418 | (1,130,467) | - | - | - | (1,112,722) | (16,946) | (1,129,668) |
| Profit for the period | - | - | - | - | - | - | - | - | - | 331,213 | 331,213 | (2,989) | 328,224 |
| Total comprehensive income for the period | - | - | - | - | 17,327 | 418 | (1,130,467) | - | - | 331,213 | (781,509) | (19,935) | (801,444) |
| Additional non-controlling interests arising on the acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | 70,156 | 70,156 |
| Disposal of equity interests in subsidiaries | - | - | - | - | - | - | 237,001 | - | - | (237,001) | - | (71,500) | (71,500) |
| At 30 September 2018 (unaudited) | 418,387 | 1,336,094 | 37,560 | 22,114 | 151,467 | (2,321) | (22,398) | 9,697 | 15,451 | 2,725,890 | 4,690,141 | 112,598 | 4,802,739 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

| | Attributable to owners of the Company | | | | | | | | | | | | |
|--|---------------------------------------|---------------------------|---------------------------------|-----------------------------|--|----------------------------|--|-------------------------------|-----------------------------------|------------------------------|-------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Contributed surplus HK\$'000 | Capital reserve HK\$'000 | Leasehold property revaluation reserve HK\$'000 | FYTOCI 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 |
| A11 April 2019 | 414,602 | 1,330,168 | 37,560 | 22,114 | 151,139 | (17,487) | 503,448 | 9,697 | - | 2,540,603 | 4,991,844 | 107,725 | 5,099,569 |
| Effect of adoption of HKRS 16 | - | - | - | - | - | - | - | - | - | (14) | (14) | - | (14) |
| A11 April 2019 (restated) | 414,602 | 1,330,168 | 37,560 | 22,114 | 151,139 | (17,487) | 503,448 | 9,697 | - | 2,540,589 | 4,991,830 | 107,725 | 5,099,555 |
| Exchange differences arising on translation to presentation currency | - | - | - | - | - | - | (277,802) | - | - | - | (277,802) | (7,908) | (285,710) |
| Deficit on revaluation of buildings | - | - | - | - | (3,409) | - | - | - | - | - | (3,409) | - | (3,409) |
| Deferred tax credit arising on revaluation of buildings | - | - | - | - | 852 | - | - | - | - | - | 852 | - | 852 |
| Other comprehensive income for the period | - | - | - | - | (2,557) | - | (277,802) | - | - | - | (280,359) | (7,908) | (288,267) |
| Loss for the period | - | - | - | - | - | - | - | - | - | (133,566) | (133,566) | (7,671) | (141,237) |
| Total comprehensive income for the period | - | - | - | - | (2,557) | - | (277,802) | - | - | (133,566) | (413,925) | (15,579) | (429,504) |
| A11 April 2019 (restated) | 414,602 | 1,330,168 | 37,560 | 22,114 | 148,582 | (17,487) | 223,646 | 9,697 | - | 2,407,023 | 4,577,905 | 92,146 | 4,670,051 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

| | Six months ended 30 September 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
|---|---|---------------------------------|
| Net cash from (used in) operating activities | | |
| Decrease in properties under development | 53,319 | 18,521 |
| Decrease in completed properties for sales | 21,405 | 21,528 |
| Decrease (increase) in trade receivables | 327 | (533) |
| Increase in prepayments, deposits and other receivables | (446,597) | (1,389,637) |
| (Decrease) increase in contract liabilities | (3,229) | 83,502 |
| Increase (decrease) in trade and bills payables | 4,372 | (5,838) |
| Increase (decrease) in other payables and accruals | 1,100,467 | (904,123) |
| Tax paid | (1,611) | (22,016) |
| Other operating cash flows | (157,914) | (498,052) |
| | <u>570,539</u> | <u>(2,696,648)</u> |
| Net cash (used in) from investing activities | | |
| Purchases of property, plant and equipment | (961) | (11,360) |
| Payment for acquisition of subsidiaries | – | (430,474) |
| Repayment from a joint venture and an associate | 12,345 | 47,096 |
| (Placement) withdrawal of pledged bank deposits | (504,881) | 22,099 |
| (Increase) decrease in restricted bank deposits | (2,315) | 17,320 |
| Proceeds from disposal of property, plant and equipment | 1,943 | 12 |
| Proceeds from disposal of subsidiaries | – | 2,074,838 |
| Proceeds from disposal of an associate | – | 9,489 |
| Acquisition of interests in FVTOCI | (33,259) | – |
| Acquisition of interests in FVTPL | (66,518) | – |
| Receipt from disposal of interests in FVTPL | 33,259 | – |
| | <u>(560,387)</u> | <u>1,729,020</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| Net cash from financing activities | | |
| New bank and other borrowings | 88,691 | 170,464 |
| Repayment of bank and other borrowings | (33,259) | – |
| Repayment of lease liabilities | (756) | – |
| Interest paid | (21,765) | (84,414) |
| Other financing cash flows | 2,841 | 1,975 |
| | <u>35,752</u> | <u>88,025</u> |
| Net increase (decrease) in cash and cash equivalents | 45,904 | (879,603) |
| Cash and cash equivalents at the beginning of period | 31,769 | 1,642,920 |
| Effect of foreign exchange rate changes | <u>(2,611)</u> | <u>(156,792)</u> |
| Cash and cash equivalents at the end of period | <u>75,062</u> | <u>606,525</u> |
| Analysis of the balances of cash and cash equivalents | | |
| Cash and bank balances | 80,881 | 606,530 |
| Less: restricted bank balances (note) | <u>(5,819)</u> | <u>(5)</u> |
| | <u>75,062</u> | <u>606,525</u> |

