



**COASTAL** 沿海

COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 01124

All for the  
**Future**

Annual Report  
2017/18

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# DEFINITIONS

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

“AGM”	annual general meeting of the Company
“Board”	the board of Directors
“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
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	Coastal Greenland Limited, a company incorporated in Bermuda with limited liability and the 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\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	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
“PRC”	the People’s Republic of China which, for the purposes of this annual report, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

## DEFINITIONS

“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.

# CORPORATE INFORMATION

## Registered Office

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## 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 Place of Business in the PRC

38/F, Noble Center  
No. 1006, 3 Fuzhong Road  
Futian District  
Shenzhen

## Principal Share Registrar and Transfer Office

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

## Hong Kong Branch Share Registrar and Transfer Office

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

## Executive Directors

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

## Non-Executive Directors

Mr. LU Jiqiang  
Dr. DAI Jingming (*Retired on 15 September 2017*)  
Mr. ZHU Guoqiang (*Appointed on 3 October 2017*)

## 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

## Company Website

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

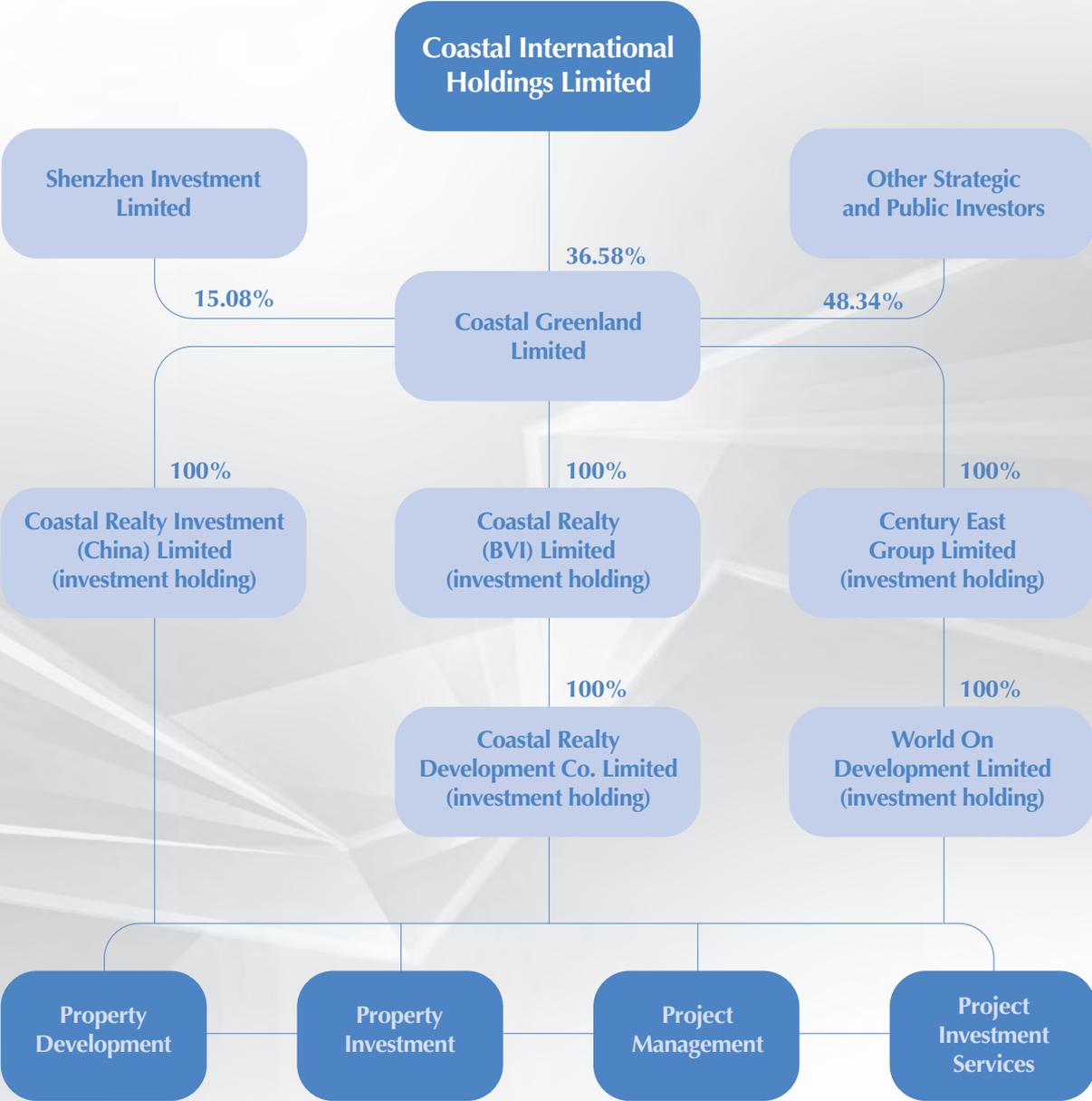
## Investor Relations

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

## Stock Code

1124

# SHAREHOLDING STRUCTURE AND MAJOR OPERATIONS



# FINANCIAL HIGHLIGHTS

The following is a summary of the published consolidated results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements.

## RESULTS

	Year ended 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	<b>1,791,404</b>	1,131,348	775,043	2,141,477	2,780,503
Profit (loss) before taxation	<b>364,757</b>	900,577	(570,088)	(362,736)	34,017
Profit (loss) for the year attributable to owners of the Company	<b>231,077</b>	707,452	(123,268)	(508,414)	64,824
Dividends	-	-	-	-	-

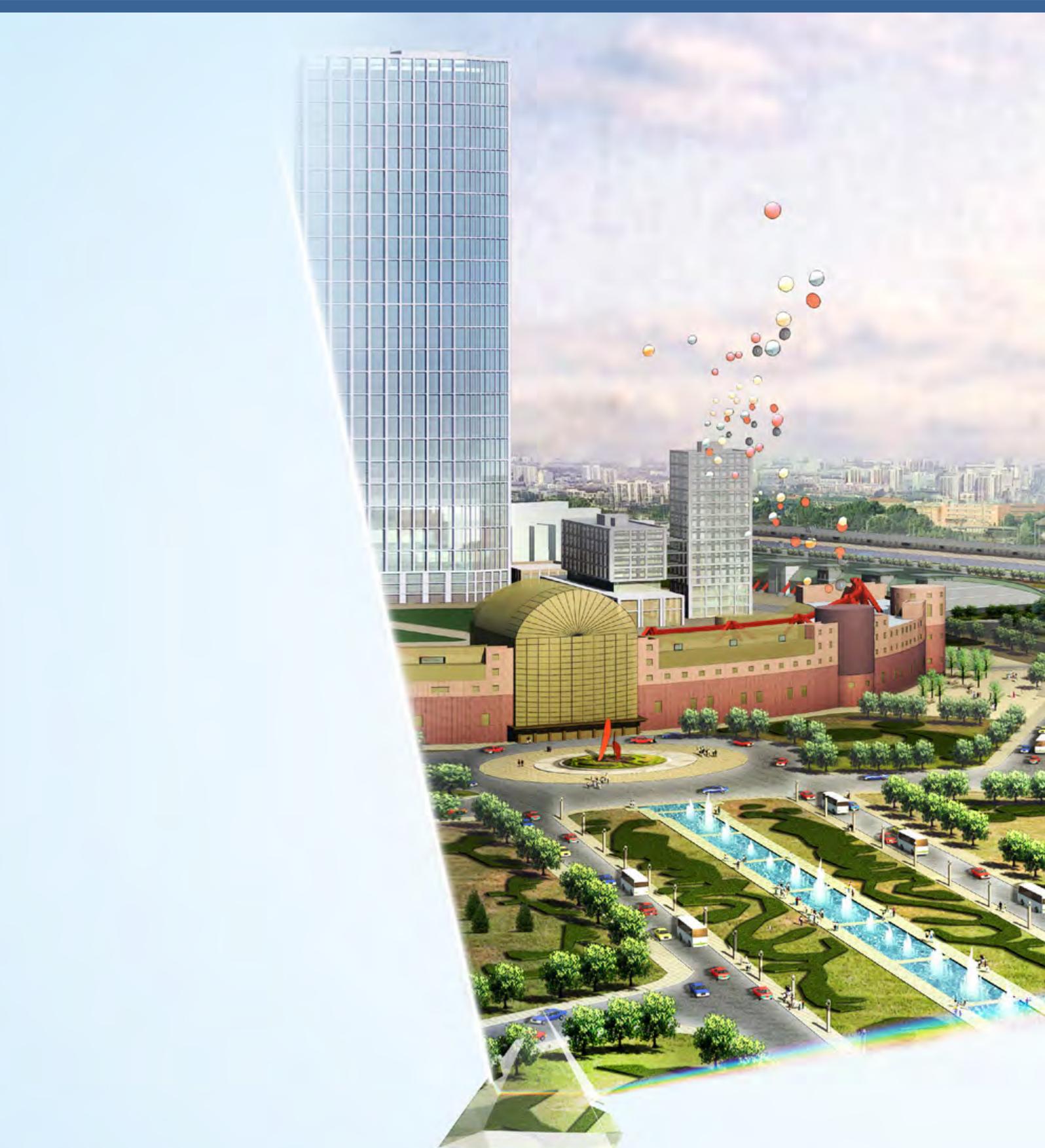
## ASSETS AND LIABILITIES

	As at 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Total assets	<b>15,802,415</b>	15,700,307	17,892,034	18,032,439	17,920,559
Total liabilities	<b>(10,194,135)</b>	(11,058,501)	(13,755,905)	(13,595,873)	(12,967,486)
Total equity	<b>5,608,280</b>	4,641,806	4,136,129	4,436,566	4,953,073
Non-controlling interests	<b>(133,877)</b>	193	(2,114)	(4,781)	(19,580)
Equity attributable to owners of the Company	<b>5,474,403</b>	4,641,999	4,134,015	4,431,785	4,933,493

# FINANCIAL HIGHLIGHTS

	Year ended 31 March	
	2018 HK\$'000	2017 HK\$'000
<b>Revenue</b>		
– Sale of properties	<b>1,748,703</b>	1,063,757
– Rental income	<b>914</b>	3,021
– Project management service income	<b>41,787</b>	64,570
<b>Total</b>	<b>1,791,404</b>	1,131,348

	Year ended 31 March	
	2018 HK\$'000	2017 HK\$'000
<b>Operating results by activity</b>		
– Property development	<b>(97,745)</b>	(483,949)
– Property investment	<b>693</b>	1,750
– Project management	<b>23,054</b>	47,581
– Project investment services	<b>661,616</b>	1,845,900
	<b>587,618</b>	1,411,282
Amortisation of prepaid land lease payments	<b>(2,122)</b>	(1,480)
Finance costs	<b>(179,653)</b>	(218,346)
Gain on disposal of associates	<b>12,557</b>	–
Impairment loss recognised on amounts due from associates	<b>(176,049)</b>	(253,101)
Interest income	<b>73,779</b>	7,515
Net foreign exchange gain (losses)	<b>135</b>	(21,658)
Share of profit (loss) of associates	<b>1,753</b>	(10,961)
Share of profit of joint ventures	<b>104,239</b>	2,111
Other net unallocated expense	<b>(57,500)</b>	(14,785)
<b>Profit before taxation from continuing operations</b>	<b>364,757</b>	900,577





Dalian  
Coastal  
International  
Centre

# CHAIRMAN'S STATEMENT

# CHAIRMAN'S STATEMENT

*On behalf of the Board of the Company, I am pleased to present to the Shareholders the Group's financial results and operation report for the year ended 31 March 2018 as follows:*

**Jiang Ming**

Chairman and Managing Director



## Results and Dividend

For the financial year ended 31 March 2018, the Group generated a revenue of HK\$1,791.4 million. During the year, the Group realised a profit before taxation of HK\$364.8 million and a profit for the year attributable to owners of the Company of HK\$231.1 million. Earnings per share for the year was HK5.52 cents.

The Board does not recommend the payment of any dividend for the year ended 31 March 2018.

## Business Overview

For the financial year ended 31 March 2018, the Group generated a revenue of HK\$1,791.4 million, representing an increase of about 58% as compared to the HK\$1,131.3 million for last year. During the year, the Group realised a profit before taxation of HK\$364.8 million, compared to a profit of HK\$900.6 million for last year. Profit for the year attributable to owners of the Company was HK\$231.1 million, compared to a profit of HK\$707.5 million for last year. The decrease in the profit for the year was mainly attributable to lesser profit for the year of HK\$661.6 million was generated from disposal of subsidiaries as compared to the HK\$1,845.9 million for last year.

For the year ended 31 March 2018, the Group recorded contracted sales in the amount of HK\$4,334 million (2017: HK\$3,744 million) which corresponds to a total GFA of about 319,000 sq.m. (2017: 298,000 sq.m.). Included in the amount was HK\$3,294 million (2017: HK\$2,411 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 217,000 sq.m. (2017: 162,000 sq.m.).

During the year ended 31 March 2018, the Group's major completed development projects were Phase VI section B of Wuhan Silo City, Phase V section CD of Wuhan Silo City and section A2-A5 of Shenyang Coastal International Centre with a total GFA of approximately 619,000 sq.m. (2017: 533,000 sq.m.) of which 108,000 sq.m. (2017: 306,000 sq.m.) related to completed development projects in which the Group has 30% equity interests and of which the Group is the project manager.

# CHAIRMAN'S STATEMENT

## Prospects

After years of economic development and reforms, the economy of the PRC is transforming from growth emphasized to more quality emphasized. It is expected that going forward the PRC economic and financial policies will be more inclined to promote the development of high quality and high value added business sectors. Demand for quality housing driven by the continuing urbanisation process and home upgraders needs is expected to be able to sustain a stable property market although a tighter credit supply for the real estate sector will curb the growth rate is also anticipated.

To embrace the ever-changing market conditions, 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. The Group is glad to see that the property investment service segment continuously contribute profits to the Group's operating results. Going forward, 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.

With the Group's well established brand and seasoned experience in the PRC property market and the Group's significant improvement in its financial strength, although the real estate market in the PRC is facing with the challenges of a more volatile economic climate brought forth by the escalated trade war tensions between the United States and the PRC and the austerity measures imposed by the government on the real estate sector, the Group is cautiously optimistic about the Group's business prospect in the years ahead.

## Appreciation

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

### **Jiang Ming**

*Chairman and Managing Director*

Hong Kong  
29 June 2018

An aerial, high-angle photograph of a modern cityscape. A large, dark, pyramid-shaped building dominates the upper left. A vibrant rainbow arches across the sky above a road. In the foreground, a curved road with cars and a yellow bus leads to a modern building with a glass facade and a 'GUCCI' sign. The scene is surrounded by lush green trees and a clear blue sky.

MANAGEMENT  
DISCUSSION  
AND ANALYSIS



Dalian  
Jianzhu  
Project

# MANAGEMENT DISCUSSION AND ANALYSIS

## Operational Review

### *Corporate Brand*

Coastal Greenland, the corporate brand, had been ranked among the top ten most valuable Chinese real estate company brands for the fourteen consecutive years between 2004 and 2017 by an authoritative PRC real estate research team formed by the Development Research Center of the State Council, the Tsinghua University Real Estate Research Center and the China Index Research Team. The corporate brand has also been certified by the State Administration for Industry & Commerce of China in 2015 as a “China Famous Trademark”.

### *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.

For the year ended 31 March 2018, the Group recorded contracted sales in the amount of HK\$4,334 million (2017: HK\$3,744 million) which corresponds to a total GFA of about 319,000 sq.m. (2017: 298,000 sq.m.). Included in the amount was HK\$3,294 million (2017: HK\$2,411 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 217,000 sq.m. (2017: 162,000 sq.m.).

During the year ended 31 March 2018, the Group’s major completed development projects were Phase VI section B of Wuhan Silo City, Phase V section CD of Wuhan Silo City and section A2-A5 of Shenyang Coastal International Centre with a total GFA of approximately 619,000 sq.m. (2017: 533,000 sq.m.) of which 108,000 sq.m. (2017: 306,000 sq.m.) related to completed development projects in which the Group has 30% equity interests and of which the Group is the project manager.

### *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 investment property 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 year mainly derived from commercial properties such as office buildings, retail stores and car parks in Wuhan Silo City, Dongguan Riviera Villa and Shanghai Golden Bridge Mansion.

### *Project Management*

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 year, the Group was engaged as the project managers of four (2017: five) development projects namely Beijing Bay Project, Chongqing Silo City, Shanghai Shui Du South Crest and Wuhan Lingjiao Hu Project.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Project Investment Services*

During the year under review, the Group continues to look for opportunities in relation to investment in and sale of property development/land development projects in the PRC. Details of project investment services conducted during the year are set out under the heading “Major Acquisitions and Disposals” below. During the year, the Group generated a profit of about HK\$661.6 million from the operations of this segment, comparing to a profit of about HK\$1,845.9 million for last year.

## **Major Development Projects**

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

### *Anshan Coastal Xintiandi Project*

The project is located in Qianshan Road, Gaoxin District, Anshan which is to be developed into a commercial development. The total site area and total GFA of the project are about 19,285 sq.m. and 28,943 sq.m. respectively. The Group owns 100% of the project. The construction has been commenced in the second quarter of 2017 and is expected to be completed in the forth quarter of 2018.



