

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

COASTAL 沿海
COASTAL GREENLAND LIMITED
沿海綠色家園有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1124)

**UNAUDITED INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

HIGHLIGHTS:

1. Revenue for the period amounted to about HK\$782.3 million, an increase of about 180% from last corresponding period.
2. Loss for the period attributable to owners of the Company was about HK\$72.9 million, a mitigation of 62% from last corresponding period.
3. Contracted sales for the period amounted to about HK\$2,448 million, an increase of 12% from last corresponding period. Included in the amount was HK\$1,404 million (2015: HK\$1,565 million) related to contracted sales attributable to the development projects in which the Group has equity interests ranging from 12% to 40% and of which the Group is the project manger.

The Board of Directors (the “Board”) of Coastal Greenland Limited (the “Company”) announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2016 together with the comparative figures for the corresponding period in 2015. Consolidated results for the six months ended 30 September 2015 have been restated to reflect the construction business as a discontinued operation. The interim financial report for the six months ended 30 September 2016 has been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

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

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

10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

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

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

NOTES

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

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

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

The consolidated results for the six months ended 30 September 2015 presented for comparative purpose have been restated to reflect the construction business as a discontinued operation.

4. SEGMENT INFORMATION

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

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

The Group's construction business was discontinued during the year ended 31 March 2016. Details of which is set out in note 8.

CONTINUING OPERATIONS

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

Segment results represent the loss before taxation made by each reportable segment without allocation of income and expenses of the Group's head office, net foreign exchange differences, interest income, amortisation of prepaid land lease payments, finance costs and share of results of associates and joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

5. OTHER INCOME AND GAINS

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

6. FINANCE COSTS

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

Borrowing costs capitalised during the period arose on the funds borrowed specifically for the purpose of obtaining qualifying assets and are calculated by applying a capitalisation rate of 8.77% (2015: 7.96%) per annum.

7. TAXATION

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

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

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

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

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

Note: The deferred tax credit recognised during the six months ended 30 September 2016 and 2015 mainly resulted from combined effect relating to (i) release of deferred tax liabilities arising from the reversal of temporary differences relating to fair value adjustments to the carrying amounts of properties under development at the time of acquisition of property holding subsidiaries under business combination. Such deferred tax liabilities were released upon the sale of properties by those subsidiaries; and (ii) reversal of over-provided dividend withholding tax.

8. DISCONTINUED OPERATION

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

The loss from discontinued operation which has been included in the condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows is set out below:

	Six months ended 30 September 2015 <i>HK\$'000</i>
Revenue	29,748
Cost of sales	<u>(25,176)</u>
Gross profit	4,572
Other income	90
Expenses	<u>(41,878)</u>
Loss before taxation	(37,216)
Taxation	<u>(242)</u>
Loss for the period	<u><u>(37,458)</u></u>

9. LOSS FOR THE PERIOD

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

10. LOSS PER SHARE

(a) Basic loss per share

(i) *From continuing and discontinued operations*

The calculation of basic loss per share attributable to owners of the Company for the six months ended 30 September 2016 is based on the loss for the period attributable to owners of the Company of HK\$72,866,000 (2015: HK\$191,363,000) and the number of 4,185,874,285 ordinary shares in issue during both periods.

(ii) *From continuing operations*

The calculation of basic loss per share attributable to owners of the Company for the six months ended 30 September 2016 from continuing operations is based on the loss for the period attributable to owners of the Company from continuing operations of HK\$72,866,000 (2015(restated): HK\$153,905,000) and the denominator used is the same as that detailed above.

(iii) *From discontinued operation*

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

(b) Diluted loss per share

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

11. TRADE RECEIVABLES

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

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

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

12. 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 2016 (unaudited) HK\$'000	31 March 2016 (audited) HK\$'000
0 – 30 days	228,227	222,737
31 – 60 days	9,632	11,468
61 – 90 days	190,242	4,108
Over 90 days	<u>104,206</u>	<u>104,440</u>
	<u>532,307</u>	<u>342,753</u>

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

13. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

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

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

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

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

Property Development

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

For the period ended 30 September 2016, the Group recorded contracted sales in the amount of HK\$2,448 million (2015: HK\$2,193 million) which corresponds to a total GFA of about 202,000 sq.m. (2015: 199,000 sq.m.). Included in the amount was HK\$1,404 million (2015: HK\$1,565 million) related to contracted sales attributable to the development projects in which the Group has equity interests ranging from 12% to 40% and of which the Group is the project manager. Such development projects accounted for a corresponding GFA of about 97,000 sq.m. (2015: 121,000 sq.m.).

Property Investment

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

Property Management

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

Project Management

Revenue from project management increased to HK\$7.7 million from last corresponding period's HK\$17 thousand. The increase was due to recognition of project management revenue in respect of which the value of contract work completed has been confirmed during the period. The project management segment for the period recorded a gain of about HK\$2.0 million comparing to a loss of HK\$4.9 million for last corresponding period.