Note: Included in cash and bank balances are restricted bank balances which are limited by the banks to be used in the development of certain designated property development projects only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2019 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are relevant for the preparation of the Group’s condensed consolidated financial statements:

| | |
|--|---|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features and Negative Compensation |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 | As part of the Annual Improvements to HKFRSs 2015-2017 Cycle |

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below. Except as disclosed in note 3 below, the application of the new and amendments to HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY

This note explains the impact of the adoption of HKFRS 16 Leases on the condensed consolidated financial statements and also discloses the new accounting policies that have been applied from 1 April 2019, where they are different from those applied in prior periods.

(a) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to sections (b) to (e) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provisions in HKFRS 16.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

(a) Impact of the adoption of HKFRS 16 (continued)

The following table summarised the impact of transition to HKFRS 16 on the condensed consolidated statement of financial position as at 31 March 2019 to that of 1 April 2019 (increase/(decrease)):

| | HK\$'000 |
|---|--------------|
| Condensed consolidated statement of financial position as at 1 April 2019 | |
| Right-of-use assets | <u>2,295</u> |
| Lease liabilities (non-current) | <u>1,486</u> |
| Lease liabilities (current) | <u>823</u> |
| Retained profits | <u>(14)</u> |

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated statement of financial position as at 1 April 2019:

Reconciliation of operating lease commitment to lease liabilities

| | HK\$'000 |
|--|--------------|
| Operating lease commitment as at 31 March 2019 | 3,424 |
| Less: short term leases for which lease terms end within 31 March 2020 | (795) |
| Less: future interest expenses | <u>(320)</u> |
| Total lease liabilities as at 1 April 2019 | <u>2,309</u> |

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the condensed consolidated statement of financial position as at 1 April 2019 is 10.68%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

(b) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all lease component and any associated non-lease components as a single lease component for all leases.

(c) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

(c) Accounting as a lessee (continued)

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

(c) Accounting as a lessee (continued)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(d) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (continued)

(e) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 April 2019). The comparative information presented has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 April 2019 to assess if there was any impairment as on that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board, being the chief operating decision maker (the "CODM") in order to allocate resources to segments and to assess their performance. No operating segment identified by CODM has been aggregated in arriving at the reportable segments of the Group. Summary details of the Group's reportable and operating segments are as follows:

- the property development segment engages in the development of properties for sale in the PRC;
- the property investment segment invests in commercial and residential properties located in the PRC for their rental income potential and/or for capital appreciation;
- the project management services segment engages in the provision of project management services in the PRC; and
- the project investment services segment engages in the provision of investment services in relation to investment in and sale of property development/land development projects in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. SEGMENT INFORMATION (continued)

Segment revenue and results

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

| | Property development | | Property investment | | Project management services | | Project investment services | | Total | | Reconciliation | | Consolidated | |
|---|---|---------------------------|---|---------------------------|---|---------------------------|---|---------------------------|---|---------------------------|---|---------------------------|---|---------------------------|
| | Six months ended 30 September 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 | Six months ended 30 September 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 | Six months ended 30 September 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 | Six months ended 30 September 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 | Six months ended 30 September 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 | Six months ended 30 September 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 | Six months ended 30 September 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| Segment revenue: | | | | | | | | | | | | | | |
| Sales to external customers | 21,250 | 15,441 | 156 | 1,602 | 377 | 5,798 | - | 4,652,972 | 21,783 | 161,841 | - | - | 21,783 | 161,841 |
| Sales of projects to external customers | - | - | - | - | - | - | - | 4,652,972 | - | 4,652,972 | - | - | - | - |
| Total | 21,250 | 15,441 | 156 | 1,602 | 377 | 5,798 | - | 4,652,972 | 21,783 | 481,483 | - | - | 21,783 | 161,841 |
| Disaggregation of revenue: | | | | | | | | | | | | | | |
| Primary geographical markets | | | | | | | | | | | | | | |
| Wuhan | - | 10,215 | - | 557 | - | - | - | - | - | 10,872 | - | - | - | 10,872 |
| Shenyang | 129,703 | 14,423 | 156 | 1,045 | 377 | 5,798 | - | 4,652,972 | 21,783 | 4,674,238 | - | - | 21,783 | 21,266 |
| Others | 21,250 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 21,250 | 15,441 | 156 | 1,602 | 377 | 5,798 | - | 4,652,972 | 21,783 | 481,483 | - | - | 21,783 | 161,841 |
| Time of revenue recognition | | | | | | | | | | | | | | |
| At a point in time | 21,250 | 15,441 | - | - | 377 | 5,798 | - | 4,652,972 | 21,627 | 481,211 | - | - | 21,627 | 160,239 |
| Transferred over time | - | - | 156 | 1,602 | - | - | - | - | 156 | 1,602 | - | - | 156 | 1,602 |
| Total | 21,250 | 15,441 | 156 | 1,602 | 377 | 5,798 | - | 4,652,972 | 21,783 | 481,483 | - | - | 21,783 | 161,841 |
| Segment (loss) profit | (191,345) | (527,151) | (2,799) | 1,598 | (1,600) | 5,791 | - | 886,720 | (195,814) | 366,458 | - | - | (195,814) | 366,458 |
| Amortisation of prepaid land lease payments | - | - | - | - | - | - | - | - | - | - | - | - | (880) | (847) |
| Finance costs | - | - | - | - | - | - | - | - | - | - | - | - | (20,380) | (29,731) |
| Interest income | - | - | - | - | - | - | - | - | - | - | - | - | 1,190 | 11,190 |
| Net foreign exchange (loss) gain | - | - | - | - | - | - | - | - | - | - | - | - | (28) | 4,335 |
| Share of loss of associates | - | - | - | - | - | - | - | - | - | - | - | - | (26) | (26) |
| Share of loss of joint ventures | - | - | - | - | - | - | - | - | - | - | - | - | (1,361) | (1,738) |
| Other net unrealisable revenues | - | - | - | - | - | - | - | - | - | - | - | - | 11,009 | (46,196) |
| (loss) profit before taxation | - | - | - | - | - | - | - | - | (206,190) | 303,707 | - | - | (206,190) | 303,707 |