### *Anshan Wisdom New City*

Anshan Wisdom New City with a total GFA of about 215,900 sq.m. is located at North Shengli Road, Lishan District, Anshan and had been developed into a residential estate by three phases. The Group owns 100% of the project. The construction of the project was completed in December 2012. As of 31 March 2018, a remaining GFA of 5,019 sq.m. is held for sale.

### *Beijing Bay Project*

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



# MANAGEMENT DISCUSSION AND ANALYSIS

Phase III has a total GFA of about 266,934 sq.m. and the construction has been commenced in September 2016. The construction is expected to be completed in the third quarter of 2019. Pre-sale has been commenced in December 2016. As of 31 March 2018, about 93% of the GFA was pre-sold.

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

## *Beijing Jian Guo Men Wai Project*

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

In January 2018, the Group entered into a sale and purchase agreement with an independent third party in respect of the disposal of the Group's entire usage rights in the project.

## *Beijing Silo City*

Beijing Silo City is a large-scale, high quality residential and commercial development located in Chaoyang District, close to the central business district of Beijing. The development is a residential/commercial/leisure complex with a total GFA of about 862,700 sq.m. which had been developed by the Group in phases. The Group owns 100% of the project. The construction of the whole project was completed in December 2013 and was substantially sold. As of 31 March 2018, remaining retail shops with a total GFA of 3,252 sq.m. is held for sale.

## *Chongqing Silo City*

Chongqing Silo City is located in Beibei Town, Chongqing. The Group owns 35% equity interests in the development which has been developed into residential properties with a total GFA of 266,149 sq.m.. The construction of the project was completed and delivered in the forth quarter of 2016. As of 31 March 2018, a remaining GFA of 52,745 sq.m. is held for sale. The Group was appointed as the project manager of this project for the provision of project management services.



# MANAGEMENT DISCUSSION AND ANALYSIS

## *Dalian Coastal International Centre*

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

The construction of Phase I was completed and delivered in the first quarter of 2012. As of 31 March 2018, a remaining GFA of 9,415 sq.m. is held for sale.

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



## *Dalian Jianzhu Project*



The project is located in Ganjingzi District, Dalian which had been developed into a residential development with a total GFA of about 168,900 sq.m.. The Group owns 100% interests in the development. The project was completed and delivered in October 2013 and March 2014, receptivity. As of 31 March 2018, a remaining GFA of 7,480 sq.m. is held for sale.

## *Foshan Coastal Garden*

Foshan Coastal Garden is located in Chancheng District, Foshan City with a total GFA of about 179,100 sq.m.. Subsequent to 31 March 2018, the Group completed the acquisition of an additional 80% equity interests of the project. Taking into account the existing 20% equity interests held, the Group has a total of 100% equity interests in the project as at the date of this annual report. The project is a residential development. The construction was completed in the fourth quarter of 2014. As of 31 March 2018, a remaining GFA of 13,465 sq.m. is held for sale.

In January 2018, the Group entered into a sale and purchase agreement with an independent third party in respect of the disposal of the Group's equity interests in certain development projects, including the entire equity interests in Foshan Coastal Garden.



# MANAGEMENT DISCUSSION AND ANALYSIS

## *Jixi Silo City*

Jixi Silo City is located in Jiguan District, Jixi which is to be developed into a residential development by phases. The total site area and the total GFA of the project are about 215,611 sq.m. and 679,489 sq.m. respectively. The Group owns 85% of the project.

The construction of Phase I with a total GFA of about 176,960 sq.m. has been commenced in 2014 and is expected to be completed in the forth quarter of 2019. The development plan for the remaining phases will be fixed as the development goes forward.

## *Shanghai Shui Du South Crest*

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



Phase I and Phase II with a total GFA of about 189,300 sq.m. were completed and delivered by September 2015 and December 2015, respectively. As of 31 March 2018, a remaining GFA of 11,565 sq.m. is held for sale. Phase III has a total GFA of about 133,060 sq.m.. The development plan for Phase III will be fixed as the development goes forward.

## *Shenyang Silo City and Coastal International Centre*

The project is a mixed use development located in Hunnan New District, Shenyang with a total GFA of about 223,400 sq.m.. Among which, GFA of about 363,300 sq.m. is for residential development which is named as Shenyang Silo City and GFA of about 186,523 sq.m. is for commercial development which is named as Shenyang Coastal International Centre. The Group owns 100% of the development.



# MANAGEMENT DISCUSSION AND ANALYSIS

The residential project was completed and delivered in June 2015. As of 31 March 2018, all units in the residential project were sold.

The construction of the commercial development, Shenyang Coastal International Centre, is being carried out in phases. Section A1 & A4 with a total GFA of about 39,044 sq.m. were completed and delivered in December 2016. As of 31 March 2018, a remaining GFA of 4,723 sq.m. is held for sale. Section A2 and A5 with a total GFA of 87,000 sq.m. were completed and delivered in December 2017. As of 31 March 2018, a remaining GFA of 36,467 is held for sale. The construction of Section A3 with a total GFA of 60,479 is expected to be completed in September 2018.

In January 2018, the Group entered into a sale and purchase agreement with an independent third party in respect of the disposal of the Group's equity interests in certain development projects, including the entire equity interests in this project.

## *Shenyang Sujiatun Project*

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

In January 2018, the Group entered into a sale and purchase agreement with an independent third party in respect of the disposal of the Group's equity interests in certain development projects, including the entire equity interests in this project.

## *Tianjin Project*

Tianjin Project is a primary land development project cooperatively executed by a project company ("Tianjin Harmonious Realty") in which the Group has 30% equity interests and the Beichen District Government. The project is located in Beicang Town, Beichen District, Tianjin. The project comprises various parcels of land with a total site area of approximately 2.9 million sq.m., upon which a total GFA of approximately 4.3 million sq.m. would be developed. The resettlement construction area, the saleable construction area and the non-saleable ancillary facilities area comprise approximately 1.1 million sq.m., 3.1 million sq.m. and 0.1 million sq.m., respectively. Upon completion of the resettlement construction, the Beichen District Government will sell the land through open tendering. As of 31 March 2018, 276,395 sq.m. of saleable construction area was sold through open tendering.

During the year ended 31 March 2017, the Group has completed the disposal of its 70% equity interests in Tianjin Harmonious Realty to an independent third party. In January 2018, the Group entered into a sale and purchase agreement with an independent third party in respect of the disposal of the Group's equity interests in certain development projects, including the Group's remaining 30% equity interests in Tianjin Harmonious Realty.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Wuhan Silo City*

Wuhan Silo City is an upscale residential development conveniently located at north of Jinshan Avenue in Dongxihu District of Wuhan. The Group owns 100% of the development. This large-scale development has a total GFA of about 1,579,811 sq.m.. The development is being carried out in phases.

Phase I to Phase VII (except section CD of Phase V) have a total GFA of about 1,447,680 sq.m.. These phases were completed and delivered in or before December 2017. As of 31 March 2018, a remaining GFA of 282,720 sq.m. is held for sale.



In September 2016, the Group entered into a sale and purchase agreement with an independent third party in respect of the disposal of Section CD of Phase V with a GFA of 132,131 sq.m.. In January 2018, the Group entered into a sale and purchase agreement with an independent third party in respect of the disposal of the Group's equity interests in certain development projects, including the entire equity interests in this project.



## *Wuhan Lingjiao Hu Project*

Wuhan Lingjiao Hu Project is located in the downtown area of Wuhan and is a commercial development comprising offices and serviced apartments with a total GFA of about 172,300 sq.m.. Subsequent to 31 March 2018, the Group completed the acquisition of an additional 60% equity interests of the project. Taking into account the existing 30% equity interests held, the Group has a total of 90% equity interests in the project as at the date of this annual report. Completion and delivery had taken place in February 2017. As of 31 March

2018, a remaining GFA of 55,219 sq.m. in this project is held for sale. The Group was appointed as the project manager of this project for provision of project management services.

In January 2018, the Group entered into a sale and purchase agreement with an independent third party in respect of the disposal of the Group's equity interests in certain development projects, including the entire equity interests in this project.

## *Schedule of Major Properties*

Please refer to the Schedule of Major Properties on pages 180 to 184 of this annual report for further information about the properties and development projects of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

### *Overall Performance*

For the financial year ended 31 March 2018, the Group generated revenue of HK\$1,791.4 million, representing an increase of about 58% as compared to the HK\$1,131.3 million for last year. During the year, the Group realised a profit before taxation of HK\$364.8 million, compared to a profit of HK\$900.6 million for last year. Profit for the year attributable to owners of the Company was HK\$231.1 million, compared to a profit of HK\$707.5 million for last year. The decrease in the profit for the year was mainly attributable to lesser profit for the year of HK\$661.6 million was generated from disposal of subsidiaries as compared to the HK\$1,845.9 million for last year.

### *Revenue*

The revenue of the Group was primarily derived from sales of properties, property rental income and project management service income. During the year, revenue increased by about 58% to about HK\$1,791.4 million from about HK\$1,131.3 million in last year. About 98% (2017: 94%) of the Group's revenue was generated from the sales of properties and about 2% (2017: 6%) from property rental income and project management service income.

### *Sales of Properties*

During the year under review, the recognised sales revenue from sales of properties was HK\$1,748.7 million, representing an increase of about 64% from last year's HK\$1,063.8 million, which corresponds to an increase by 48% in the total GFA delivered by the Group of 196,000 sq.m. (2017: 132,000 sq.m.). The property sales revenue for the year mainly came from the sale of Phase VI section B of Wuhan Silo City, Shenyang Coastal International Centre, Phase V section B of Dongguan Riviera Villa and Phase VII of Wuhan Silo City, which respectively accounted for about 44%, 19%, 15% and 11% of the total property sales revenue. The balance of 11% was derived from sale of the remaining inventory in the prior phases of the Group's completed development projects.

### *Rental Income*

Revenue from property rental decreased to HK\$0.9 million from last year's HK\$3.0 million. The decrease was mainly due to the disposal of certain commercial properties and carparks in Wuhan Silo City during the year. The property investment segment for the year recorded a profit of HK\$0.7 million comparing to HK\$1.8 million for last year.

### *Project Management Service Income*

Revenue from project management service decreased to HK\$41.8 million from last year's HK\$64.6 million. The decrease was due to less project management service income in respect of which the value of contract work completed has been confirmed and recognised during the year. The project management segment for the year recorded a profit of HK\$23.1 million comparing to HK\$47.6 million for last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Gross Profit Margin*

The gross profit margin for the year was about 24%, an increase of 11% from last year's 13%. The increase was mainly due to a lower average construction cost level and a relatively higher average selling price level attained for the Group's sale for the year as compared to last year.

## *Other Income and Gains*

Other income and gains for the year was HK\$98.7 million as compared to HK\$47.3 million for last year. Other income for the year mainly represented the interest income from banks of HK\$20.0 million (2017: HK\$7.5 million); other interest income of HK\$53.8 million (2017: nil) and gain on disposal of associates of HK\$12.6 million (2017: nil). Included in last year's other income and gains were mainly profit distribution from an available-for-sale investment of HK\$21.0 million and reversal of impairment loss recognised on trade receivables of HK\$8.9 million.

## *Marketing, Selling and Administrative Expenses*

Marketing and selling costs decreased by about 33% to HK\$39.5 million from last year's HK\$58.7 million as a result of the decrease in the Group's selling activities during the year.

Administrative expenses for the year increased by about 26% to HK\$255.5 million from last year's HK\$202.9 million which was mainly due to more business development expenses incurred for the Group's development project acquisition and disposal activities during the year.

## *Other Expenses*

Other expenses for the year was HK\$453.5 million as compared to last year's HK\$653.1 million. Other expenses mainly comprised of impairment losses in respect of goodwill of HK\$190.1 million (2017: nil), impairment loss recognised on amounts due from associates of HK\$176.0 million (2017: HK\$253.1 million), impairment loss recognised on prepayments, deposits and other receivables of HK\$47.9 million (2017: HK\$357.9 million) in relation to property development project disposal/acquisition; re-measurement loss on fair value of an interest in a joint venture of HK\$17.5 million (2017: nil) and compensation cost for delay in the handover of certain completed properties to the purchasers of HK\$7.9 million (2017: HK\$8.2 million).

## *Finance Costs*

During the year, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings) of HK\$253.3 million, representing a decrease of about 44% as compared to the HK\$453.3 million incurred for last year. Interest expenses charged to profit or loss for the year was HK\$179.7 million as compared to last year's HK\$218.3 million. The decrease was mainly attributable to a decrease in the average outstanding balance of bank and other borrowings as compared to last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *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.

As at 31 March 2018, the Group's cash and bank balances amounted to approximately HK\$1,604 million (2017: HK\$1,355 million). An analysis by currency denomination of the cash and bank balances is as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
RMB	<b>1,466,966</b>	1,342,864
HK\$	<b>96,345</b>	5,398
US\$	<b>40,325</b>	6,730
	<b>1,603,636</b>	1,354,992

As at 31 March 2018, the net borrowings of the Group, being interest-bearing bank and other borrowings, including the other borrowings of HK\$1,998 million of the disposal group which shall be assigned to the Group upon completion of the disposal, less cash and bank balances and pledged bank deposits, amounted to about HK\$761 million (2017: HK\$3,452 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 60% to 14% from last year's 74% which is mainly resulting from the diminution of interest-bearing bank and other borrowings in the amount of HK\$1,373 million, exclusive of the HK\$1,998 million other borrowings that will be assigned to the Group upon completion of the disposal, carried by the disposal group which was transferred to held for sale during the year.

Profit before interest, taxation, depreciation and amortisation was about HK\$700.6 million comparing to last year's HK\$1,222.5 million on the same basis. Profit before interest, taxation, depreciation and amortisation had a coverage of 2.8 times (2017: 2.7 times) over the interest costs for the financial year of HK\$253.3 million (2017: HK\$453.3 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Borrowings and Charges*

As at 31 March 2018, the Group's total bank and other borrowings amounted to HK\$366.7 million (2017: HK\$4,806.6 million), all of which were variable-rate borrowings (2017: variable-rate borrowings of HK\$266.0 million; fixed-rate borrowings of HK\$4,540.6 million). Long-term borrowings amounted to HK\$56.2 million (2017: HK\$2,389.1 million), representing approximately 15% (2017: 50%) of the total borrowings, and short-term borrowings were HK\$310.6 million (2017: HK\$2,417.5 million) representing approximately 85% of the total borrowings. During the year, the ranges of effective interest rates per annum of the Group in respect of its variable-rate borrowings were 2.62% to 6.18% (2017: 2.55% to 7.2%) and fixed-rate borrowings were 2.47% to 19% in 2017.

As at 31 March 2018, the Group's land and buildings, bank deposits, properties under development and completed properties for sale totalling HK\$623.7 million (2017: HK\$4,163 million) and corporate guarantee given by a subsidiary were pledged to secure bank and other borrowings.

## *Material Acquisitions and Disposals*

- (a) On 22 June 2017, the Group entered into a disposal agreement with an independent third party for the disposal of 80% equity interests in Guangzhou Haicong Real Estate Company Limited ("Guangzhou Haicong") at a total consideration of RMB80 million. Guangzhou Haicong is a wholly-owned subsidiary of the Group which has agreed to obtain certain development rights (details of which are yet to be finalised and approved by the interested parties and relevant government authorities) of a property redevelopment project in Guangzhou under a framework agreement. The transaction was completed on 25 September 2017.
- (b) On 14 December 2017, the Group entered into a disposal agreement with Shenzhen Investment Limited, a substantial Shareholder of the Company, for the disposal of 30% equity interests in Huizhou Shum Yip Southern Land Company Limited ("Huizhou Shum Yip") at a total consideration of RMB15 million. Huizhou Shum Yip is a 30%-owned associate of the Group and is currently undertaking a residential property project in Huizhou. The transaction was completed on 27 December 2017.
- (c) On 10 January 2018, a project partner of the Group exercised a put option whereby the Group is required to acquire the 80% equity interests in Foshan Harmonious Realty Development Co., Ltd, ("Foshan Harmonious") at a buy-out-price of RMB272 million. As at 31 March 2018, Foshan Harmonious is a 20%-owned associate of the Group and is currently undertaking a residential property project in Foshan. The transaction has been completed on 2 May 2018 subsequent to 31 March 2018.
- (d) On 13 January 2018, the Group entered into a disposal agreement with an independent third party for the disposal of the entire equity interests in Century East Group Limited ("Century East Group") at a total consideration of RMB3,800 million. Following the completion of an reorganisation for the purpose of the transaction, the Century East Group shall include certain investment holding companies and seven project companies undertaking property development projects in Beijing, Wuhan, Foshan, Shenyang and Tianjin. The transaction has not been completed as at the date of this annual report.
- (e) On 18 April 2018 a project partner of the Group exercised a put option whereby the Group is required to acquire the 60% equity interests in Wuhan Zhisheng Group Co., Ltd ("Wuhan Zhisheng") at a buy-out-price of RMB366 million. As at 31 March 2018, Wuhan Zhisheng is a 30%-owned joint venture of the Group and is currently undertaking a commercial and residential property project in Wuhan. The transaction has been completed on 24 May 2018 subsequent to 31 March 2018.

Save for the aforementioned, there was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this annual report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Exposure to Fluctuations in Exchange Rates*

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

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.