Project Investment Services

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

Gross Profit Margin

The gross profit margin for the current period was about 19% which was higher than the gross profit margin for last corresponding period's 6%. The increase was mainly due to a higher level of selling price attained for the properties completed and delivered to purchasers during the period.

Other Income and Gains

Other income and gains for the period was HK\$12.6 million as compared to HK\$4.9 million for last corresponding period. Other income for the period mainly represented the interest income from banks of HK\$3.1 million (2015: HK\$0.4 million) and a reversal of impairment on trade receivables of HK\$7.2 million (2015: nil).

Marketing, Selling and Administrative Expenses

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

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

Other Expenses

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

Finance Costs

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

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

Corporate Brand

Coastal Greenland, the corporate brand, had been ranked among the top ten most valuable Chinese real estate company brands for the thirteen consecutive years between 2004 and 2016 by an authoritative PRC real estate research team formed by the Development Research Center of the State Council, the Tsinghua University Real Estate Research Center and the China Index Research Team. The corporate brand has also been recognised and certified by the State Administration for Industry & Commerce of China in 2015 as a “China Famous Trademark”.

FINANCIAL REVIEW

Financial Resources and Liquidity

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

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

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

At 30 September 2016, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to about HK\$2,670 million (31 March 2016: HK\$6,794 million). Net debt to total equity ratio, which is expressed as a percentage of net borrowings over total equity of the Group, decreased by about 96% to 68% from 164% as at 31 March 2016, which is mainly resulting from the reclassification of interest-bearing bank and other borrowings in the amount of HK\$3,571,628,000 to liabilities held for sale. Details regarding the reclassification are set out in note 13 to the condensed consolidated financial statements for the six months ended 30 September 2016.

Borrowings and Charges

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

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Bank borrowings repayable:		
Within one year	1,235,960	1,733,333
In the second year	–	915,854
In the third to fifth years inclusive	–	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
	1,495,136	4,450,168
Other borrowings repayable:		
Within one year	1,858,369	1,308,131
In the second year	348,444	1,859,226
	2,206,813	3,167,357
	3,701,949	7,617,525

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

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

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

- (a) Certain of the Group's bank and other borrowings as at 30 September 2016 were secured by:
- (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK\$195 million (31 March 2016: HK\$202 million);
 - (ii) certain bank deposits of the Group with an aggregate amount of approximately HK\$254 million (31 March 2016: HK\$371 million);
 - (iii) certain properties under development of the Group with an aggregate carrying value of approximately HK\$3,752 million (31 March 2016: HK\$1,815 million);
 - (iv) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$58 million (31 March 2016: HK\$178 million);
 - (v) certain deposits of the Group with an aggregate carrying value of approximately HK\$116 million (31 March 2016: HK\$197 million);
 - (vi) corporate guarantees from the Company and certain of its subsidiaries;

(vii) the Group's 30% and 100% (31 March 2016: 100%) equity interests in one and two (31 March 2016: three) property-based subsidiaries respectively; and

(viii) the Group's 12% equity interests in a property-based entity which is carried as an available-for-sale investment in the condensed consolidated statement of financial position.

Exposure to Fluctuations in Exchange Rates

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

Contingent Liabilities

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

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 430 employees in the PRC and Hong Kong. Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage, housing allowances and share options.

PROSPECTS

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

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

CORPORATE GOVERNANCE

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

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

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. One independent non-executive director was unable to attend the special general meeting of the Company held on 26 May 2016, three independent non-executive directors were unable to attend the special general meeting of the Company held on 19 October 2016 and one independent non-executive director was unable to attend the annual general meeting of the Company held on 12 September 2016 due to other important engagements. Two non-executive directors were unable to attend the annual general meeting and special general meetings of the Company held on 12 September 2016, 26 May 2016 and 19 October 2016 due to other important engagements.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the requirements as set out in the Model Code during the six months ended 30 September 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 September 2016.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a general review of the unaudited interim financial report for the six months ended 30 September 2016.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report of the Company for the six months ended 30 September 2016 containing all the information required by Appendix 16 to the Listing Rules will be published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.coastal.com.cn>) in due course.

By Order of the Board

Jiang Ming

Chairman

Hong Kong, 25 November 2016

As at the date of this announcement, the Board comprises Mr. Jiang Ming, Mr. Tao Lin, Mr. Cai Shaobin and Mr. Xia Xianglong as executive Directors, Mr. Lu Jiqiang and Dr. Dai Jingming as non-executive Directors and Mr. Wong Kai Cheong, Mr. Yang Jiangang and Mr. Huang Xihua as independent non-executive Directors.

* *For identification purpose only*