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 condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Segment results represent the (loss) profit 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, interest income, net foreign exchange differences and share of results of associates and joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The Group's CODM does not review the segment assets and liabilities for the purposes of allocating resources to segments and assessing their performance. Therefore, no segment assets and liabilities are presented.

5. REVENUE

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

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| Revenue from contracts with customers | | |
| Sale of properties | 21,250 | 154,441 |
| Project management services income | 377 | 5,798 |
| Revenue from other sources | | |
| Rental income | 156 | 1,602 |
| | 21,783 | 161,841 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

6. OTHER INCOME AND GAINS

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| Bank interest income | 914 | 6,819 |
| Gain on disposal of property, plant & equipment | 234 | – |
| Re-measurement gain on fair value of interest in an associate | – | 4,948 |
| Reversal of impairment loss recognised on trade receivables | 327 | – |
| Other interest income | 606 | 4,371 |
| Others | 173 | 6,388 |
| | <u>2,254</u> | <u>22,526</u> |

7. FINANCE COSTS

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| Interest on bank borrowings | 21,765 | 11,067 |
| Interest on lease liabilities | 163 | – |
| Interest on other borrowings | – | 72,311 |
| | <u>21,928</u> | <u>83,378</u> |
| <i>Less: Amounts capitalised in properties under development</i> | <u>(1,420)</u> | <u>(53,647)</u> |
| | <u>20,508</u> | <u>29,731</u> |

Borrowing costs capitalised during the period arose on the funds borrowed specifically for the purpose of obtaining qualifying assets and are calculated by applying a capitalisation rate of 6.10% (2018: 6.67%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

8. TAXATION

| | Six months ended 30 September | |
|-----------------------------------|----------------------------------|-----------------|
| | 2019 | 2018 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Current tax: | | |
| PRC Enterprise Income Tax ("EIT") | 66 | 3,693 |
| PRC Land Appreciation Tax ("LAT") | 1,133 | 41,568 |
| | <u>1,199</u> | <u>45,261</u> |
| Deferred tax* | <u>(66,152)</u> | <u>(69,778)</u> |
| Total tax credit for the period | <u>(64,953)</u> | <u>(24,517)</u> |

* The deferred tax credit recognised during the six months ended 30 September 2019 and 2018 mainly resulted from the combined effects relating to (i) release of deferred tax on undistributable profit upon disposal of the respective subsidiaries; and (ii) reversal of over-provided dividend withholding tax.

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

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

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory tax rate of the Company's PRC subsidiaries is 25%.

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

9. (LOSS) PROFIT FOR THE PERIOD

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| (Loss) profit for the period has been arrived at after charging (crediting): | | |
| Depreciation of property, plant and equipment | 3,124 | 5,718 |
| <i>Less: Amounts capitalised in properties under development</i> | <u>(53)</u> | <u>(104)</u> |
| | 3,071 | 5,614 |
| Amortisation of prepaid land lease payments | 808 | 847 |
| Compensation for cancellation of a disposal agreement** | – | 357,015 |
| Compensation in respect of a land development project disposed of* ^o | 73,159 | – |
| Cost of completed properties sold | 19,547 | 150,042 |
| Depreciation of right-of-use assets | 604 | – |
| Impairment loss recognised on trade receivables* | – | 24,942 |
| Impairment loss recognised on prepayment, deposits and other receivables* | 257 | – |
| Impairment loss recognised on investment in a joint venture* | – | 26,513 |
| Net foreign exchange loss (gain) | 28 | (4,595) |
| Rental expenses on short-term leases | <u>225</u> | <u>–</u> |

* These items are included in “other expenses” of the condensed consolidated statement of profit or loss and other comprehensive income.

The amount represented compensation paid for cancellation of framework agreement in relation to certain land disposal to an independent third party so as to facilitate the proceeding of the transaction of disposal of Century East Group Limited (the “Century East Group”) during the last corresponding period.

^o The amount represented compensation for a land development project disposed of in the previous years in relation to the delay in the construction progress which give rise to an additional cost to the purchaser.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

10. (LOSS) EARNINGS PER SHARE

(a) Basic (loss) earnings per share

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of HK\$133,566,000 (2018: profit attributable to owners of the Company of HK\$331,213,000) and the number of 4,146,020,285 (2018: 4,185,874,285) ordinary shares in issue during the six months ended 30 September 2019.