## *Contingent Liabilities*

At 31 March 2018, the Group had given guarantees to the extent of approximately HK\$3,892 million (2017: HK\$2,828 million) to banks in respect of mortgage loan facilities granted to the property purchasers. The Group had also given guarantees amounting to approximately HK\$420 million (2017: nil) and HK\$1,145 million (2017: nil) to certain PRC banks and a PRC trust company respectively in connection with loan facilities granted to an associate.

## *Capital Commitment*

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

## **Employees and Remuneration Policy**

As at 31 March 2018, the Group had about 250 employees (2017: about 210 employees) in the PRC and Hong Kong. The related employees' cost (including the Directors' remuneration) for the year ended 31 March 2018 amounted to approximately HK\$86 million (2017: HK\$76 million). Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage, housing allowances and share options.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

This Environmental, Social and Governance (“ESG”) report (the “ESG Report”) was prepared in accordance with the requirements of Appendix 27 “Environmental, Social and Governance Reporting Guide” to the Listing Rules, presenting the practices and performances of the Group in social and environmental policies during the period from 1 April 2017 to 31 March 2018.

The Board is responsible for overseeing and reporting of its ESG policy while the management of the Group is responsible for the implementation of related policies and measures, to ensure the efficacy of risk management and corresponding internal control mechanisms in place in respect of ESG, with an aim to promoting the sustainable development of the Group.

In order to meet the expectations of all stakeholders, including the context and the information of the ESG Report, the Group encourages its management members and the employees of various departments to participate in the preparation of the ESG Report. Through the review of the Group’s operations, with respect to ESG and analysing the importance of such operations to the stakeholders, the ESG Report elaborates various aspects of the Group’s philosophy and corporate behaviour regarding ESG development and achievements over the past fiscal year.

## A. Environmental

### A1 Emissions

The Group has proactively enhanced its establishment of environmental protection and organised all of its employees to learn the laws and regulations regarding environmental protection, with an aim to promoting employees’ awareness of environment protection and emission reduction issues. To set up a harmonious and healthy working environment and protect the health of its employees, smoking is prohibited in all office area of the Group.

All of the Group’s real estate development projects are outsourced to third-party contractors. Therefore, the Group did not directly produce air, water and construction waste caused by construction projects. However, the Group has actively responded to the global development of a low-carbon economy and fulfilled its corporate social responsibilities that it has formulated the “Environmental Management Work Plan”. While improving operational efficiency, the Group also strives to reduce the impact of its business operations on the environment and actively promotes the sustainable development.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group adopts the principles of “Prevention First and Combination of Prevention and Control” and “Enhancement in Process Control” throughout its environmental protection practices. To strengthen the awareness of environmental protection among all employees, the Group also promptly organised relevant learning and training sessions regarding the laws and regulations of the “Environment Protection Law”, “Water Pollution Prevention and Control Law”, “Air Pollution Prevention and Control Law” and “Solid Waste Pollution Prevention and Control Law”, thereby further increasing all employees’ awareness on issues concerning environmental protection and carbon reduction.

## *Greenhouse gases emission*

The greenhouse gases emission of the Group during the year is summarised as follows:

The Group advocated energy saving and energy consumption reduction. The Group reduced the use of air-conditioners as far as possible, by monitoring and maintaining the indoor temperature at 26°C or above. Also, as much as possible energy-saving light bulbs have been adopted and the making use of natural lighting has been optimised in the office area.

### **Greenhouse gas (GHG) emissions**

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Direct GHG emissions (Scope 1)	252.14	tCO <sub>2</sub> equivalent
Indirect GHG emissions (Scope 2)	4,773.15	tCO <sub>2</sub> equivalent
Total GHG emissions	5,025.29	tCO <sub>2</sub> equivalent

### **Other air pollutants emissions**

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Diesel sulfur oxidation emissions	0.01	ton
Gasoline sulfur oxidation emissions	0.01	ton
Sulfur oxidation emissions	0.02	ton

## *Wastes*

Regarding the management of the disposals of consumables and used papers, the Group has promoted a centralised management of recycle and reuse of used papers, and the separation the disposal of office waste and rubbish.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Disposal of hazardous waste

Fluorescent light tube	2,795	units
Waste battery	495	kg
Ink cartridge	942	units
Waste liquid after facilities maintenance	86	litres

## Non-hazardous waste produced

Waste paper	79.325	kg
Waste paper production intensity	0.85	kg/sq.m. GFA
Recycling of paper	38.025	kg
Waste metal	328	kg
Waste metal production Intensity	0.04	kg/sq.m. GFA
Recycling of metal	200.07	kg
Waste plastic	342	kg
Waste plastic production intensity	0.003	kg/sq.m. GFA
Recycling of plastic	392	kg
Waste glass	197	kg
Waste glass production Intensity	0.001	kg/sq.m. GFA
Recycling of glass	41.08	kg

## A2 Use of resources

The Group has formulated an array of relevant systems regarding optimisation of resources allocation and sustainable development strategies. Adhering to the principles of “Prevention First and Combination of Prevention and Control” and “Enhancement in Process Control” throughout its environmental protection practices, the Group thoroughly implemented Environmental Protection Law of the PRC. To strengthen the awareness of environmental protection among all employees, the Group also promptly organised relevant learning and training sessions regarding the laws and regulations of the “Environment Protection Law”, “Water Pollution Prevention and Control Law”, “Air Pollution Prevention and Control Law” and “Solid Waste Pollution Prevention and Control Law”, thereby further increasing all employees’ awareness on issues concerning environmental protection and carbon reduction.

The Group has committed to promoting the reduction mechanism of water and electricity consumption and has advocated the use of public transport and subway and adopted a strict policy of car use that private car would under normal circumstances only be arranged for the directors and senior officers of the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Resources consumption

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Diesel consumption	667.13	ton
Gasoline consumption	2,376.26	ton
Electricity consumption	11,591.17	MWh

## Use of water resources

The Group advocated economic use of water and has taken water saving measures by conducting systematic spot checks of use of water on a daily basis.

## Water resources

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Total consumption	53,681.27	ton
Water consumption intensity	517.94	ton/sq.m.

## A3 Environment and natural resources

Office supplies and equipment have been preferably restricted to purchasing from suppliers complying with environmental policy. The Group has adopted the policy of procuring requisite products made of natural resources as far as possible. The Group has assigned dedicated personnel to carry out regular checks on total energy consumption and conducted assessment of the consumption efficiency on an irregular basis with a view to improving energy consumption efficiency.

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

Structure of Coastal Healthy Residence Technology Systems				
Four core systems	Healthy Community Products System	Healthy Community Activities System	Healthy Living Technologies System	Exquisite Amenities Application System
20 sub-systems and 10 core technologies	<ol style="list-style-type: none"> <li>Basement lighting control and intelligent management</li> <li>Sewage treatment and water reuse technology</li> <li>Environmental pollution prevention, control and warning technology, etc.</li> </ol>	<ol style="list-style-type: none"> <li>Community healthcare service</li> <li>Fitness environment control, etc.</li> </ol>	<ol style="list-style-type: none"> <li>Fresh air system</li> <li>Water supply technology</li> <li>Floor and wall acoustic technology, etc.</li> </ol>	<ol style="list-style-type: none"> <li>Non-return valve</li> <li>Intelligent home, etc.</li> </ol>
60 application technologies	Technology for the prevention and treatment of rats, bedbugs, flies and mosquitoes; three dimensional wall and roof greening, ecological water treatment, plant air purification technology, etc.	Residential health insurance, environmental health control, nurture environment building, community environmental art, communication space and community cultural activities, etc.	Solar hot water, same-floor drainage, external shading, household centralised air-conditioning (constant temperature, humidity and oxygen), etc.	Environmental friendly construction materials, centralised dust absorption, water conservation instruments, indoor pest prevention and treatment, air quality monitoring, energy efficient lighting, overall kitchen, overall bathroom, etc.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

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

## B. Social

### B1 *Employment and labor practices*

The Group built its solid human resources base with an effective talent building management system comprising comprehensive human resources policies, covering employment, promotion, skills and knowledge development, remuneration, leaves, equal opportunities and welfare of employees, which balance the needs of the dynamic development between the Group and the employees. Our employees are encouraged to incorporate their individual personal goals into the Company’s long term development. The management will review and revise such policy and system regularly to keep abreast of the market situation.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Recruitment and departure*

The Group seeks to employ and develop high-calibre talents, and has established a team of elite and talent reserve preparing for the corporate development. According to the overall requirements of the Group's "Talent Development Mechanism", the Group will select and employ outstanding graduates from domestic and overseas colleges to form project management teams to carry out the business operations. As at 31 March 2018, the Group has employed 250 staff for its operations, deploying them at various operating locations of the Group including Beijing, Dalian, Anshan, Chongqing, Shanghai, Dongguan, Shenzhen, Zhuhai and Hong Kong, etc. The age range of the staff varies from 18 to 60, with a male to female ratio of 133 to 117.

The Group upholds the principle of equality and dedication and fully understands the needs of the employees and supports their career development. The Group will look after the benefits of the employees such as proper transfer of personnel files and social insurance accounts for employees who terminated their labour contract on voluntary basis. The Group will employ good measures to comply with legal procedures such as dismissal and termination of labour contracts for employees who failed to fulfill obligation of their labour contracts or have not passed the assessment for renewal of their employment upon the expiry of their labour contracts.

## *Performance appraisal*

The Group has developed a comprehensive performance assessment mechanism, whereby annual plans and goals for staff's annual performance assessments are set, which provide guidance to each of its operation bodies in



*Outstanding Employees Award Ceremony*

organising its work details and basis for its performance assessment. Such assessment mechanism will identify the under performance of the organisation and the staff whereby remedial actions can be taken as appropriate in due course. On the other hand, the performance assessment mechanism has played an important role in identifying well-performed organisation and talents, which form a basis for implementing motivating and reward measures. As such, the Group has further strengthened its talent assessment mechanism. Through various tools such as "Core Quality and Ability Model", "Position Characteristics and Quality Model", the Group has a comprehensive mechanism for examining and selecting its staff to fit into different positions and levels, creating and forming an equal and fair competition environment.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Attendance and leaves*

The Group has established “Ordinary Management System for Staff” according to the related laws and regulations of the state. Permanent staff of the Group are entitled to paid holidays such as statutory holidays, annual leave, marital leave and maternity leave, family planning leave, breastfeeding leave and bereavement leave, etc.



*Sports and team buildings activities*

## *Other benefits*

By complying with the legal requirements and general welfare systems of different cities, the Group has made contributions to basic social welfare insurances such as basic endowment, basic medical, unemployment, work injury, childbirth and others, housing fund and other benefits, with an aim to improving the endowment and medical insurance for its staff.

Health and other benefits offered to employees as incentives include traffic accident insurance, annual medical check-ups, meal allowances, holiday benefits and long service payments. The Group has been accoladed with the “China’s Best Employer 2007-08”(2007-2008年最佳雇主) award as a recognition in this respect.

The Group values and cares for its staff. Through providing various recreational activities such as organising irregular leisure tours and birthday parties for the staff, offering sports equipment and facilities (e.g. treadmill, cycle machines, etc.), and organising leisure classes including badminton, fitness, swimming, Thai boxing, etc., the Group has taken steps to take good care of the mental and physical health of the staff, enhance the loyalty and sense of faithfulness, and foster the sense of belonging and team spirit of the staff.

## *Equal opportunities*

The Group has offered fair and reasonable job opportunities and strictly complied with the relevant legal procedures. With the principles of equality, openness and fairness, the Group has based on the calibre of the candidates and the requirements of the positions, disregarding the conditions of race, social status, nationality, religion, physical disabilities, sexual orientation, membership of labour unions and relationship with government departments, when making decisions of labour issues such as employment, remuneration, training opportunities, promotion, demotion or retirement. No discrimination is allowed in our daily operation.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To maintain amicable working relationship and to ensure that efficient and effective resolutions being applied to employee related issues that may arise, the Group has developed and adopted a set of “Employee Relations Management Measures”(員工關係管理辦法) which provides an effective two-way communication guidelines between the management and the staff, and lays out clear procedures for handling staff grievances. In addition, a special mailbox has been set up for employees to express their opinions or concerns about the Group’s operations directly to the management, with issues covering immediate reports, complaints, reasonable advices etc., as a part of bridging the communication between the staff and the management.

## **B2 Health and Safety**

### ***Occupational health and safety***

The Group attaches great importance to the health and safety of its employees. It strictly manages the occupational health of its employees in accordance with the Labour Law of the PRC, the Regulation on Work Injury Insurance and other national laws and regulations. The Group provides comprehensive protection plans for its employees, including free annual medical examinations and accidental injury insurance. It also offers reasonable attendance and leave measures to its employees, so as to ensure that employees could focus on health rehabilitation.

In order to reduce occupational hazard, prevent occupational diseases and protect the health and relevant rights and interests of employees, the Group strictly abides by the Law of Occupational Disease Prevention and Treatment of the PRC (中華人民共和國職業病防治法), and provides its employees with a working environment and condition that meets the requirements of occupational health. The principle of safety first and people-oriented has been rooted in the entire operation and management activities of the Group’s entire business in line with the strict requirements of the “Safety Culture Management Practice Guidelines”(安全文明管理作業指引). Safety education training policies and operation manual were established to clearly define the posts, staff and content in respect of safety education. Staff engaged in special operations are required to operate according to the standard operating procedures, to wear and use safety protective equipment correctly and carry out maintenance and pre-job checks on work tools and equipment.

## **B3 Development and Training**

### ***Employee development and training***

As the Group attaches great importance to talents, it integrates the concept of employee cultivation into talent development, which offers training opportunities to employees, actively creates favorable circumstance for the growth and development of employees, and thus liberalises talents’ potential to an optimal extent. The Group implements the “Training Management System of Coastal Group”(沿海集團培訓管理制度) continuously aiming to strengthening the development for all its employees on an ongoing basis. Each business unit regularly conducts training activities according to a pre-scheduled training program and the human resources department will do the assessment based on the training activities conducted such as frequency of the training classes scheduled, training attendances, results of tests and employee training duration etc.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Three special training schemes run annually for different levels of management staff. The Golden Eagle Scheme (金鷹計劃系列培訓) delivers a series of training sessions for all senior management personnel, focusing on strategy, marketing and operations management to improve organisational efficiency, and leadership enhancement skills. The Group's Mighty Eagle Scheme (雄鷹計劃系列培訓) offers a series of training sessions for all middle-level management personnel, for enhancing their integrated management skills. The Young Eagle Scheme (雛鷹計劃系列培訓) is structured to train budding middle managers, school recruits and other junior-level personnel through training programs focusing on occupational thinking, upgrading of professional skills, and strengthening of corporate culture. Meanwhile, the Group implements an internal lecturer system that encourages employees to reinforce their knowledges and skills through giving lectures and sharing of technical skills and experience at internal organised seminars.



Opening of the Golden Eagle Scheme Programme in 2017

## **B4 Labour Standards**

### ***Avoid child Labour and forced Labour***

All employment of the Group abides by the national laws and regulations related to employment and labour, such as the Labour Law of the PRC and the Labour Contract Law of the PRC. The Group has also formulated the internal regulations and relevant implementation rules of the "Employee Change Management System". During the recruiting process, the Group shall avoid child and forced labour, safeguard the legitimate rights of employees, and ensure that the recruitment process to be fair, just, and open. At the same time, all job applicants are required to submit their credentials, like academic qualifications, professional skill certificates, references and identity card for verification and record purpose during recruitment. During the year, the Group was not aware of any child labour employment, forced labour or other occurrences violating human rights of employees.

## **B5 Supply Chain Management**

### ***Management of environmental and social risks in the supply chain***

In order to ensure the group companies' operation of construction projects and services are carried out in an environmental friendly manner, other than the above environmental protection measures, the Group also formulates policies to encourage outsourced supplier to promote fulfilment of environmental responsibility in construction and services. When formulating policies in relation to outsourced supplier selection, the Group adopts an evaluation mechanism which takes into account social responsibilities and their contribution in environmental protection in addition to common commercial factors such as product and service quality. As such, the Group has established the "Measures for Management of Suppliers and Procurement of Coastal Group" (沿海集團供應商與採購管理制度) and a strict management process on bidding evaluation process of outsourced supplier. Before selecting suppliers, the Group will conduct

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on-site inspections on suppliers and make a detailed assessment of the performance regarding their raw material inspection, three wastes treatment and quality control mechanism on the Form of Supplier Appraisal Report (供應商考察報告), the rating scale of which includes A, B, C, D and Blacklist. Pursuant to which, suppliers being rated as Blacklist will be eliminated and suppliers being rated as Class D will be suspended and undergo a reassessment after one year. At present, all of the Group's outsourcing contractors under project construction and services are managed in the above manner.

Besides, after the construction materials are delivered to the project site by suppliers, the Group will check the specifications of the materials, verify the relevant licenses and certificates according to the Guidance on Operation of Project Site Materials Inspection of Coastal Group (沿海集團材料設備驗收管理作業指引) to ensure that the material compositions meet the quality and environmental protection standards. The Group conducts review and assessment on suppliers semi-annually such that any suppliers who fail to meet environmental and safety standards, such as excessive emission of formaldehyde, suppliers who for several times do not pass the quality control assessments as well as suppliers who causes significant quality issues in the Group's projects will get their cooperation with the Group terminated.

## **B6 Product Liability**

### ***Products and quality services***

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

During the reporting period, the Group has not found any incompliance of laws and regulations relating to products and services.

## **B7 Anti-corruption**

### ***Anti-corruption and anti-money laundering***

The Group unswervingly complies with the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and other national regulations in relation to anti-corruption and anti-money laundering, and formulates a series of management policies, such as the Disciplinary Management System of the Coastal Group (沿海集團紀律管理制度) and the "Punishment Rules for Typical Acts of Omission of Leaders of the Coastal Group" (沿海集團"領導不作為"典型行為處罰條例), with an aim to prohibiting soliciting or accepting inappropriate commercial

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

interests, improper use and appropriation of corporate properties as well as disregard of conflict of interests. The Group also opened public email for the purpose of reporting such potential violations. All employees of the Group's headquarters and subordinate companies shall comply with the conflict of interest handling principles formulated by the management and report to the company and solve potential conflict of interests in the process of work. On the other hand, the Group advocates the maintenance and compliance of business ethics and regularly carries out training and communication in order to promote the awareness of staff at all levels on anti-corruption and money laundering. It also welcomes all sectors of the community to report any irregularities.

During the reporting period, the Group was not aware of any material non-compliance with laws and regulations in relation to anti-corruption and anti-money-laundering.

## **B8** *Community Investment*

One of the Group's core initiatives is to create a harmonious, sustainable and healthy community. Therefore, the primary focus of the Group is on the health and welfare of the local communities. The Group believes that a healthy and supportive local community is of vital importance for maintaining a stable and prosperous society.

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

The Group responds positively to the national strategy on addressing the housing needs of low-income group and contributes to the development of harmonious society. Over the past years, the Group has participated in the establishment of local housing security system during the development of its projects in cities such as Beijing and Anshan. For example, in order to resolve the housing problems faced by the families in Haidian District, Beijing, the Group undertook the construction of Beijing Bay Project, a commodity housing project with price preset ceiling which is located in Changping District, Beijing. The Group has proactively respond to the government's call for protecting livelihoods and supported the government in shared housing, offering assistance to the public with rigid demand in housing.



*Beijing Bay Project - a local housing security system development project*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

The Group has built-in social responsibility into the core value of its operations since its inception. Over the past 27 years, the Group has contributed funds to many social welfare programmes, and donated tens of million dollars to charity organisations. Furthermore, the Group has made significant donations and sponsorships to different bodies and programme organisers such as the China Youth Development Foundation (中國青少年發展基金), Beijing's Peace and Development Foundation (北京和平發展基金), the teachers' training programme of the Coastal Mental Health Seed Fund for Schools in Western China (沿海西部學校心理種子基金), the "Tsinghua University Scholarship" (清華大學勵學金) project, and the "Water Cellar for Mothers" (母親水窖) project of China Women's Development Foundation (中國婦女發展基金). Further information about these donations and sponsorships are set out in the following paragraph:

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

# BIOGRAPHY OF DIRECTORS

## Executive Directors

**Mr. Jiang Ming**, aged 60, is one of the founders of the Group. He has been an executive Director, Vice Chairman and Managing Director of the Company since its inception in 1997. On 31 December 2012, he was re-designated from the Vice Chairman to Chairman of the Company. He is also the chairman of the Nomination Committee, a member of the Remuneration Committee and an authorised representative of the Company. Mr. Jiang holds a Master's degree in Business Administration from the National University of Singapore. He has over thirty-four years' experience in investment and corporate management. He is primarily responsible for corporate direction, development of the Group's business, strategy planning and the overall management of the Group. He is also a vice-chairman of the Fujian Province Foreign Enterprises Association and an honorary professor at the Wuhan University. Prior to the establishment of the Group, he was a general manager of a joint venture enterprise in the PRC for over 7 years.

**Mr. Tao Lin**, aged 60, has been an executive Director of the Company since its inception in 1997. He is also the chairman of the Investment Committee of the Board. Mr. Tao graduated from Beijing Communication Engineering College (北京信息工程學院) and also holds a Master's degree in Business Administration from the National University of Singapore. He has over thirty years' experience in investment and management. He is primarily responsible for investment planning and investment management of the Group. Mr. Tao was previously a director of Shanghai Fenghwa Group Co., Ltd. ("Shanghai Fenghwa"), a company listed on the Shanghai Stock Exchange and a former associate of the Group. Prior to joining the Group in 1991, Mr. Tao had served as an operation officer in a software development company in the PRC.

**Mr. Xia Xianglong**, aged 48, has been an executive Director of the Company since 1 June 2016. He is also a member of the Investment Committee of the Board and holds directorships in certain wholly-owned subsidiaries of the Company for the purpose of overseeing the management of such business. Mr. Xia graduated from Jiangxi University of Finance and Economics in 1991 and Zhongnan University of Economics and Law in 2011 with a Bachelor's degree in Economics and Master's degree in Business Administration respectively. He is also a member of the Chinese Institute of Certified Public Accountants in the PRC. Mr. Xia joined the Group in 2005 and acted as the financial controller of Shanghai Fenghwa and Coastal Realty Investment (China) Limited from 2005 to 2012 and the president of Shenzhen Coastal Asset Management Companies (Limited Partnership) since 2012. The aforementioned companies are either subsidiaries or associated companies of the Group. Prior to joining the Group, Mr. Xia had served in Kingdee Software (China) Co., Ltd. as a finance manager and then a general manager of the finance department of such group from 2000 to 2005.

## BIOGRAPHY OF DIRECTORS

**Dr. Li Ting**, aged 42, has been an executive Director of the Company since 20 March 2017. He is also a member of the Investment Committee of the Board and holds directorships in certain wholly-owned subsidiaries of the Company for the purpose of overseeing the management of such business. Dr. Li graduated from Xi'an Jiaotong University in 1997 with a Bachelor's degree in computer application and further obtained a Master's degree and a Doctorate degree in management science and engineering from Xi'an Jiaotong University in 2000 and 2005 respectively. He also obtained a Master's degree in business administration (EMBA) from China Europe International Business School in 2013. Dr. Li is primarily responsible for the Group's strategic planning, business management systems and innovative business development. Dr. Li joined the Group in 2005 and has since then served as the general manager of the strategic management department of Coastal Realty Investment (China) Limited from 2005 to 2011, the chairman of the southern China region of Coastal Realty Investment (China) Limited from 2012 to 2013 and the vice president and chief knowledge officer of the Company from 2012 to present. The aforementioned companies are subsidiaries of the Group.

### Non-Executive Directors

**Mr. Lu Jiqiang**, aged 47, has been a non-executive Director of the Company since 20 July 2012. Mr. Lu holds a Master's degree of Civil and Commercial Law from Law School of The Peking University. He has extensive experience in corporate operation management, law affairs, compliance and risk management control. He is currently the general manager of the board secretariat of Shum Yip Group Limited ("Shum Yip Group") and chief legal officer of the Shenzhen Investment Limited ("Shenzhen Investment") (0604.HK). He is also a PRC Lawyer and arbitrator of China International Economic and Trade Arbitration Commission (CIETAC), Shenzhen Court of International Arbitration, and Shanghai International Economic and Trade Arbitration Commission. Prior to this, he had served as a legal advisor and senior legal officer of the China Merchants Holdings (International) Company Limited and China Merchants Group respectively from 1996 to 2003, responsible for corporate governance, compliance, merger and acquisitions, and assets restructure matters.

**Mr. Zhu Guoqiang**, aged 44, has been a non-executive Director of the Company since 3 October 2017. Mr. Zhu holds a Master of Business Administration degree from the Hong Kong University of Science and Technology. He has extensive experience in corporate strategic management and capital operations and is familiar with the real estate market and property development process. He is currently the General Manager of Capital Market Department of Shenzhen Investment. Mr. Zhu joined Shenzhen Investment since 2004, and held positions as general manager of investment department and strategic management department. Prior to this, he worked in Shenzhen Construction Investment Holdings Ltd.

# BIOGRAPHY OF DIRECTORS

## Independent Non-Executive Directors

**Mr. Wong Kai Cheong**, aged 56, has been an independent non-executive Director of the Company since 6 September 2004. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Board. Mr. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England & Wales. He is currently practising as a Certified Public Accountant in Hong Kong.

**Mr. Yang Jiangan**, aged 52, has been an independent non-executive Director of the Company since 31 December 2012. He is also the chairman of the Remuneration Committee and a member of the Audit Committee of the Board. Mr. Yang graduated from Peking University with a Bachelor's degree in Law in 1987. He is currently the senior partner of AllBright Law Offices (Shenzhen). Prior to joining AllBright Law Offices (Shenzhen), Mr. Yang was a partner of Hills & Co. from 2004 to 2011. He had also practiced as a lawyer in the PRC with various law firms including Jiangxi Provincial Law Firm, Jiangxi Wenlan Law Firm and Guangdong Jindi Law Firm from 1987 to 2003.

**Mr. Huang Xihua**, aged 60, has been an independent non-executive Director of the Company since 1 June 2016. He is also the chairman of the Audit Committee and a member of the Nomination Committee of the Board. Mr. Huang graduated from Lanzhou Jiaotong University and Party School of the Central Committee of C.P.C. with a Bachelor's degree in Engineering and a Postgraduate's degree in Economics respectively. Mr. Huang is currently the chairman of Zuhui (Tianjin) Investment Ltd. Prior to joining Zuhui (Tianjin) Investment Ltd, Mr. Huang was an independent director of Bridge Trust Co. Ltd from 2007 to 2010. He had also served in China Railway No.5 Engineering (Group) Co., Ltd and had held the positions as the head, general manager and chairman from 1999 to 2002 and chairman of China Railway No. 2 Engineering Group Co., Ltd. (a company listed on the Shanghai Stock Exchange) from 2002 to 2007, a designated director of China Railway Group Limited in 2007, the executive president of Hainan Boao Investment Holding Ltd of CITIC Group Corporation in 2008. Mr. Huang is one of the first group of senior professional managers and senior engineers accredited in the PRC. He had been awarded with the honours of model labour and outstanding entrepreneur of Guizhou Province, outstanding entrepreneur of Sichuan Province and outstanding entrepreneur of the construction enterprises in the PRC.

# CORPORATE GOVERNANCE REPORT

This corporate governance report (the “CG Report”) presents the corporate governance matters of the Group during the period covering the financial year ended 31 March 2018 and up to the date of this annual report in which the CG Report is included (the “CG Period”).

## Corporate Governance Practices

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

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

Code provision A.6.7 of the CG Code stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings. Two independent non-executive Directors and two non-executive Directors were unable to attend the special general meeting and AGM of the Company held on 25 April 2017 and 15 September 2017 respectively due to other important engagements. Two non-executive Directors were unable to attend the special general meeting of the Company held on 17 May 2018 due to other important engagements.

## 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 year ended 31 March 2018. 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.

# CORPORATE GOVERNANCE REPORT

## Board of Directors

### *Board Composition*

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

### *Executive Directors*

Mr. Jiang Ming (*Chairman and Managing Director*)  
Dr. Li Ting  
Mr. Tao Lin  
Mr. Xia Xianglong

### *Non-executive Directors*

Dr. Dai Jingming (*Retired on 15 September 2017*)  
Mr. Lu Jiqiang  
Mr. Zhu Guoqiang (*Appointed on 3 October 2017*)

### *Independent non-executive Directors*

Mr. Huang Xihua  
Mr. Wong Kai Cheong  
Mr. Yang Jiangang

The biographical details of the Directors are set out on pages 39 to 41 of this annual report. To the best knowledge of the Company, there are no relationships (including financial, business, family or other material relationships) among the Directors.

The Board possesses a balance of skill and experience which are appropriate for the business needs of the Group. The Company will review the composition of the Board regularly to ensure that the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

### *Board Diversity Policy*

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

# CORPORATE GOVERNANCE REPORT

## *Appointment and Re-election of Directors*

Pursuant to the Bye-laws, the Board may appoint a Director either to fill a causal vacancy or as an addition to the Board from time to time during the year following the recommendation from the Nomination Committee according to the terms of reference and the Company's board diversity policy.

Any Director appointed by the Board to fill a causal vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. At each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an AGM at least once every three years. As such, no Directors have a term of appointment longer than three years.

All executive Directors and non-executive Directors have entered into service contracts with the Company, all independent non-executive Directors have entered into letters of appointment with the Company with a specific term of one year setting out key terms and conditions of their appointments. All Directors are subject to retirement in accordance with the Bye-laws.

## *Independence Non-executive Directors*

The independent non-executive Directors of the Company have the appropriate professional qualification and accounting and related financial management expertise as required under the Listing Rules. They provide a strong support towards the effective discharge of the duties and responsibilities of the Board. During the year ended 31 March 2018, the Company has all times complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of at least three independent non-executive Directors including one independent non-executive Director with accounting or related financial management expertise and the number of independent non-executive Directors representing at least one-third of the Board.

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

## *Roles and Functions of the Board and the Management*

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

# CORPORATE GOVERNANCE REPORT

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

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

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

## *Board Meetings*

Regular Board meetings are held at least four times a year at approximately quarterly intervals and additional meetings are held when necessary. During the CG Period, the Board held four Board meetings to review and approve annual and interim results, to review quarterly management accounts and to approve major investments and corporate transactions.

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

# CORPORATE GOVERNANCE REPORT

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

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

## Attendance of Directors

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

Directors	No. of meetings held/No. of attendance					
	Board Meetings	Nomination committee	Remuneration committee	Audit committee	Investment committee	Shareholders' Meetings
<b>Executive Directors</b>						
Mr. Jiang Ming ( <i>Chairman of the Board</i> )	4/1	1/1	1/1	-	-	3/0
Dr. Li Ting	4/4	-	-	-	5/5	3/1
Mr. Tao Lin	4/0	-	-	-	5/5	3/0
Mr. Xia Xianglong	4/1	-	-	-	5/5	3/2
<b>Non-executive Directors</b>						
Dr. Dai Jingming ( <i>note i</i> )	1/0	-	-	-	-	2/0
Mr. Lu Jiqiang	4/1	-	-	-	-	3/0
Mr. Zhu Guoqiang ( <i>note ii</i> )	3/2	-	-	-	-	1/0
<b>Independent non-executive Directors</b>						
Mr. Huang Xihua	4/3	1/1	-	2/2	-	3/1
Mr. Wong Kai Cheong	4/4	1/1	1/1	2/2	-	3/3
Mr. Yang Jiangang	4/1	-	1/1	2/1	-	3/1

Notes:

- (i) Antecedent to the retirement of Dr. Dai Jingming on 15 September 2017, there were only 1 Board meeting and 2 Shareholders' meetings held.
- (ii) Subsequent to the appointment of Mr. Zhu Guoqiang on 3 October 2017, there were only 3 Board meetings and 1 Shareholders' meetings held.

# CORPORATE GOVERNANCE REPORT

## *Access to Information*

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

## *Directors and Officers Liability Insurance*

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

## *Directors' Continuous Professional Development*

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

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

## **Board Committees**

The Board has four Board Committees, namely, the Nomination Committee, the Remuneration Committee, the Audit Committee and the Investment Committee for overseeing particular aspects of the Company's affairs. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

# CORPORATE GOVERNANCE REPORT

## *Nomination Committee*

The Nomination Committee was established in March 2012. The written terms of reference include the primary duties of reviewing the structure, size and composition of the Board with regard to the board diversity policy, identify individuals suitably qualified to become Board members, assess the independence of independent non-executive Directors and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

During the CG Period, the Nomination Committee held one meeting which is to assess the independence of the independent non-executive Directors, recommend the extension of the terms of office of non-executive and independent non-executive Directors and review the size and composition of the Board and the board diversity policy. After the above review, the Nomination Committee considered that the board diversity policy was appropriate and effective. The Nomination Committee recommended to the Board to appoint Mr. Zhu Guoqiang as non-executive Director to fill the vacancy arising from the retirement of Dr. Dai Jingming on 15 September 2017.

## *Remuneration Committee*

The Remuneration Committee was established in December 2005. The written terms of reference include the primary duties of making recommendations to the Board on the remuneration policy and structure for Directors and the management and to review and determine the specific remuneration packages of all executive Directors and the management. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

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

A remuneration package for executive Directors will normally comprise basic salary and allowances, mandatory provident fund and medical insurance coverage benefits, performance related discretionary bonus and share options. Particulars of the Directors' emoluments are set out in note 12 to the consolidated financial statement.

# CORPORATE GOVERNANCE REPORT

## *Audit Committee*

The Audit Committee was established in August 1999. The written terms of reference include the primary duties of reviewing the Group's financial reporting process, risk management and internal control system and corporate governance issues and to make relevant recommendations to the Board. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

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

- (i) reviewed the draft interim and annual consolidated financial statements of the Group for the six months ended 30 September 2017 and for the year ended 31 March 2018 and the related draft results announcements;
- (ii) reviewed the application of the new accounting standards promulgated by the Hong Kong Institute of Certified Public Accountants in the Group's consolidated financial statements;
- (iii) reviewed the Group's risk management and internal control system with management including review of the work done by the Group's internal audit function;
- (iv) reviewed the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements and the Code of Conduct, and made recommendations to the Board;
- (v) reviewed and monitored the training and continuous professional development of the Directors;
- (vi) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;
- (vii) discussed and reviewed with the external auditor the statutory audit plan and matters relating to significant accounting and auditing issues; and
- (viii) reviewed and considered the audit fee of external auditor.