(b) Diluted (loss) earnings per share

Diluted loss per share for the six months ended 30 September 2019 is not presented as there were no dilutive potential ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 September 2018 did not assume the exercise of the Company's share options as the exercise price of the share options was higher than the average market price of the Company's shares for the period.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment at a cost of HK\$961,000 (2018: HK\$11,360,000). In addition, during the period the Group disposed of certain property, plant and equipment with a carrying value of HK\$1,709,000 (2018: HK\$12,000).

The Group's land and buildings were revalued individually at 30 September 2019 and 31 March 2019 by DTZ Cushman & Wakefield Limited, independent professional valuer 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 valuer 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 period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

11. PROPERTY, PLANT AND EQUIPMENT (continued)

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 condensed 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\$174,832,000 (31 March 2019: HK\$189,014,000) | Level 3 | Direct comparison method | Price per square meter | HK\$143,515 – HK\$440,384 (31 March 2019: HK\$129,491 – HK\$593,130) | The higher the price per square meter, the higher the fair value |
| Leasehold land and buildings in the PRC of HK\$122,539,000 (31 March 2019: HK\$118,324,000) | Level 3 | Direct comparison method | Price per square meter | HK\$14,856 – HK\$83,213 (31 March 2019: HK\$13,267 – HK\$65,000) | The higher the price per square meter, the higher the fair value |

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

12. INVESTMENT PROPERTIES

The fair values of the Group's investment properties at 30 September 2019 and 31 March 2019 have been arrived at on the basis of valuations carried out on the respective dates by DTZ Cushman & Wakefield Limited, independent professional valuer not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations respectively.

For investment properties at fair value, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

12. INVESTMENT PROPERTIES (continued)

| Investment properties held by the Group in the condensed consolidated statement of financial position | Valuation technique | Unobservable input | Weighted average of unobservable input | Relationship of unobservable input to fair value |
|---|---------------------|--------------------|--|---|
| Investment properties at fair value in the PRC of HK\$4,734,000 (31 March 2019: HK\$4,975,000) | Income approach | Reversionary yield | 6% (31 March 2019: 6%) | The higher the reversionary yield, the lower the fair value |

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

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided in the table above. No changes in fair value in RMB for investment properties held at end of the period (31 March 2019: no changes in fair value In RMB).

13. TRADE RECEIVABLES

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

As at 30 September 2019, the Group did not have any trade receivables (31 March 2019: nil).

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 30 September 2019 (unaudited) HK\$'000 | 31 March 2019 (audited) HK\$'000 |
|---|---|---|
| Other receivables (note a) | 3,575,068 | 3,908,900 |
| Deposits for future acquisition of land use rights (note b) | 2,118,080 | 1,457,792 |
| Prepaid operating expenses and other deposits | 83,936 | 179,850 |
| | <u>5,777,084</u> | <u>5,546,542</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

- (a) As at 30 September 2019, included in other receivables are mainly:
- (i) an amount of HK\$2,033,237,000 (31 March 2019: HK\$2,138,052,000) in relation to the guarantee dividend (“Guaranteed Dividend”) distributable to Coastal Greenland Development (Wuhan) Ltd. (“Coastal Wuhan”), a formerly subsidiary of the Group, by Tianjin Harmonious Realty Development Co., Limited (“Tianjin Harmonious”), an associate of Coastal Wuhan.

Tianjin Harmonious has a property development project in Tianjin. Pursuant to the disposal agreement between Coastal Wuhan and shareholders of Tianjin Harmonious, Coastal Wuhan is entitled to receive Guaranteed Dividend from Tianjin Harmonious amounting to RMB1,834,000,000 (equivalent to HK\$2,033,237,000). Pursuant to the disposal agreement in respect of the disposal of the entire equity interests in the Century East Group (the “Disposal”) completed during the last corresponding period, the Group is still entitled to receive such Guaranteed Dividend from Tianjin Harmonious after the Disposal.

In previous years, Coastal Wuhan raised a loan of RMB1,601,000,000 (equivalent to HK\$1,774,925,000) from a financial institution, for which the right to receive the Guaranteed Dividend from Tianjin Harmonious is secured. The obligation to repay the outstanding loan balance has been assigned to the Group upon completion of the Disposal. Even if the Group does not receive the Guaranteed Dividend, the Group is still obliged to repay this amount by November 2019, which is the original maturity of the loan. As at the date of this interim report, the maturity date of the said loan has been extended to November 2021.

- (ii) an amount of HK\$1,165,506,000 (31 March 2019: HK\$1,398,648,000) due from a purchaser regarding the balance of the consideration payable by the purchaser under the Disposal as set out above.
- (b) The amounts represent payments made for the acquisitions of land use rights in the PRC which will be developed for sale purpose. These deposits will be wholly refundable if the acquisitions are terminated subsequently.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

15. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables as at the end of the reporting period based on invoice date and issuance date of each bill is as follows:

| | 30 September 2019 (unaudited) HK\$'000 | 31 March 2019 (audited) HK\$'000 |
|--------------|---|---|
| 0 – 30 days | 6,716 | 5,796 |
| 31 – 60 days | 2,733 | – |
| 61 – 90 days | 1,667 | 9 |
| Over 90 days | 64,772 | 69,491 |
| | <u>75,888</u> | <u>75,296</u> |