## *Investment Committee*

The Investment Committee was established in April 2007. The written terms of reference include the principal duties to review, pursue and evaluate investment opportunities in property development and investment projects and to approve and execute such investments within the limit as delegated and authorised by the Board from time to time.

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

# CORPORATE GOVERNANCE REPORT

## Accountability and Audit

### *Directors' Responsibilities for Financial Statements*

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

The Directors acknowledge their responsibility for preparing the consolidated financial statements. In preparing the consolidated financial statements for the year ended 31 March 2018, the Directors have adopted suitable accounting policies which are pertinent to the Group's operations and relevant to the consolidated financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the consolidated financial statements on a going concern basis. A statement by the Company's external auditor about their reporting responsibilities is set out on pages 63 to 69 of this annual report.

### *Risk Management and Internal Control*

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

### *Risk governance structure*

The Group's risk management and internal audit department is delegated with responsibility to ensure and maintain sound risk management and internal control systems by continuously reviewing and monitoring the operation of the risk management and internal control systems with procedures designed to manage, rather than eliminate, the risk of failure to achieve business objectives and ensure that they can provide reasonable, as oppose to an absolute, assurance against material misstatement or loss and to manage risks of failure in the Group's operational systems.

The risk management and internal audit department helps the Group to accomplish its objectives by employing a systematic and disciplined approach to evaluate and improve the effectiveness of the risk management, control and governance processes. Risk assessments are conducted semi-annually by the risk management and internal audit department whereby risk-based internal audit plans based on interviews and discussion with the Management and staff are formulated and executed.

# CORPORATE GOVERNANCE REPORT

During the CG Period, the risk management and internal audit department conducted reviews of the effectiveness of the Group's system of internal controls, including those of its subsidiaries and major associates. The risk management and internal control department issued reports to the Chairman and relevant management personnel covering various operational, financial processes and projects management issues involving risk management. It provides summary reports to the Audit Committee together with the status of the implementation of their recommendations in each Audit Committee meeting. The Audit Committee and the Board reviewed the summary reports prepared by the internal auditors and confirmed that they were not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal control systems of the Group.

## *Whistle-blowing Policy*

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

## *Inside Information Policy*

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

# CORPORATE GOVERNANCE REPORT

## *Principal Risks and Uncertainties*

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

### *Business concentration*

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

- continual monitoring of the operating and political environment in the PRC that any forthcoming anticipate issues that may affect the business activities of the Group could be addressed to promptly;
- ongoing focus to strengthen the Group's brand values and, within the fast-changing business environment in the PRC, make prompt adjustment to the Group's business strategies when necessary; and
- maintaining a comfortable level of gearing.

### *Risks Pertaining to the Property Development Market and Operation*

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

- Investment Committee of the Board is required to perform feasibility studies in a more scientific, accurate and practicable manner;
- respective investment criteria and risk appetite are set prior to land/project acquisition; and
- critical resources availability are adequately assessed in the acquisition plan.

# CORPORATE GOVERNANCE REPORT

## *People risk*

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

- review the competitiveness of the employees' compensation and benefits regularly;
- develop manpower plan to fulfill the human capital resources need for the Group's business strategy; and
- provide a comfortable working environment and atmosphere for the staff that would inspire their creativity and productivity.

## *Financial Risk*

Certain financial risks and uncertainties are set out in notes 5, 44 and 45 to the consolidated financial statements in this annual report.

## *Auditor's Remuneration*

During the year ended 31 March 2018, the following fees were paid to BDO Limited ("BDO"), the auditor of the Company and Deloitte Touche Tohmatsu ("Deloitte"), the ex-auditor of the Company.

<b>Services rendered for the Group</b>	<b>BDO</b> HK\$'000	<b>Deloitte</b> HK\$'000	<b>Total</b> HK\$'000
Audit services	2,600	–	2,600
Non-audit services – Other services	–	1,190	1,190
Total	2,600	1,190	3,790

## *Company Secretary*

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

# CORPORATE GOVERNANCE REPORT

## Communications with Shareholders

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

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

### *Conduct of general meetings*

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

### *Shareholders' enquiries*

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

### *Financial calendar*

<b>Event</b>	<b>Date</b>
2017/2018 Interim Results Announcement	24 November 2017
2017/2018 Annual Results Announcement	29 June 2018
Despatch of 2017/2018 Annual Report	31 July 2018
Closure of Register of Members – AGM	12-17 September 2018 (both days inclusive)
2018 AGM	17 September 2018

## Constitutional Document

The constitutional documents of the Company are available on the websites of the Company and the Stock Exchange. There were no changes in the constitutional documents of the Company for the year ended 31 March 2018.

# CORPORATE GOVERNANCE REPORT

## Shareholders' Rights

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

### *Convening a special general meeting on requisition*

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary to require a special general meeting to be convened pursuant to article 58 of the Bye-law. The written requisition must state the objects of the meeting, and must be signed by the relevant Shareholder(s) and deposited at the registered office of the Company, in addition to the principal place of business in Hong Kong as set out in the "Corporate Information" section of this annual report for the attention of the Company Secretary.

If within 21 days of the deposit of the requisition, the Board fails to proceed to convene a special general meeting, the requisitionists themselves may do so in accordance with the provision of Section 74(3) of the Companies Act. All reasonable expenses incurred by the relevant Shareholder(s) as a result of the failure of the Board to convene a meeting shall be reimbursed to the relevant Shareholder(s) by the Company.

### *Putting forward proposal at a general meeting*

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

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

Pursuant to the above-mentioned sections of the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 of such registered shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

# REPORT OF THE DIRECTORS

The Board herein presents their report together with the audited consolidated financial statements for the year ended 31 March 2018.

## Principal Activities

The Company is an investment holding company and its subsidiaries are principally engaged in property development, property investment, provision of project management and project investment services.

An analysis of the Group's revenue and operating results by principal activities are set out in note 6 to the consolidated financial statements.

## Business Review

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year, an indication of likely future development in the Group's business, an analysis using financial key performance indicators, a discussion on the Group's environmental policies and performance, an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends and a discussion on the Group's compliance with the relevant laws and regulations that have a significant impact on the Group can be found in the preceding sections of this annual report set out on pages 1 to 55. The preceding sections form part of this report.

## Financial Positions and Results

The results of the Group for the year ended 31 March 2018 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 70 to 73.

## Dividends

The Board does not recommend the payment of any dividend for the year ended 31 March 2018.

## Financial Highlights

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on pages 6 to 7 of this annual report. This summary does not form part of the audited financial statements.

## Property, Plant and Equipment and Investment Properties

Details of movements in property, plant and equipment and investment properties of the Group during the year are set out in notes 17 and 18 to the consolidated financial statements respectively. Further details of the Group's investment properties are set out on pages 180 to 184 of the Annual Report.

# REPORT OF THE DIRECTORS

## Properties under Development

Details of movements in properties under development of the Group during the year are set out in note 24 to the consolidated financial statements. Further details of the Group's properties under development are set out on pages 183 to 184 of this annual report.

## Bank and Other Borrowings

Details of bank and other borrowings during the year are set out in note 32 to the consolidated financial statements.

## Share Capital and Share Options

Details of Shares issued and share options granted by the Company during the year are set out in notes 33 and 35 to the consolidated financial statements respectively.

## Distributable Reserves

At 31 March 2018, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Act, amounted to HK\$1,253,801,000. In addition, the Company's share premium account, in the amount of HK\$1,336,094,000 as at 31 March 2018, may be distributed in the form of fully paid bonus shares.

Details of movements in the reserves of the Company and the Group during the year are set out in note 49 to the consolidated financial statement and in the consolidated statement of changes in equity respectively.

## Equity-Linked Agreements

Saved as disclosed in note 35 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year.

## Directors' Rights to Acquire Shares or Debentures

Save as disclosed above and in note 35 to the consolidated financial statements, at no time during the period was the Company, its holding company, its subsidiaries or other associated corporations, a party to any arrangement to enable the directors or their respective spouse or minor children to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

## Major Customers and Suppliers

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

At no time during the year have the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers.

# REPORT OF THE DIRECTORS

## Directors

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

### *Executive Directors:*

Mr. Jiang Ming (Chairman and Managing Director)

Dr. Li Ting

Mr. Tao Lin

Mr. Xia Xianglong

### *Non-executive Directors*

Dr. Dai Jingming (Retired on 15 September 2017)

Mr. Lu Jiqiang

Mr. Zhu Guoqiang (Appointed on 3 October 2017)

### *Independent non-executive Directors*

Mr. Huang Xihua

Mr. Wong Kai Cheong

Mr. Yang Jiangan

The biographical details of the existing Directors are set out on pages 39 to 41 of this annual report.

Dr. Dai Jingming did not offer himself for re-election and retired from the Board with effect from the conclusion of the AGM held on 15 September 2017 as he would like to devote more time to his personal endeavors.

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

In accordance with article 87(1) of the Bye-laws, Messrs. Jiang Ming, Lu Jiqiang and Yang Jiangan shall retire by rotation and, being eligible, shall offer themselves for re-election at the forthcoming AGM.

The Company has received annual confirmations of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. As at the date of this report, the Company still considers all independent non-executive Directors to be independent.

## Directors' Service Contracts

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

# REPORT OF THE DIRECTORS

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

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

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

## Directors' Remuneration

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

Details of the remuneration of the Directors, together with those of the five highest paid individuals of the Group for the year are set out in note 12 and 13 to the consolidated financial statements respectively.

## Permitted Indemnity Provision

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

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

## Management Contracts

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

# REPORT OF THE DIRECTORS

## Related Party Transactions

Details of the significant related party transactions undertaken in the usual course of business are set out in note 46 to the consolidated financial statements. None of these related party transactions constitutes a discloseable connected transaction under the Listing Rules.

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

Save as disclosed in note 46 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its holding company or any of its respective subsidiaries was a party, and in which a Director or his connected entity was materially interested, whether directly or indirectly, subsisted at any time during or at the end of the year.

## Directors' Interests in Securities

As at 31 March 2018, 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	Capacity and nature of interest	Number of Shares held	Number of underlying Shares held	Total number of Shares and underlying Shares held	Percentage of the Company's issued Share capital
Mr. Jiang Ming	Interest of controlled corporation	1,531,261,978 <sup>1</sup>	-	1,531,261,978	36.58%
Mr. Tao Lin	Directly beneficially owned	-	27,000,000 <sup>2</sup>	27,000,000	0.65%
Mr. Xia Xianglong	Directly beneficially owned	3,992,000	16,500,000 <sup>2</sup>	20,492,000	0.49%
Dr. Li Ting	Directly beneficially owned	-	16,500,000 <sup>2</sup>	16,500,000	0.39%
Mr. Wong Kai Cheong	Directly beneficially owned	-	2,000,000 <sup>2</sup>	2,000,000	0.05%
Mr. Yang JIangang	Directly beneficially owned	-	2,000,000 <sup>2</sup>	2,000,000	0.05%

Notes:

- 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, 5.38% by Mr. Tao Lin and 21.42% by Great Scope Investments Limited (the entire issued voting share capital of which is held by Mr. Jiang Ming). These 1,531,261,978 shares represent an aggregate of approximately 36.58% of the issued share capital of the Company. Mr. Jiang Ming and Mr. Tao Lin are directors of CIH.
- It represents the share options granted on 17 March 2014 pursuant to the share option scheme. Details of which are set out in note 35 to the consolidated financial statements.

# REPORT OF THE DIRECTORS

## (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. Tao Lin	538	Directly beneficially owned	5.38%

Save as disclosed above, as at 31 March 2018, 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.

## 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 31 March 2018, the Company had been notified of the following substantial Shareholders' interests, being 5% or more of the Company's issued Share capital.

Name	Nature of Interest	Number of ordinary Shares held or short positions	Percentage of the Company's issued Share capital
Ms. Yang Sun Xin	Family (Note 2)	1,531,261,978	36.58%
Shenzhen Investment Limited	Corporate	631,092,857	15.08%

Note:

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

Save as disclosed above, as at 31 March 2018, 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.

# REPORT OF THE DIRECTORS

## Pre-Emptive Rights

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

## Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

## Sufficiency of Public Float

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

## Corporate Governance

Details of the corporate governance practices of the Company are set out in the Corporate Governance Report on pages 42 to 55 of this annual report.

## Auditor

BDO Limited was appointed as the new auditor of the Company with effect from 17 May 2018 upon resignation of Deloitte Touche Tohmatsu and they will hold office until conclusion of the forthcoming AGM of the Company. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint BDO Limited as auditors of the Company until the conclusion of the next AGM.

On behalf of the Board

**Jiang Ming**

*Chairman and Managing Director*

Hong Kong, 29 June 2018

# INDEPENDENT AUDITOR'S REPORT



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## TO THE SHAREHOLDERS OF COASTAL GREENLAND LIMITED

*(incorporated in Bermuda with limited liability)*

### Opinion

We have audited the consolidated financial statements of Coastal Greenland Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 70 to 179, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

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

### Key Audit Matters

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

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters *(Continued)*

### *Impairment of properties under development and completed properties for sale (Notes 24 and 25 to the consolidated financial statements)*

The Group had properties under development ("PUD") and completed properties for sale ("PFS") of HK\$1,541 million and HK\$261 million respectively as at 31 March 2018.

For impairment assessment purposes, the management of the Group determined the net realisable value ("NRV") of PUD and PFS based on the valuation performed by the independent and qualified professional valuer (the "Valuer"). The valuation is dependent on certain significant inputs, including the recent market prices of similar properties, and the prevailing real estate market condition in the People's Republic of China (the "PRC"). In addition, in determining the NRV of PUD and PFS, the management estimated the future costs to the completion of PUD with reference to the costs estimated to be required for completing the PUD based current cost data and on past experience and the net sales values based on past experience and prevailing market condition.

Our response:

- Assessing management's process on the determination of the NRV of PUD and PFS;
- Evaluating the competence, capabilities and objectivity of the Valuer;
- Obtaining an understanding from the Valuer about the valuation methodology, the performance of the property markets, significant assumptions adopted, critical judgment on key inputs and data used in the valuation, and the rationale and basis on which the methodology and assumptions were used by the Valuer;
- Assessing the reasonableness of the net sales values that was determined by the management, on a sample basis, by comparing them to the latest market prices achieved in the same projects or by comparable properties in accordance with our understanding of the Group's business; and
- Evaluating the reasonableness of the estimated future costs to the completion of PUD based on past experience, on a sample basis, by comparing them to the actual development costs of similar completed projects of the Group.

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters *(Continued)*

### *Impairment of deposits for future acquisition of land use rights (Note 27 to the consolidated financial statements)*

The Group had deposits for future acquisition of land use rights of HK\$750 million as at 31 March 2018, representing 4.7% of the Group's total assets.

The determination of any impairment of the deposits paid involves management's judgments in assessing whether any impairment should be made for such deposits. As set out in note 5 to the consolidated financial statements, the management of the Group has delegated a business team specifically responsible for monitoring the progress of the acquisitions and to safeguard the value of the deposits. In the event that the recoverable amount from the land use rights to be acquired is identified and assessed to be less than the carrying value of the deposits paid, impairment loss is recognised.

Our response:

- Discussing with the management and reviewing the relevant agreements for understanding the nature of deposits for future acquisition of land use rights;
- Obtaining an understanding on management's process of making impairment of deposits for future acquisition of land use rights and assessing the reasonableness of impairment made with reference to the development of the projects, refund status of deposits for future acquisition of land use rights during the year or subsequent to the end of the reporting period (if any); and
- Discussing with the management and project managers on the development of the projects, on a sample basis, and examining supporting documents including correspondences with counterparties or relevant government authorities.

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters *(Continued)*

### *Revenue recognised from sales of properties (Note 7 to the consolidated financial statements)*

The Group recognised revenue of HK\$1,749 million from sales of properties for the year ended 31 March 2018.

Revenue from sales of properties in the PRC is recognised upon delivery of the properties to buyers pursuant to the sale and purchase agreements and when the criteria as disclosed in note 4 "Revenue recognition" to the consolidated financial statements is satisfied. These involved management's judgments in determining the appropriate point at which to recognise revenue from sales of properties.

Our response:

- Assessing management's process and control over the delivery of properties to buyers; and
- Evaluating the terms set out in the sale and purchase agreements, checking the payment of sales, and obtaining the relevant completion certificate of the properties and the delivery notices issued by the Group to buyers, on a sample basis, to assess whether the significant risks and rewards of ownership of the properties have been transferred to buyers.