The average credit period on purchase is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit period granted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 30 September 2019 (unaudited) HK\$'000 | 31 March 2019 (audited) HK\$'000 |
|---|---|---|
| CURRENT | | |
| Bank borrowings – secured | 442,198 | 472,944 |
| Other borrowings – secured | <u>1,774,925</u> | <u>1,866,424</u> |
| | 2,217,123 | 2,339,368 |
| NON-CURRENT | | |
| Bank borrowings – secured | <u>105,320</u> | <u>29,145</u> |
| | <u>2,322,443</u> | <u>2,368,513</u> |
| Analysed into: | | |
| Bank borrowings repayable: | | |
| Within one year | 144,122 | 174,868 |
| In the second year | 16,629 | 23,316 |
| In the third to fifth years inclusive | <u>88,691</u> | <u>5,829</u> |
| | 249,442 | 204,013 |
| Bank borrowings that is repayable within one year from the end of the reporting period and contain a repayment on demand clause | | |
| | <u>298,076</u> | <u>298,076</u> |
| | 547,518 | 502,089 |
| Other borrowings repayable: | | |
| Within one year | <u>1,774,925</u> | <u>1,866,424</u> |
| | <u>2,322,443</u> | <u>2,368,513</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

Notes:

- (a) As at 30 September 2019 and 31 March 2019, the Group's other borrowing is secured by the Guaranteed Dividend from Tianjin Harmonious (see note 14(a)(i)).
- (b) Certain of the Group's bank borrowings as at 30 September 2019 and 31 March 2019 are secured by:
- certain land and buildings of the Group with an aggregate carrying value of approximately HK\$291,571,000 (31 March 2019: HK\$306,602,000);
 - certain bank deposits of the Group with an aggregate carrying value of approximately HK\$225,175,000 (31 March 2019: HK\$236,783,000);
 - certain properties under development of the Group with an aggregate carrying value of approximately HK\$222,136,000 (31 March 2019: HK\$206,193,000);
 - certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$7,141,000 (31 March 2019: HK\$14,646,000);
 - corporate guarantees from the Company and certain subsidiaries; and
 - personal guarantee from a substantial shareholder.
- (c) The ranges of effective interest rates per annum (which also approximate to contracted interest rates) on the Group's interest-bearing bank and other borrowings are as follows:

| | 30 September 2019 | | 31 March 2019 | |
|--------------------------|-------------------|----------------|---------------|----------------|
| | Borrowings | Interest rate | Borrowings | Interest rate |
| | HK\$'000 | | HK\$'000 | |
| | (unaudited) | (unaudited) | (audited) | (audited) |
| Bank borrowings | | | | |
| Fixed-rate borrowings | 88,691 | 10.80% | – | – |
| Variable-rate borrowings | 458,827 | 3.60% to 9.90% | 502,089 | 3.62% to 9.90% |
| Other borrowings | | | | |
| Fixed-rate borrowings | 1,774,925 | 6.67% | 1,866,424 | 3.50% to 6.67% |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

Notes: (continued)

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

| | 30 September 2019 (unaudited) HK\$'000 | 31 March 2019 (audited) HK\$'000 |
|------|---|---|
| US\$ | 213,950 | 213,950 |
| HK\$ | 84,126 | 84,126 |
| | <u>298,076</u> | <u>298,076</u> |

17. SHARE CAPITAL

| | Number of ordinary shares | Nominal value HK\$'000 |
|--|--------------------------------------|-----------------------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.10 each at 1 April 2018, 30 September 2018, 31 March 2019 and 30 September 2019 | <u>7,000,000,000</u> | <u>700,000</u> |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.10 each At 1 April 2018 and 30 September 2018 | 4,185,874,285 | 418,587 |
| Cancellation of shares repurchased | <u>(39,854,000)</u> | <u>(3,985)</u> |
| At 31 March 2019 and 30 September 2019 | <u>4,146,020,285</u> | <u>414,602</u> |

During the year ended 31 March 2019, the Company repurchased its own ordinary shares of 39,854,000 on the Stock Exchange at an aggregate consideration of HK\$9,911,000. These ordinary shares were cancelled by the Company on 20 March 2019. Upon the cancellation of the 39,854,000 shares repurchased, the issued share capital of the Company was reduced by the par value of HK\$3,985,000 and the premium paid on the repurchase of these cancelled shares of HK\$5,926,000 was deducted from share premium of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

18. CONTINGENT LIABILITIES

| | 30 September 2019 (unaudited) HK\$'000 | 31 March 2019 (audited) HK\$'000 |
|--|---|---|
| Guarantees in respect of mortgage loans facilities granted to property purchasers* | <u>–</u> | <u>396,151</u> |

- * These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) issue of the real estate ownership certificates which are generally available within three months after the buyers taking possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the property buyers.

The directors of the Company 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 and therefore no provision has been made in the condensed consolidated financial statements for the guarantees.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

19. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the notes to the condensed consolidated financial statements, the Group had the following significant transactions with related parties:

- (a) During the six months ended 30 September 2019, the Group received project management services income of HK\$377,000 (2018: HK\$5,798,000) from joint ventures and a property-based entity which is carried as an investment in financial assets at FVTOCI in the condensed consolidated statement of financial position.
- (b) **Outstanding balances with related parties:**
- (i) The amount due to a substantial shareholder of the Company represents amount due to CIH, which holds 36.93% interests in the Company. The amount is unsecured, interest-free and repayable on demand.
- (ii) The amounts due from an associate and a joint venture of HK\$232,217,000 (31 March 2019: HK\$256,906,000) are non-trade, unsecured, interest-free and repayable on demand.
- (iii) The amount due from a joint venture of HK\$110,864,000 (31 March 2019: HK\$116,579,000) represents an amount due from Beijing Huichao Real Estate Development Co., Ltd (“Beijing Huichao”). The amount is non-trade, interest-free, repayable on demand and secured by 11% equity interests in Beijing Huichao beneficially owned by a third party partner in the joint venture. In the opinion of the directors of the Company, the amount is not expected to be repaid within twelve months after the end of the reporting period and accordingly it is presented as non-current asset as at 30 September 2019.
- (c) **Compensation of key management personnel of the Group who are the executive directors of the Company**

| | Six months ended 30 September | |
|---|----------------------------------|-------------|
| | 2019 | 2018 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Short term benefits | 3,311 | 7,059 |
| Post-employment benefits | 114 | 147 |
| | <hr/> | <hr/> |
| Total compensation paid to key management personnel | 3,425 | 7,206 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

20. FAIR VALUE MEASUREMENT

The Group followed HKFRS 7 Financial Instruments: Disclosures which introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value through other comprehensive income in the condensed consolidated statements of financial position are grouped into the fair value hierarchy as follows:

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|--------------------------------|---------------------|---------------------|---------------------|-------------------|
| As at 30 September 2019 | | | | |
| Financial assets at FVTOCI | – | – | 67,467 | 67,467 |
| Financial assets at FVTPL | – | – | 33,259 | 33,259 |
| As at 31 March 2019 | | | | |
| Financial assets at FVTOCI | – | – | 34,894 | 34,894 |

The fair values of the unlisted equity investments in Level 3 have been determined with reference to the fair values of the underlying assets and liabilities of the investees as at 30 September 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

20. FAIR VALUE MEASUREMENT (continued)

The fair values of the unlisted interests in FVTPL in Level 3 have been based on the net asset values of the investment determined with reference to third party valuation of underlying investment portfolio and adjustment of related expenses.

The Group's financial assets classified in Level 3 adopted valuation techniques based on unobservable input that is significant to the fair value measurement. The movement of financial instruments within this level is as follow:

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) |
| At 1 April | 34,894 | 192,670 |
| Addition | 99,777 | 13,637 |
| Disposal | (33,259) | – |
| Exchange alignments | (686) | (1,674) |
| Fair value changes recognised in other comprehensive income during the period | – | 418 |
| At 30 September | <u>100,726</u> | <u>205,051</u> |

There were no transfers between Level 1 and Level 2, or transfers into or out of level 3 during the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

Property Development

The Group's business strategy for its property development business is to develop quality residential estates for the upper to middle class domestic market.

During the Period, the Group recorded contracted sales in the amount of HK\$56 million (2018: HK\$82 million) which corresponds to a total GFA of about 8,000 sq.m. (2018: 15,000 sq.m.). Included in the amount was HK\$13 million (2018: HK\$18 million) related to contracted sales attributable to a development project in which the Group has equity interests of 35% (2018: 35%) and of which the Group is the project manager. Such development project accounted for a corresponding GFA of about 4,000 sq.m. (2018: 5,000 sq.m.).

Property Investment

The Group holds some of its properties for investment purposes. The property investment portfolio of the Group includes commercial and residential properties located in the PRC. In managing the property investment portfolio, the Group takes into account the long-term growth potential and overall market conditions of the properties. The Group may sell some of its investment properties when it is in its interests to do so. Rental income for the Period mainly derived from properties in Shanghai Golden Bridge Mansion and Dongguan Riviera Villa.

Project Management Services

In recent years, the Group has been searching for co-investment opportunities in the development projects such that it can enlarge its property portfolio without escalating its financial burden. During the Period, the Group was engaged as the project managers of two (2018: four) development projects namely Beijing Bay Project and Chongqing Silo City.

Project Investment Services

During the Period, the Group did not generate any profit from the operations of this segment (2018: HK\$886.2 million). The Group will continue to look for opportunities in relation to investment in and sale of property development/land development project in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overall Performance

For the first half of the financial year, the Group generated revenue of HK\$21.8 million, representing a decrease of about 87% as compared to the HK\$161.8 million for the last corresponding period. During the Period, the Group realised a loss before taxation of HK\$206.2 million, compared to a profit of HK\$303.7 million for the last corresponding period. Loss for the period attributable to owners of the Company was HK\$133.6 million, compared to a profit of HK\$331.2 million for the last corresponding period.

Revenue

The revenue of the Group was primarily derived from sale of properties, property rental income and project management services income. During the Period, revenue decreased by about 87% to about HK\$21.8 million from about HK\$161.8 million in the last corresponding period. The decrease was mainly attributable to the disposal of certain property development subsidiaries during the last corresponding period. Approximately 98% (2018: 95%) of the Group revenue was generated from sale of properties and approximately 2% (2018: 5%) from property rental income and project management services income.