## Other Information in the Annual Report

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

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

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

# INDEPENDENT AUDITOR'S REPORT

## Directors' Responsibilities for the Consolidated Financial Statements

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

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

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

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

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

### **BDO Limited**

*Certified Public Accountants*

### **Ng Wai Man**

Practising Certificate Number P05309

Hong Kong, 29 June 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
<b>Continuing operations</b>			
Revenue	7	<b>1,791,404</b>	1,131,348
Cost of sales		<b>(1,364,710)</b>	(982,164)
Gross profit		<b>426,694</b>	149,184
Other income and gains	8	<b>98,663</b>	47,304
Marketing and selling expenses		<b>(39,530)</b>	(58,663)
Administrative expenses		<b>(255,525)</b>	(202,850)
Other expenses		<b>(453,500)</b>	(653,102)
Finance costs	9	<b>(179,653)</b>	(218,346)
Share of profit (loss) of associates		<b>1,753</b>	(10,961)
Share of profit of joint ventures		<b>104,239</b>	2,111
Net gain on disposal of subsidiaries	36	<b>661,616</b>	1,845,900
Profit before taxation		<b>364,757</b>	900,577
Taxation	10	<b>(143,514)</b>	(176,074)
Profit for the year from continuing operations		<b>221,243</b>	724,503
<b>Discontinued operation</b>			
Loss for the year from discontinued operation	14	<b>-</b>	(17,063)
Profit for the year	11	<b>221,243</b>	707,440
Other comprehensive income (expense)			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences arising on translation to presentation currency		<b>539,295</b>	(201,763)
Surplus on revaluation of buildings		<b>78,463</b>	-
Deferred tax charge arising on revaluation of buildings		<b>(19,616)</b>	-
Other comprehensive income (expense) for the year		<b>598,142</b>	(201,763)
Total comprehensive income for the year		<b>819,385</b>	505,677

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Profit for the year attributable to owners of the Company:			
– from continuing operations		<b>231,077</b>	724,515
– from discontinued operation		–	(17,063)
Profit for the year attributable to owners of the Company		<b>231,077</b>	707,452
Loss for the year attributable to non-controlling interests from continuing operations		<b>(9,834)</b>	(12)
		<b>221,243</b>	707,440
Total comprehensive income (expense) attributable to:			
Owners of the Company		<b>811,926</b>	507,984
Non-controlling interests		<b>7,459</b>	(2,307)
		<b>819,385</b>	505,677
		<b>HK cents</b>	HK cents
<b>Earnings per share</b>	16		
From continuing and discontinued operations			
Basic and diluted		<b>5.52</b>	16.90
From continuing operations			
Basic and diluted		<b>5.52</b>	17.31

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17	306,828	226,952
Investment properties	18	4,356	205,781
Prepaid land lease payments	19	46,621	44,087
Interests in associates	21	24,953	2,349,141
Interests in joint ventures	20	193,742	360,813
Amounts due from associates and joint ventures	46(b)(iii), (iv)	124,805	332,095
Available-for-sale investments	22	195,409	163,133
Total non-current assets		896,714	3,682,002
<b>CURRENT ASSETS</b>			
Properties under development	24	1,541,475	4,637,424
Completed properties for sale	25	261,372	1,380,756
Trade receivables	26	2,603	1,461
Prepayments, deposits and other receivables	27	1,339,124	2,759,669
Amounts due from associates and joint ventures	46(b)(ii)	495,329	740,146
Prepaid tax		10,389	21,920
Pledged bank deposits	23	260,892	412,214
Cash and bank balances	23	1,342,744	942,778
Assets classified as held for sale	28	5,253,928 9,651,773	10,896,368 1,121,937
Total current assets		14,905,701	12,018,305
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	29	93,334	1,063,906
Deposits received from pre-sales of properties	30	130,983	1,488,981
Other payables and accruals	31	2,010,800	2,421,842
Amounts due to associates and joint ventures	46(b)(ii)	5,016	3,379
Amount due to a substantial shareholder of the Company	46(b)(i)	23,823	27,041
Tax payable		498,435	481,991
Interest-bearing bank and other borrowings	32	310,556	2,417,482
Liabilities classified as held for sale	28	3,072,947 6,801,087	7,904,622 531,890
Total current liabilities		9,874,034	8,436,512

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
<b>NET CURRENT ASSETS</b>		<b>5,031,667</b>	3,581,793
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>5,928,381</b>	7,263,795
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	32	<b>56,162</b>	2,389,078
Deferred tax liabilities	34	<b>263,939</b>	232,911
Total non-current liabilities		<b>320,101</b>	2,621,989
<b>NET ASSETS</b>		<b>5,608,280</b>	4,641,806
<b>CAPITAL AND RESERVES</b>			
Share capital	33	<b>418,587</b>	418,587
Reserves		<b>5,055,816</b>	4,223,412
Equity attributable to owners of the Company		<b>5,474,403</b>	4,641,999
Non-controlling interests	42	<b>133,877</b>	(193)
Total equity		<b>5,608,280</b>	4,641,806

On behalf of the board of directors

**Jiang Ming**  
DIRECTOR

**Xia Xianglong**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

Notes	Attributable to owners of the Company											
	Share capital HK\$'000 (note 33)	Share premium HK\$'000	Contributed surplus HK\$'000 (note 49(i))	Capital reserve HK\$'000	Leasehold property revaluation reserve HK\$'000 (note 49(ii))	Exchange fluctuation reserve HK\$'000 (note 49(iii))	PRC reserve funds HK\$'000 (note 49(iv))	Share options reserve HK\$'000 (note 49(v))	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000 (note 42)	Total equity HK\$'000
At 1 April 2016	418,587	1,336,094	37,560	1,636	77,726	456,926	9,697	22,689	1,773,100	4,134,015	2,114	4,136,129
Exchange differences arising on translation to presentation currency	-	-	-	-	-	(199,468)	-	-	-	(199,468)	(2,295)	(201,763)
Release upon disposal of property, plant and equipment	-	-	-	-	(2,433)	-	-	-	2,433	-	-	-
Other comprehensive (expense) income for the year	-	-	-	-	(2,433)	(199,468)	-	-	2,433	(199,468)	(2,295)	(201,763)
Profit for the year	-	-	-	-	-	-	-	-	707,452	707,452	(12)	707,440
Total comprehensive (expense) income for the year	-	-	-	-	(2,433)	(199,468)	-	-	709,885	507,984	(2,307)	505,677
Disposal of equity interests in subsidiaries	36	-	-	-	-	90,404	-	-	(90,404)	-	-	-
Forfeiture of share options	-	-	-	-	-	-	-	(7,238)	7,238	-	-	-
At 31 March 2017	418,587	1,336,094	37,560	1,636	75,293	347,862	9,697	15,451	2,399,819	4,641,999	(193)	4,641,806

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

Attributable to owners of the Company													
Notes	Share capital HK\$'000 (note 33)	Share premium HK\$'000	Contributed surplus HK\$'000 (note 49(i))	Capital reserve HK\$'000	Leasehold	Exchange	PRC	Share	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000 (note 42)	Total equity HK\$'000	
					property revaluation reserve HK\$'000 (note 49(ii))	fluctuation reserve HK\$'000 (note 49(iii))	reserve funds HK\$'000 (note 49(iv))	options reserve HK\$'000 (note 49(v))					
Exchange differences arising on translation to presentation currency	-	-	-	-	-	522,002	-	-	-	522,002	17,293	539,295	
Surplus on revaluation of buildings	-	-	-	-	78,463	-	-	-	-	78,463	-	78,463	
Deferred tax charge arising on revaluation of buildings	-	-	-	-	(19,616)	-	-	-	-	(19,616)	-	(19,616)	
Other comprehensive income for the year	-	-	-	-	58,847	522,002	-	-	-	580,849	17,293	598,142	
Profit for the year	-	-	-	-	-	-	-	-	231,077	231,077	(9,834)	221,243	
Total comprehensive income for the year	-	-	-	-	58,847	522,002	-	-	231,077	811,926	7,459	819,385	
Disposal of equity interests in subsidiaries	36	-	-	-	-	-	1,204	-	-	(1,204)	-	-	
Deemed disposal of partial equity interests in a subsidiary	50(iv)	-	-	-	20,478	-	-	-	-	20,478	36,007	56,485	
Acquisition of subsidiaries	37	-	-	-	-	-	-	-	-	-	90,604	90,604	
At 31 March 2018		418,587	1,336,094	37,560	22,114	134,140	871,068	9,697	15,451	2,629,692	5,474,403	133,877	5,608,280

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

NOTES	2018 HK\$'000	2017 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<b>364,757</b>	883,514
Adjustments for:		
Finance costs	<b>179,653</b>	218,346
Share of (profit) loss of associates	<b>(1,753)</b>	10,961
Share of profit of joint ventures	<b>(104,239)</b>	(2,111)
Bank interest income	<b>(20,020)</b>	(7,515)
Other interest income	<b>(53,759)</b>	–
Depreciation	<b>5,656</b>	7,210
Amortisation of prepaid land lease payments	<b>2,122</b>	1,480
Loss (gain) on disposal of property, plant and equipment	<b>4,056</b>	(3,531)
Impairment loss recognised on prepayments, deposits and other receivables	<b>47,918</b>	357,948
Impairment losses in respect of goodwill	<b>190,087</b>	–
Recovery of trade receivable written off	<b>(2,446)</b>	–
Reversal of impairment loss recognised on trade receivables	–	(8,893)
Impairment loss recognised on trade receivables	–	3,845
Impairment loss recognised on properties under development	–	74,120
Impairment loss recognised on amounts due from associates	<b>176,049</b>	253,101
Impairment loss recognised on investment in joint venture	<b>17,544</b>	–
Gain on disposal of subsidiaries	<b>(661,616)</b>	(1,825,527)
Gain on disposal of associates	<b>(12,557)</b>	–
Operating cash flows before movements in working capital changes	<b>131,452</b>	(37,052)
Increase in properties under development	<b>(744,450)</b>	(1,158,609)
Decrease in completed properties for sale	<b>1,280,071</b>	848,816
(Increase) decrease in trade receivables	<b>(855)</b>	9,436
Decrease (increase) in prepayments, deposits and other receivables	<b>1,338,698</b>	(473,248)
Decrease (increase) in restricted bank balances	<b>307,420</b>	(164,509)
(Decrease) increase in trade and bills payables	<b>(679,883)</b>	744,642
(Decrease) increase in deposits received from pre-sales of properties	<b>(82,125)</b>	350,858
Decrease in other payables and accruals	<b>(362,820)</b>	(987,047)
Cash generated from (used in) operations	<b>1,187,508</b>	(866,713)
PRC Enterprise Income Tax (“EIT”), PRC withholding tax and PRC Land Appreciation Tax (“LAT”) paid	<b>(158,368)</b>	(35,609)
Net cash generated from (used in) operating activities	<b>1,029,140</b>	(902,322)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additional investment in an associate		(237,714)	(352,191)
Advances to associates and joint ventures		(3,563)	(226,531)
Repayment from associates and joint ventures		455,431	311,846
Purchases of property, plant and equipment		(4,594)	(5,089)
Acquisition of interests in available-for-sale investments		(14,977)	(3,379)
Proceeds from disposal of subsidiaries	36	1,616,789	1,005,215
Proceeds from disposal of associates		31,645	–
Placement of pledged bank deposits		–	(25,696)
Withdrawal of pledged bank deposits		151,322	3,787
Proceeds from disposal of property, plant and equipment		7,856	7,705
Payment for acquisition of subsidiaries	37	(621,421)	–
Interest received		73,779	7,515
Net cash generated from investing activities		1,454,553	723,182
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank and other borrowings raised		1,711,610	4,134,987
Repayment of bank and other borrowings		(3,263,571)	(3,035,406)
Interest paid		(75,386)	(506,691)
(Repayment to) advance from a substantial shareholder of the Company		(3,218)	19,093
Capital contribution from non-controlling interest		56,485	–
Net cash (used in) generated from financing activities		(1,574,080)	611,983
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>909,613</b>	<b>432,843</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>599,791</b>	<b>249,920</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>133,516</b>	<b>(82,972)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	41	<b>1,642,920</b>	<b>599,791</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 1. GENERAL

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

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

The Group is engaged in the following principal activities:

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

The Group’s property management business was discontinued during the prior year. Details of which are set out in note 14.

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

### (a) Adoption of new/revised HKFRSs – effective 1 April 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### (a) Adoption of new/revised HKFRSs – effective 1 April 2017 (Continued)

#### *Amendments to HKAS 7 – Disclosure Initiative*

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note 43 to the consolidated financial statement.

#### *Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

#### *Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity’s interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### (b) *New/revised HKFRSs that have been issued but are not yet effective*

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective:

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards <sup>1</sup>
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions <sup>1</sup>
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS4 Insurance Contracts <sup>5</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

<sup>4</sup> Effective for the accounting period beginning on or after 1 January 2021

<sup>5</sup> Effective for the accounting period beginning on or after 1 January 2018 or when the entity first applies HKFRS 9

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### (b) *New/revised HKFRSs that have been issued but are not yet effective (Continued)*

#### *Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

#### *Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation’s permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

#### *Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions*

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

#### *HKFRS 9 – Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### (b) *New/revised HKFRSs that have been issued but are not yet effective (Continued)*

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

With respect to the Group’s financial assets currently classified as “available-for-sale”, these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. As at 31 March 2018, the Group held available-for-sale equity investments at cost amounted to approximately HK\$192 million (note 22). The Group is still under assessment of the impact of adopting the HKFRS 9.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a twelve month expected credit loss or lifetime expected credit loss, depending on the assets and the facts and circumstances. The directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 might result in earlier provision of credit losses in relation to the Group’s trade and other receivables measured at amortised costs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### (b) *New/revised HKFRSs that have been issued but are not yet effective (Continued)*

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

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

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

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### (b) *New/revised HKFRSs that have been issued but are not yet effective (Continued)*

#### *Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)*

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

#### *Amendments to HKAS 40, Investment Property – Transfers of Investment Property*

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

#### *HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration*

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

#### *Amendments to HKFRS 9 – Prepayment Features with Negative Compensation*

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### (b) *New/revised HKFRSs that have been issued but are not yet effective (Continued)*

#### *HKFRS 16 – Leases*

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group’s total future minimum lease payments under non-cancellable operating lease of HK\$74 million (note 39). A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all the leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### (b) *New/revised HKFRSs that have been issued but are not yet effective (Continued)*

#### *HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments*

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

#### *Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

Except the possible impacts as discussed above, the Group is not yet in a position to state whether the other new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 3. BASIS OF PREPARATION

### *(a) Statement of compliance*

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

### *(b) Basis of measurement*

The consolidated financial statements are prepared under historical cost convention. The measurement bases are fully described in the accounting policies below.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of revised/amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in note 2.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### *(a) Business combination and basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(a) Business combination and basis of consolidation (Continued)*

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

### *(b) Subsidiary*

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### *(c) Associates*

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(c) Associates (Continued)*

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

### *(d) Joint arrangements*

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – see note 4(c)).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(d) Joint arrangements (Continued)*

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

The Company's interests in joint ventures are stated at cost less impairment losses, if any. Results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

### *(e) Property, plant and equipment*

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

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(e) Property, plant and equipment (Continued)*

Property, plant and equipment are depreciated so as to write off their cost net of estimated residual value over their estimated useful lives on straight-line method. The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates of depreciation are as follows:

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

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

### *(f) Leasehold land and building*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(g) Investment property*

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

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

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

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

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

### *(h) Payments for leasehold land held for own use under operating leases*

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

### *(i) Properties under development*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(j) Completed properties for sale*

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

### *(k) Impairment of non-financial assets*

At the end of each reporting period, the Group reviews the carrying amounts of its non-current assets and the Company's investment in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(l) Leasing*

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

#### *The Group as lessor*

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

#### *The Group as lessee*

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

### *(m) Financial instruments*

#### *(i) Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. At the end of the reporting period, the Group's financial assets included trade and other receivables, amounts due from related parties and cash and bank balances were classified as loans and receivables.

#### *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are carried at amortised cost using effective interest method, less any identified impairment losses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(m) Financial instruments (Continued)*

#### *(i) Financial assets (Continued)*

##### *Available-for-sale financial assets*

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

#### *(ii) Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include but not limited to:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(m) Financial instruments (Continued)*

#### *(ii) Impairment loss on financial assets (Continued)*

##### *For Loans and receivables*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

##### *For Available-for-sale financial assets*

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

#### *(iii) Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. At the end of the reporting period, the Group's financial liabilities included trade and bills payables, other payables, amount due to a substantial shareholder of the Company and interest-bearing bank and other borrowings were classified as financial liabilities at amortised cost.

##### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(m) Financial instruments (Continued)*

#### *(iv) Effective interest method*

Effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### *(v) Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### *(vi) Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

#### *(vii) Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(n) Non-current assets held for sale and disposal groups*

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(o) Income taxes*

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

### *(p) Cash and cash equivalents*

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and form an integral part of the Group's cash management.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(q) Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### *(r) Revenue recognition*

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(r) Revenue recognition (Continued)*

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

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

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

### *(s) Employee benefits*

#### *(i) Short term employee benefits*

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

#### *(ii) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### *(iii) Retirement scheme obligations*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(s) Employee benefits (Continued)*

#### *(iii) Retirement scheme obligations (Continued)*

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

### *(t) Share-based payments*

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

### *(u) Borrowing costs*

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(v) Foreign currency*

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

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

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

### *(w) Related parties*

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(w) Related parties (Continued)*

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

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

The Group writes down properties under development and completed properties for sale to net realisable value based on assessment of the realisability of properties under development and completed properties for sale. The Group engages independent and qualified professional valuer to perform the valuation of properties under development and completed properties for sale for determining the net realisable value. In addition, in determining the net realisable value, the Group has estimated the costs to completion of properties under development based on current cost data and past experience and the net sales value based on past experience and prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease and this might result in write-downs of properties under development and completed properties for sale to net realisable value. Write-downs are recorded when events or changes in circumstances indicate that the carrying balances of the pertinent assets may not be realised at the amount as stated. The identification of write-downs requires the use of judgements and estimates. If there is a change in the events on circumstances resulting in changes to the original estimations used in determining net realisable value, it will impact the carrying value and write-downs of properties under development and completed properties for sale in the period in which such a change has occurred. The carrying amounts of properties under development and completed properties for sale at 31 March 2018 were HK\$1,541,475,000 (2017: HK\$4,637,424,000) and HK\$261,372,000 (2017: HK\$1,380,756,000) respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

### *(b) Deposits for acquisition of land use rights*

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

The carrying amount of deposits for acquisition of land use rights included in prepayments, deposits and other receivables at 31 March 2018 was HK\$749,916,000 (2017: HK\$1,421,412,000). Further details are set out in note 27.

### *(c) Estimated impairment of receivables*

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

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

At 31 March 2018, amounts due from associates and joint ventures amounted to HK\$620,134,000 (2017: HK\$1,072,241,000), trade receivables amounted to HK\$2,603,000 (2017: HK\$1,461,000) and other receivables amounted to HK\$382,030,000 (2017: HK\$380,508,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

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

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

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

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

### *(e) LAT*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 6. SEGMENT INFORMATION

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

- 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 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.

An operating segment engaging in the property management business was discontinued during the year ended 31 March 2017. Segment information reported below does not include any amounts for this discontinued operation. Details of which are set out in note 14.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 6. SEGMENT INFORMATION (Continued)

### Continuing operations

	Property development		Property investment		Project management		Project investment services		Total		Reconciliation		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	1,748,703	1,063,757	914	3,021	41,787	64,570	-	-	1,791,404	1,131,348	-	-	1,791,404	1,131,348
Sales of projects to external customers	-	-	-	-	-	-	94,732	1,053,817	94,732	1,053,817	(94,732)	(1,053,817)	-	-
Total	1,748,703	1,063,757	914	3,021	41,787	64,570	94,732	1,053,817	1,886,136	2,185,165	(94,732)	(1,053,817)	1,791,404	1,131,348
Segment (loss) profits	(87,745)	(483,949)	693	1,750	23,054	47,581	661,616	1,845,900	587,618	1,411,282	-	-	587,618	1,411,282
Amortisation of prepaid land lease payments													(2,122)	(1,480)
Finance costs													(179,653)	(218,346)
Gain on disposal of associates													12,557	-
Impairment loss recognised on amounts due from associates													(176,049)	(253,101)
Interest income													73,779	7,515
Net foreign exchange gain (losses)													135	(21,658)
Share of profit (loss) of associates													1,753	(10,961)
Share of profit of joint ventures													104,239	2,111
Other net unallocated expense													(57,500)	(14,785)
Profit before taxation from continuing operations													364,757	900,577

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 6. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

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

### Other segment information

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

	Property development		Property investment		Project management		Project investment services		Unallocated		Consolidated	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Depreciation	1,127	1,179	24	43	1,064	1,011	-	-	3,441	4,937	5,656	7,170
Loss (gain) on disposal of property, plant and equipment	4,056	(3,531)	-	-	-	-	-	-	-	-	4,056	(3,531)
Net gain on disposal of subsidiaries	-	-	-	-	-	-	(661,616)	(1,845,900)	-	-	(661,616)	(1,845,900)
Impairment losses in respect of goodwill	190,087	-	-	-	-	-	-	-	-	-	190,087	-
Impairment loss recognised on trade receivables	-	3,845	-	-	-	-	-	-	-	-	-	3,845
Impairment loss recognised on prepayments, deposits and other receivables	47,918	357,948	-	-	-	-	-	-	-	-	47,918	357,948
Impairment loss recognised on properties under development	-	74,120	-	-	-	-	-	-	-	-	-	74,120

### Geographical information

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

### Information about major customers

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 7. REVENUE

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

	2018 HK\$'000	2017 HK\$'000
<b>Continuing operations</b>		
Sale of properties	1,748,703	1,063,757
Rental income	914	3,021
Project management service income	41,787	64,570
	<b>1,791,404</b>	1,131,348

## 8. OTHER INCOME AND GAINS

	2018 HK\$'000	2017 HK\$'000
<b>Continuing operations</b>		
Bank interest income	20,020	7,515
Gain on disposal of associates	12,557	–
Gain on disposal of property, plant and equipment	–	3,531
Other interest income	53,759	–
Profit distribution from an available-for-sale investment	–	20,969
Recovery of trade receivable written off	2,446	–
Reversal of impairment loss recognised on trade receivables	–	8,893
Others	9,881	6,396
	<b>98,663</b>	47,304

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 9. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
<b>Continuing operations</b>		
Interest on bank borrowings	51,567	247,751
Interest on other borrowings	201,739	205,586
	<b>253,306</b>	453,337
Less: Amounts capitalised in properties under development	<b>(73,653)</b>	(234,991)
	<b>179,653</b>	218,346

Borrowing costs capitalised during the year arose on the funds borrowed specifically for the purpose of obtaining qualifying assets and are calculated by applying a capitalisation rate of 9.08% (2017: 9.45%) per annum.

## 10. TAXATION

	2018 HK\$'000	2017 HK\$'000
<b>Continuing operations</b>		
Current tax:		
PRC EIT		
Provision for current year	36,727	58,555
Underprovision in prior years (note)	–	3,630
	<b>36,727</b>	62,185
PRC LAT		
Provision for current year	48,326	102,021
Deferred tax (note 34)	58,461	11,868
Total tax charge for the year	<b>143,514</b>	176,074

Note: The assessment and computation of EIT payable in respect of certain subsidiaries with completed property development projects were finalised during the year ended 31 March 2017 and the actual EIT payables was different from the management's estimation on EIT in prior years, resulting in an underprovision of EIT in respect of prior years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 10. TAXATION (Continued)

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

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

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

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

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

	2018 HK\$'000	2017 HK\$'000
<b>Continuing operations</b>		
Profit before taxation	<b>364,757</b>	900,577
Tax at the statutory tax rate	<b>91,189</b>	225,144
Tax effect of income not taxable	<b>(65,268)</b>	(477,032)
Tax effect of expenses not deductible	<b>58,285</b>	222,280
Tax effect of tax losses not recognised	<b>53,093</b>	152,040
Tax effect of utilisation of tax losses previously not recognised	<b>(35)</b>	(26,275)
Tax effect of share of (profit) loss of associates	<b>(438)</b>	2,740
Tax effect of share of profit of joint ventures	<b>(26,060)</b>	(528)
	<b>110,766</b>	98,369
PRC LAT	<b>48,326</b>	102,021
Income tax effect of PRC LAT	<b>(12,082)</b>	(25,505)
Deferred tax credit on undistributed earnings of PRC subsidiaries	<b>(3,496)</b>	(2,441)
Underprovision of PRC EIT in prior years	<b>–</b>	3,630
Tax charge for the year	<b>143,514</b>	176,074

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 11. PROFIT FOR THE YEAR

	2018 HK\$'000	2017 HK\$'000
<b>Continuing operations</b>		
Profit for the year has been arrived at after charging (crediting):		
Cost of completed properties sold	<b>1,364,710</b>	921,406
Depreciation of property, plant and equipment (note 17)	<b>5,785</b>	7,330
Less: Amounts capitalised in properties under development	<b>(129)</b>	(160)
	<b>5,656</b>	7,170
Amortisation of prepaid land lease payments (note 19)	<b>2,122</b>	1,480
Minimum lease payments under operating leases for land and buildings	<b>6,156</b>	6,518
Less: Amounts capitalised in properties under development	<b>(945)</b>	(1,112)
	<b>5,211</b>	5,406
Auditor's remuneration	<b>2,600</b>	3,450
Staff costs:		
Salaries and other benefits (including directors' remuneration – note 12)	<b>87,633</b>	79,094
Pension scheme contributions	<b>9,610</b>	8,474
Less: Amounts capitalised in properties under development	<b>(10,956)</b>	(11,408)
	<b>86,287</b>	76,160
Recovery of trade receivable written off	<b>(2,446)</b>	–
Reversal of impairment loss recognised on trade receivables	–	(8,893)
Impairment losses in respect of goodwill	<b>190,087</b>	–
Impairment loss recognised on trade receivables (included in other expenses)	–	3,845
Impairment loss recognised on prepayments, deposits and other receivables (included in other expenses)	<b>47,918</b>	357,948
Impairment loss recognised on properties under development (included in cost of sales)	–	74,120
Impairment loss recognised on amounts due from associates (included in other expenses)	<b>176,049</b>	253,101
Impairment loss recognised on investment in joint venture (note 37)	<b>17,544</b>	–
Loss (gain) on disposal of property, plant and equipment	<b>4,056</b>	(3,531)
Net foreign exchange (gain) losses	<b>(135)</b>	21,658
Gross rental income	<b>(914)</b>	(3,021)
Less: Outgoings	<b>114</b>	2,044
Net rental income	<b>(800)</b>	(977)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

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

	2018 HK\$'000	2017 HK\$'000
Fees:		
Executive directors	–	–
Non-executive directors	100	100
Independent non-executive directors	390	390
	<b>490</b>	490
Other emoluments:		
Salaries and other benefits	10,829	10,689
Pension scheme contributions	268	168
	<b>11,097</b>	10,857
	<b>11,587</b>	11,347

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

	Fees HK\$'000	Salaries and other benefits HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 March 2018</b>				
Executive directors:				
Mr. Jiang Ming	-	3,555	18	3,573
Mr. Tao Lin	-	3,405	18	3,423
Mr. Xia Xianglong (note a)	-	2,380	116	2,496
Dr. Li Ting (note a)	-	1,489	116	1,605
	-	10,829	268	11,097
Non-executive directors:				
Mr. Lu Jiqiang	50	-	-	50
Mr. Zhu Guoqiang (note b)	50	-	-	50
Dr. Dai Jingming (note c)	-	-	-	-
	100	-	-	100
Independent non-executive directors:				
Mr. Huang Xihua	130	-	-	130
Mr. Wong Kai Cheong	130	-	-	130
Mr. Yang Jiangang	130	-	-	130
	390	-	-	390
	490	10,829	268	11,587

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

Notes:

- (a) Mr. Xia Xianglong and Dr. Li Ting were appointed as executive directors of the Company on 1 June 2016 and 20 March 2017 respectively.
- (b) Mr. Zhu Guoqiang was appointed as non-executive director of the Company on 3 October 2017.
- (c) Dr. Dai Jingming was retired as non-executive director of the Company on 15 September 2017.
- (d) Ms. Wang Hongmei and Mr. Cai Shaobin resigned as executive directors of the Company on 1 June 2016 and 20 March 2017 respectively.
- (e) Mr. Huang Xihua was appointed as independent non-executive director of the Company on 1 June 2016.
- (f) Mr. Chen Xiaotian was retired as independent non-executive director of the Company on 12 September 2016.

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

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

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

## 13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included four (2017: four) directors, details of whose remuneration are set out in note 12 above. The remuneration of the remaining one (2017: one) highest paid individual is within the band of HK\$3,000,001 to HK\$3,500,000 (2017: HK\$3,000,001 to HK\$3,500,000) and is as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries and other benefits	3,168	3,468

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 14. DISCONTINUED OPERATION

### *Discontinued operation of property management business*

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

The profit for the year ended 31 March 2017 from discontinued operation which has been included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows is set out below:

	Period ended 27 October 2016
	HK\$'000
Profit of discontinued operation for the period	3,310
Loss on disposal of subsidiaries	(20,373)
	(17,063)
Revenue	5,052
Cost of sales	(117)
Gross profit	4,935
Other income	162
Expenses	(1,787)
Profit before taxation	3,310
Taxation	–
Profit for the period	3,310
Profit for the period from discontinued operation included the followings:	
Depreciation	40
Staff costs	1,012
Operating lease charges in respect of land and buildings	23

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 14. DISCONTINUED OPERATION (Continued)

### *Discontinued operation of property management business (Continued)*

	2017 HK\$'000
Consideration	25,193
Net assets disposed of:	
Property, plant and equipment	138
Amounts due from the Group	10,404
Trade receivables, prepayments, deposits and other receivables	93,140
Cash and bank balances	14,028
Trade, bills and other payables	(72,144)
Net assets disposed of	45,566
Loss on disposal of subsidiaries	
Consideration	25,193
Less: Net assets disposed of	(45,566)
	(20,373)
Net cash inflow (outflow) arising on disposal:	
Cash received	25,193
Cash and bank balances disposed of	(14,028)
	11,165

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 15. DISTRIBUTIONS

The Board of Director does not recommend the payment of a dividend for the year ended 31 March 2018 (2017: nil).

## 16. EARNINGS PER SHARE

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

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

The calculation of the basic earnings per share is based on the earnings for the year attributable to owners of the Company of HK\$231,077,000 (2017: HK\$707,452,000) and the number of 4,185,874,285 ordinary shares in issue for the years ended 31 March 2018 and 2017.

#### (ii) *From continuing operations*

The calculation of the basic earnings per share from continuing operations is based on the earnings for the year attributable to owners of the Company of HK\$231,077,000 (2017: HK\$724,515,000) and the same denominator used as detailed above.

#### (iii) *From discontinued operation*

Loss per share for the discontinued operation is HK0.41 cents per share for the year ended 31 March 2017, based on the loss for the year from discontinued operation of HK\$17,063,000 and the same denominator used as detailed above.

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

The calculation of diluted earnings per share for the years ended 31 March 2018 and 2017 did not assume the exercise of the Company's share options as the exercise prices of the share options were higher than the average market price of the Company's shares for the respective years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 17. PROPERTY, PLANT AND EQUIPMENT

	<b>Leasehold land and buildings</b>	<b>Leasehold improvements</b>	<b>Furniture, fixtures and equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>COST OR VALUATION</b>					
At 1 April 2016	218,288	37,764	25,986	11,841	293,879
Exchange realignment	(9,146)	(1,939)	(1,385)	(646)	(13,116)
Additions	2,456	971	735	927	5,089
Disposals	(4,304)	–	(431)	(233)	(4,968)
Disposal of subsidiaries (notes 14 and 36)	–	–	(1,815)	(582)	(2,397)
At 31 March 2017	207,294	36,796	23,090	11,307	278,487
Exchange realignment	9,401	3,305	2,067	1,089	15,862
Additions	2,944	85	748	817	4,594
Acquisition of subsidiaries (note 37)	–	–	33	13	46
Disposals	(9,449)	–	(2,489)	(394)	(12,332)
Transferred to assets held for sale (note 28)	(39)	–	(4,312)	(3,186)	(7,537)
Adjustment on revaluation	82,307	–	–	–	82,307
At 31 March 2018	292,458	40,186	19,137	9,646	361,427
Comprising					
At cost	–	40,186	19,137	9,646	68,969
At valuation	292,458	–	–	–	292,458
	292,458	40,186	19,137	9,646	361,427

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>DEPRECIATION</b>					
At 1 April 2016	–	27,681	19,393	5,209	52,283
Exchange realignment	(2,477)	(1,501)	(1,015)	(300)	(5,293)
Provided for the year	2,734	2,436	941	1,219	7,330
Eliminated on disposal	(257)	–	(408)	(129)	(794)
Eliminated on disposal of subsidiaries (notes 14 and 36)	–	–	(1,628)	(363)	(1,991)
At 31 March 2017	–	28,616	17,283	5,636	51,535
Exchange realignment	53	2,700	1,664	581	4,998
Provided for the year	904	2,306	1,337	1,238	5,785
Eliminated on disposal	–	–	(65)	(355)	(420)
Transferred to assets held for sale (note 28)	–	–	(4,109)	(2,233)	(6,342)
Adjustment on revaluation	(957)	–	–	–	(957)
At 31 March 2018	–	33,622	16,110	4,867	54,599
<b>CARRYING VALUES</b>					
At 31 March 2018	292,458	6,564	3,027	4,779	306,828
At 31 March 2017	207,294	8,180	5,807	5,671	226,952

The Group's land and buildings were revalued individually at 31 March 2018 and 2017 by DTZ Cushman & Wakefield Limited, independent professional valuers not connected with the Group, by reference to market evidence of recent transaction prices for similar properties.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

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

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

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

Leasehold land and buildings held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique	Unobservable input	Range of unobservable input	Relationship of unobservable input to fair value
Leasehold land and buildings in Hong Kong of HK\$177,098,000 (2017: HK\$107,060,000)	Level 3	Direct comparison method	Price per square meter	HK\$113,757 – HK\$223,133 (2017: HK\$97,568 – HK\$272,643)	The higher the price per square, the higher the fair value
Leasehold land and buildings in the PRC of HK\$115,360,000 (2017: HK\$100,234,000)	Level 3	Direct comparison method	Price per square meter	HK\$4,840 – HK\$65,655 (2017: HK\$14,006 – HK\$87,079)	The higher the price per square, the higher the fair value

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

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

Had the Group's land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts at 31 March 2018 would have been HK\$142,545,000 (2017: HK\$140,547,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 18. INVESTMENT PROPERTIES

	Completed investment properties at fair value HK\$'000	Investment property under construction at cost HK\$'000	Total HK\$'000
<b>FAIR VALUE/COST</b>			
At 1 April 2016	4,188	215,062	219,250
Exchange realignment	(257)	(13,212)	(13,469)
At 31 March 2017	3,931	201,850	205,781
Exchange realignment	425	21,800	22,225
Transferred to assets held for sale (note 28)	–	(223,650)	(223,650)
At 31 March 2018	4,356	–	4,356

The fair values of the Group's completed investment properties at 31 March 2018 and 2017 have been arrived at on the basis of valuations carried out on the respective dates by DTZ Cushman & Wakefield Limited, independent professional valuers not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 18. INVESTMENT PROPERTIES (Continued)

For completed investment properties, the valuations have been arrived at by considering the capitalised net rental income or where appropriate, by reference to market evidence of recent transaction prices for similar properties in similar location and condition. In arriving at the capitalised net rental income, the market rentals of all lettable units of the property are assessed and capitalised at market yield expected by investors for this type of property. The market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yields achieved in analysed market sales transactions and the valuer's knowledge of the market expectation from property investors.