Sale of Properties

During the Period, the recognised sales revenue from sale of properties was HK\$21.3 million, representing a decrease of about 86% from the last corresponding period's HK\$154.4 million, which corresponds to a decrease by 86% in the total GFA delivered by the Group of 2,500 sq.m. (2018: 17,300 sq.m.). The property sales revenue for the Period came from the sale of Dalian Coastal International Centre, Anshan Wisdom New City and Dalian Jianzhu Project which respectively accounted for approximately 71%, 19% and 10% of the total property sales revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Rental income

Revenue from property rental decreased to HK\$0.2 million from HK\$1.6 million for the last corresponding period. The decrease was primarily attributable to the decreased GFA for rental purpose as a result of the disposal of certain subsidiaries engaged in property investment during the last corresponding period. The property investment segment for the Period recorded a loss of HK\$2.8 million comparing to a profit of HK\$1.6 million for the last corresponding period.

Project management services income

Revenue from project management services decreased to HK\$0.4 million from the last corresponding period's HK\$5.8 million. The decrease was due to the termination of certain project management services agreements upon disposal of its equity interests in these projects at the end of the last corresponding period. The project management services segment for the Period recorded a loss of about HK\$1.7 million comparing to a profit of HK\$5.8 million for the last corresponding period.

Gross Profit Margin

The gross profit margin for the Period was about 10% as compared to 7% for the last corresponding period. A slight increase in the gross profit margin was primarily attributable to lower construction cost per sq.m. of property sales recognised during the Period.

Other Income and Gains

Other income and gains for the Period was HK\$2.3 million as compared to HK\$22.5 million for the last corresponding period. Other income and gains for the Period mainly represented bank interest income of HK\$0.9 million (2018: HK\$6.8 million), other interest income of HK\$0.6 million (2018: HK\$4.4 million) and gain on disposal of property, plant and equipment of HK\$0.2 million (2018: nil). Apart from the above, included in the last corresponding period's other income and gains was mainly re-measurement gain on fair value of an interest in an associate of HK\$4.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Marketing, Selling and Administrative Expenses

Marketing and selling costs decreased by about 72% to HK\$1.6 million from the last corresponding period's HK\$5.8 million as a result of the decrease in the Group's selling activities during the Period.

Administrative expenses decreased by about 33% to HK\$88.0 million from the last corresponding period's HK\$131.1 million. The Group will continue to implement cost control measures so as to enhance its operational efficiency.

Other Expenses

Other expenses for the Period was HK\$98.9 million as compared to the last corresponding period's HK\$448.4 million. Other expenses mainly represented compensation in respect of a land development project disposed of in the previous years of HK\$73.2 million (2018: nil) in relation to the delay in the construction progress which give rise to an additional cost to the purchaser. Apart from the above, included in the last corresponding period's other expenses were mainly compensation for cancellation of a disposal agreement in relation to certain land disposal to an independent third party of HK\$357.0 million so as to facilitate the proceeding of the transaction of disposal of the Century East Group during the last corresponding period.

Finance Costs

During the Period, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings) of HK\$21.9 million, representing a decrease of about 74% as compared to HK\$83.4 million incurred for the last corresponding period. Interest expenses charged to profit or loss for the Period were HK\$20.5 million as compared to the last corresponding period's HK\$29.7 million. The decrease was mainly attributable to a decrease in the average outstanding balance of bank and other borrowings as compared to the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

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

As at 30 September 2019, the Group's cash and bank balances amounted to approximately HK\$831.2 million (31 March 2019: HK\$280.7 million). An analysis by currency denomination of the cash and bank balances is as follows:

| | 30 September 2019 HK\$'000 | 31 March 2019 HK\$'000 |
|------|---|------------------------------|
| RMB | 825,805 | 270,163 |
| HK\$ | 2,519 | 3,154 |
| US\$ | 2,852 | 7,370 |
| | 831,176 | 280,687 |

As at 30 September 2019, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to approximately HK\$1,491 million (31 March 2019: HK\$2,088 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 9% to 32% from 41% as at 31 March 2019.

Borrowings and Charges

As at 30 September 2019, the Group's total bank and other borrowings amounted to HK\$2,322.4 million (31 March 2019: HK\$2,368.5 million), of which HK\$458.8 million (31 March 2019: HK\$502.1 million) were variable-rate borrowings and the remaining were fixed rate borrowings. Of the total bank and other borrowings as at 30 September 2019, RMB1,601 million (equivalent to HK\$1,774.9 million) was assigned from a disposal subsidiary to the Group under the terms of the agreement for the disposal of subsidiaries transaction (see note 14(a)(i) to the condensed consolidated financial statements). Long-term borrowings amounted to HK\$105.3 million (31 March 2019: HK\$29.1 million), representing approximately 5% (31 March 2019: 1%) of the total borrowings, and short-term borrowings were HK\$2,217.1 million (31 March 2019: HK\$2,339.4 million) representing approximately 95% (31 March 2019: 99%) of the total borrowings. During the Period, the ranges of effective interest rate per annum of the Group in respect of its fixed and variable rate borrowings were 6.67% to 10.80% (31 March 2019: 3.50% to 6.67%) and 3.60% to 9.90% (31 March 2019: 3.62% to 9.90%) respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2019, certain assets of the Group including land and buildings, bank deposits, properties under development and completed properties for sale with aggregate carrying value of HK\$746.0 million (31 March 2019: HK\$764.2 million), corporate guarantee given by the Company and certain subsidiaries, personal guarantee given by a substantial shareholder of the Company and the Guarantee Dividend (see note 14(a)(i) to the condensed consolidated financial statements) were pledged to secure the bank and other borrowings.

Material Acquisitions and Disposals

There was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this interim report.

Contingent Liabilities

As at 30 September 2019, the Group had not given any guarantees (31 March 2019: HK\$396.2 million) to banks in respect of mortgage loan facilities granted to the property purchasers.

Exposure to Fluctuation in Exchange Rates

The Group's operations are principally in the PRC and accordingly a majority part of its income and expenditure is denominated in RMB. The exchange rates of RMB against HK\$ and US\$ have been quite stable over the past years despite a steady depreciation in RMB has occurred during the 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 RMB revenue to the Group. Except certain bank and other borrowings which are denominated in US\$ or HK\$, most of the Group's liabilities are denominated in RMB. Therefore, the Directors do not foresee that movement in the exchange rates of foreign currencies against RMB in the foreseeable future will cause a material adverse impact on the Group's operations.

The Group does not have a foreign currency hedging policy. However, the management of the Group continuously monitors the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group had about 153 employees (2018: about 178 employees) in the PRC and Hong Kong. The related employees' cost (including the Directors' remuneration) for the six months ended 30 September 2019 amounted to approximately HK\$19.9 million (2018: HK\$50.4 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 and housing allowances.

PROSPECTS

During the Reporting Period, the PRC economy is under pressure from the trade war tensions between the United States and the PRC and the unstable geopolitical risks around the region. In response to the complicated operating environment with increasing domestic and overseas risks and challenges, the central government reinstated the primary principle of "housing is for living, not for speculation". As such, local governments adopt the policy of "different policies applying to specific situations in different cities" with an aim to stabilising the land prices and property prices and managing price expectations for a sustainable development.

Against the backdrop of these profound changes in the real estate market, the Group will continue to formulate its business strategy along the direction of government policies. Over the past years, the Group continues to look for opportunities to realise its investment in its development projects as part of the Group's business activities.

Going forward, with the Group's well established brand and seasoned experience in the PRC property market and the Group's improvement in its financial strength, the Group will continue to seek opportunities of participation in city redevelopment of old villages or old plants and factories so as to replenish its property portfolio as an ongoing business exercise and as a means of replenishing a lower cost land bank. For business development, the Group will also look for thriving business opportunities that will benefit the Group in the years ahead.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2019, the interests and short positions of the Directors in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long positions in the Shares and underlying Shares of the Company

| Name of Director | Directly beneficially owned | Interest of controlled corporation | Total number of Shares and underlying Shares held | Percentage of the Company's issued share capital |
|-------------------|-----------------------------|------------------------------------|---|--|
| Mr. Jiang Ming | – | 1,531,261,978* | 1,531,261,978 | 36.93% |
| Mr. Xia Xianglong | 6,496,000 | – | 6,496,000 | 0.16% |
| Mr. Lin Chen Hsin | 3,720,000 | 1,531,261,978* | 1,531,261,978 | 37.02% |

- * 1,531,261,978 shares are beneficially owned by CIH, of which the issued voting share capital is held as to 37.58% by Mr. Jiang Ming, 3.30% by Mr. Lin Chen Hsin and 21.42% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Mr. Jiang Ming). These 1,531,261,978 shares represent an aggregate of approximately 36.93% of the issued share capital of the Company. Mr. Jiang Ming and Mr. Lin Chen Hsin are directors of CIH.

DISCLOSURE OF INTERESTS

(ii) Long positions in the Shares and underlying 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 | Interest of controlled corporation | 21.42% |
| Mr. Lin Chen Hsin | 330 | Directly beneficially owned | 3.30% |

Save as disclosed above, as at 30 September 2019, 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.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES

Apart from the interests of CIH as disclosed under the heading "Directors' interests in securities" above, the register of substantial Shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 30 September 2019, 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 ² | 1,531,261,978 | 36.93% |
| Shenzhen Investment Limited | Corporate | 631,092,857 | 15.22% |

Notes:

1. All the interests stated above represent long positions.
2. Ms. Yang Sun Xin is the spouse of Mr. Jiang Ming (Chairman and Managing Director of the Company) and is deemed to be interested in the 1,531,261,978 shares of the Company, which is the number of shares that CIH is interested in the issued share capital of the Company.

Save as disclosed above, as at 30 September 2019, to the best of the Directors' knowledge, no persons had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or otherwise notified to the Company and the Stock Exchange.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and is committed to maintaining sound internal control, transparency and accountability to all Shareholders. The Company has continued to apply and comply with the code provisions contained in the CG Code during the Period, except for below deviations:

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

Code provision A.6.7 of the CG Code stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings. One independent non-executive Director and two non-executive Directors were unable to attend the annual general meeting of the Company held on 17 September 2019 (the “2019 AGM”) due to other important engagements.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the AGM. Mr. Jiang Ming, the Chairman of the Board, was unable to attend the 2019 AGM due to other business commitment. However, Mr. Xia Xianglong, an executive Director, had taken the chair of the 2019 AGM in accordance with the bye-laws of the Company. Mr. Xia was of sufficient calibre and knowledge for communication with the shareholders at the 2019 AGM.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company’s code of conduct regarding Directors’ securities transactions. Having made specific enquiry, all Directors confirmed that they have complied with the requirements as set out in the Model Code during the six months ended 30 September 2019. Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (2018: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed with the management of the Company the accounting policies and practices adopted by the Group and discussed, among other things, internal controls, risk management and financial reporting matters including a review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2019.

By Order of the Board
Jiang Ming
Chairman

Hong Kong, 28 November 2019