All of the Group's property interests held under operating leases to earn rentals and being held to be leased out or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

Investment properties held by the Group in the consolidated statement of financial position	Fair value as at 31 March 2018 HK\$	Valuation technique	Unobservable input	Range or weighted average of unobservable input
Completed Investment Properties in the PRC	4,356,000 (2017: 3,931,000)	Income approach	Reversionary yield 6%	The higher the reversionary yield, the lower the fair value

In estimating the fair value at 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 for investment properties held at end of the year (2017: no changes in fair value).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 19. PREPAID LAND LEASE PAYMENTS

	2018 HK\$'000	2017 HK\$'000
At beginning of year	45,704	50,235
Exchange realignment	4,811	(3,051)
Amortisation during the year (note 11)	(2,122)	(1,480)
At end of year	48,393	45,704
Analysed for reporting purposes as:		
Non-current asset	46,621	44,087
Current asset (included in prepayments, deposits and other receivables)	1,772	1,617
	48,393	45,704

## 20. INTERESTS IN JOINT VENTURES

	2018 HK\$'000	2017 HK\$'000
Cost of investment in joint ventures, unlisted	180,967	362,698
Share of post-acquisition profit (loss) and other comprehensive income	12,775	(1,885)
	193,742	360,813

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 20. INTERESTS IN JOINT VENTURES (Continued)

As at 31 March 2018 and 2017, the Group had interests in the following significant joint ventures:

Name of joint venture	Form of business structure	Place of registration and operation	Proportion of registered capital held by the Group (note a)		Group's percentage of Voting power		Profit sharing (note b)		Principal activities
			2018	2017	2018	2017	2018	2017	
			%	%	%	%	%	%	
New Shanghai Property International Management Co., Ltd. ("New Shanghai Property")	Incorporated	PRC	30	30	43	43	30	30	Inactive
Beijing Huichao Real Estate Development Co., Ltd. ("Beijing Huichao")	Incorporated	PRC	40	40	40	40	40	40	Property development
Shanghai Coastal Equity Investment Fund Management Co., Ltd.	Incorporated	PRC	85	85	20	20	85	85	Asset management
Wuhan Zhisheng Group Co., Ltd. ("Wuhan Zhisheng") (note c)	Incorporated	PRC	30	30	30	30	30	30	Property development
Hengxiang Real Estate Development Company Limited ("Hengxiang Real Estate") (note d)	Incorporated	PRC	N/A	4	N/A	60	N/A	4	Property development

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 20. INTERESTS IN JOINT VENTURES (Continued)

Notes:

- (a) The Group has joint control of the above companies with other joint venture partners in accordance with the relevant contractual agreements which decisions about the relevant activities require the unanimous consent of the parties sharing control and accordingly these companies have been accounted for as joint ventures.
- (b) The Group is entitled to share the operating results of the joint ventures based on the Group's profit sharing ratio.
- (c) As at 31 March 2018, interests in Wuhan Zhisheng are classified as assets held for sale (note 28).
- (d) During the year ended 31 March 2015, the Group acquired 4% equity interests in Hengxiang Real Estate from an independent third party for a cash consideration of RMB37,000,000. According to the memorandum and articles of Hengxiang Real Estate, major financial and operating decisions of Hengxiang Real Estate require consent of four out of five board of directors. The Group has the power to appoint three out of five directors in the board of Hengxiang Real Estate and thus the Group is able to exercise joint control over Hengxiang Real Estate. As such, Hengxiang Real Estate has been accounted for as a joint venture for the year ended 31 March 2017. On 14 April 2015, the Group entered into an agreement with independent third parties in relation to the acquisition of additional 81% equity interests in Hengxiang Real Estate. On 12 April 2017, the transaction was completed and Hengxiang Real Estate has been classified as a subsidiary of the Group. Details of which are included in note 37.

### Summarised financial information of a material joint venture

#### Beijing Huichao

	2018 HK\$'000
Assets and liabilities as at 31 March	
Current assets (including cash and cash equivalents of approximately HK\$792,620,000)	3,701,381
Non-current assets	162
Current liabilities	(2,410,949)
Non-current liabilities	(1,375,771)
Revenue	86,861
Profit and total comprehensive income for the year	13,996
Depreciation	56
Interest income/expense	-
Income tax expense	-

The Group did not receive any dividend from Beijing Huichao.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

Aggregate information of joint ventures that are not individually material:

	2018 HK\$'000	2017 HK\$'000
The Group's share of profit and total comprehensive income	4	141

## 21. INTERESTS IN ASSOCIATES

	2018 HK\$'000	2017 HK\$'000
Cost of investment in associates, unlisted	24,952	2,355,448
Share of post-acquisition profit (loss) and other comprehensive income	1	(6,307)
	<b>24,953</b>	2,349,141

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 21. INTERESTS IN ASSOCIATES (Continued)

As at 31 March 2018 and 2017, the Group had interests in the following significant associates:

Name of associate	Form of business structure	Place of registration and operation	Proportion of registered capital held by the Group		Proportion of voting power held		Principal activities
			2018 %	2017 %	2018 %	2017 %	
<b>Unlisted</b>							
Foshan Harmonious Realty Development Co., Ltd. ("Foshan Harmonious Realty") (note a)	Incorporated	PRC	20	20	20	20	Property development
Huizhou Shum Yip Southern Land Company Limited ("Huizhou Shum Yip")	Incorporated	PRC	-	30	-	17	Property development and provision of construction services
Nanjing Yuan Ding Enterprise Co., Ltd	Incorporated	PRC	-	30	-	33	Property development
Tianjin Harmonious Realty Development Co., Limited ("Tianjin Harmonious Realty") (note a)	Incorporated	PRC	30	30	25	25	Property development
Chongqing Yanke Enterprises Co., Ltd.	Incorporated	PRC	35	35	40	40	Property development
Wuhan Lan Kong Real Estate Development Company Limited	Incorporated	PRC	-	40	-	20	Property development
Guangzhou Haicong Real Estate Company Limited ("Guangzhou Haicong") (note b)	Incorporated	PRC	20	N/A	20	N/A	Property development

Notes:

- (a) As at 31 March 2018, interests in Foshan Harmonious Realty and Tianjin Harmonious Realty are classified as assets held for sale (note 28).
- (b) During the year ended 31 March 2018, the Group disposed of 80% equity interests in Guangzhou Haicong. Upon completion of the disposal, the Group has the power to appoint one out of five directors in the board of Guangzhou Haicong, thus the Group is only able to exercise significant influence in Guangzhou Haicong. As such, Guangzhou Haicong is accounted for as an associate of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 21. INTERESTS IN ASSOCIATES (Continued)

*Summarised financial information of a material associate*

*Guangzhou Haicong*

	2018 HK\$'000
<b>Assets and liabilities as at 31 March</b>	
Current assets	124,805
Non-current assets	–
Current liabilities	(41)
Non-current liabilities	–
Revenue	–
Profit and total comprehensive income for the year	2

The Group did not receive any dividend from Guangzhou Haicong.

Reconciliation of the above summarised financial information to the carrying amount of the interest in Guangzhou Haicong recognised in the consolidated financial statements is as follows:

	2018 HK\$'000
Net assets of Guangzhou Haicong	124,764
Carrying amount of the Group's interest in Guangzhou Haicong (Proportion of the Group's ownership interest of 20%)	24,953

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 21. INTERESTS IN ASSOCIATES (Continued)

### Summarised financial information of a material associate (Continued)

Aggregate information of associates that are not individually material:

	2018 HK\$'000	2017 HK\$'000
The Group's share of loss and total comprehensive expense	-	(74,999)

## 22. AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK\$'000	2017 HK\$'000
Unlisted securities:		
Club membership debentures (note a)	2,960	2,960
Equity securities stated at cost (note b)	192,449	160,173
	<b>195,409</b>	163,133

Notes:

- (a) They represent investments of unlisted club membership debentures in Hong Kong.
- (b) Included in the equity securities were:
- (i) 12% equity interests in Shanghai Oriental International Culture And Sports Recreation Industry City Development Co., Ltd. ("Shanghai Oriental") at cost of RMB139,200,000 (2017: RMB139,200,000). Shanghai Oriental is a private entity incorporated in the PRC and its principal activity is property development in the PRC.
  - (ii) 15% equity interests in Dongnan Ding Sheng (Beijing) Network Technology Co., Ltd. at cost of RMB15,000,000 (2017: RMB3,000,000). It is a private entity incorporated in the PRC and its principal activity is provision of network services in the PRC.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 23. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

Pledged bank deposits mainly represent (i) deposits with an aggregate carrying amount of HK\$253,491,000 (2017: HK\$261,323,000) pledged to banks for banking facilities granted to the Group (note 32(b)(ii)); (ii) deposits with an aggregate carrying amount of HK\$27,000 (2017: HK\$135,189,000) pledged to banks for short-term bills payables; and (iii) deposits with an aggregate carrying amount of HK\$7,374,000 (2017: HK\$15,702,000) pledged to banks in respect of mortgage loan facilities granted to the buyers of certain properties developed by the Group.

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

Included in cash and bank balances are restricted bank balances of HK\$17,325,000 (2017: HK\$348,124,000) which are limited to be used in the development of certain property projects.

Bank balances carry interest at market rates which range from 0.3% to 2.75% (2017: 0.3% to 2.75%) per annum. The pledged bank deposits carry fixed interest rates from 0.35% to 2.1% (2017: 0.35% to 2.1%) per annum.

## 24. PROPERTIES UNDER DEVELOPMENT

	2018 HK\$'000	2017 HK\$'000
CARRYING AMOUNT		
At beginning of year	4,637,424	9,776,748
Exchange realignment	622,730	(647,898)
Acquisition of property based subsidiaries (note 37)	1,163,249	–
Transferred to assets classified as held for sale (note 28)	(2,325,934)	–
Additions	976,831	1,927,894
Transferred to completed properties for sale	(3,532,825)	(1,381,544)
Disposal of a property-based subsidiary	–	(4,963,656)
Impairment loss recognised during the year	–	(74,120)
At end of year	1,541,475	4,637,424

Properties under development with carrying amount of HK\$1,541,475,000 (2017: HK\$1,668,043,000) are expected to be completed and available for sale after twelve months from the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 25. COMPLETED PROPERTIES FOR SALE

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

## 26. TRADE RECEIVABLES

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

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

	2018		2017	
	Balance HK\$'000	Percentage	Balance HK\$'000	Percentage
0–30 days	<b>2,603</b>	<b>100</b>	1,356	93
31–60 days	–	–	–	–
61–90 days	–	–	–	–
Over 90 days	–	–	105	7
	<b>2,603</b>	<b>100</b>	1,461	100

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 26. TRADE RECEIVABLES *(Continued)*

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

	2018 HK\$'000	2017 HK\$'000
At beginning of the year	-	-
Impairment loss recognised on trade receivables	-	3,845
Amounts written off as uncollectible	-	(3,845)
At end of the year	-	-

The Group has minimal trade receivable balances which has been past due at the reporting date. The trade receivables balance with age over 90 days at 31 March 2017 represented the receivable from sales of completed properties to customers which is not impaired at the end of the reporting period as the management of the Group expects the balances will be fully settled in accordance with repayment schedules set out in the relevant agreements.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Other receivables (note a)	<b>382,030</b>	380,508
Deposits for future acquisition of land use rights (note b)	<b>749,916</b>	1,421,412
Deposits for acquisition of subsidiaries (note c)	–	644,569
Prepaid operating expenses and other deposits	<b>207,178</b>	313,180
	<b>1,339,124</b>	2,759,669

Notes:

- (a) At 31 March 2017, included in other receivables is an amount of RMB170,900,000, equivalent to HK\$200,560,000 due from a buyer in respect of the disposal of a property-based subsidiary in prior years. The amount has been fully impaired during the prior year, as the counterparty is in severe financial difficulties and the Group does not hold any collateral over the balance.
- (b) The amounts represent payments made for the possible acquisition of land use rights in the PRC which will be developed for sale purpose. These deposits will be wholly refundable if the acquisition is terminated subsequently. Included in deposits for future acquisition of land use rights at 31 March 2018 and 2017 are mainly:
- (i) at 31 March 2017, an amount of HK\$176,822,000 due from a PRC local government in respect of the reclamation of land use rights of an investment property in Shenyang pursuant to an agreement entered into with the PRC local government in prior years. The amount is classified as assets held for sale at 31 March 2018.
- (ii) at 31 March 2017, an amount of HK\$130,828,000 represents payments made for the possible acquisition of land use rights in the PRC which will be developed for sale purpose. The amount has been fully impaired during the prior year as the Group is under dispute with the counterparty in the refund of the balance in which the Group does not hold any collateral.
- (iii) an amount of HK\$573,334,000 and HK\$147,873,000 at 31 March 2017 was paid to independent third parties in respect of the acquisition of land use rights in Beijing and Shanghai respectively. These deposits were fully refunded during the year upon the termination of the acquisitions. Interest income of HK\$30,424,000 was received upon the termination of the acquisition of the land use rights in Shanghai as stipulated in the agreement entered into with the independent third parties.
- (c) The amount represented deposit paid for the acquisition of 81% equity interests of Hengxiang Real Estate and its subsidiaries (the "Hengxiang Group"). On 12 April 2017, the transaction was completed. Hengxiang Real Estate has been classified as a subsidiary of the Group. Details of which are included in note 37.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

- (a) On 13 January 2018, the Group entered into a disposal agreement (“Disposal Agreement”) with an independent third party to dispose of the entire equity interests in Century East Group Limited (“Century East Group”) at a total consideration of RMB3,800,000,000 (the “Disposal”). Details of the transaction are set out in the Company’s announcement and circular dated 23 January 2018 and 27 April 2018 respectively. Subsequent to 31 March 2018, the transaction was approved by the shareholders in a special general meeting. In the opinion of the directors, the transaction is expected to be completed in the next twelve months from the end of the reporting period and the Group will cease to have control over Century East Group. The assets and liabilities attributable to Century East Group have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position as at 31 March 2018.
  
- (b) On 16 December 2016, the Group entered into a disposal agreement with independent third parties, to dispose of the entire equity interests in Kunshan Fuzhi Dingxin Equity Investment Enterprise (“Kunshan Fuzhi”) at a maximum total consideration of RMB3,589,100,000. Details of the transaction are set out in the Company’s announcement and circular dated 28 December 2016 and 31 March 2017 respectively. The assets and liabilities attributable to Kunshan Fuzhi, have been classified as a disposal company held for sale and are presented separately in the consolidated statement of financial position as at 31 March 2017. During the year ended 31 March 2018, the transaction was completed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

(b) (Continued)

The major classes of assets and liabilities comprising the assets and liabilities classified as held for sale as at 31 March 2018 and 2017 are as follows:

	2018 HK\$'000	2017 HK\$'000
Property, plant and equipment	1,195	–
Investment properties	223,650	–
Interest in an associate (note i)	2,837,846	588,527
Interest in a joint venture	270,700	–
Properties under development	2,325,934	–
Completed properties for sale	3,287,188	–
Trade receivables	2,363	–
Prepayments, deposits and other receivables	385,208	–
Amount due from an associate	–	528,273
Prepaid tax	188	–
Cash and bank balances	317,501	5,137
<b>Assets classified as held for sale</b>	<b>9,651,773</b>	<b>1,121,937</b>
Trade and bills payables	403,240	–
Deposits received from pre-sales of properties	1,446,459	–
Other payables and accruals	923,404	531,890
Amounts due to associates and joint ventures	190,966	–
Tax payable	269,940	–
Interest-bearing bank and other borrowings (note ii)	3,370,982	–
Deferred tax liabilities	196,096	–
<b>Liabilities classified as held for sale</b>	<b>6,801,087</b>	<b>531,890</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

(b) (Continued)

Notes:

- (i) Tianjin Harmonious Realty, an associate of Coastal Greenland Development (Wuhan) Ltd. ("Coastal Wuhan"), has a property development project in Tianjin. Pursuant to the disposal agreement between Coastal Wuhan and shareholders of Tianjin Harmonious Realty, Coastal Wuhan is entitled to receive guaranteed dividend from Tianjin Harmonious Realty amounting to RMB1,834,000,000 (equivalent to HK\$2,289,000,000). Pursuant to the Disposal Agreement, the Group is still entitled to receive such guaranteed dividend from Tianjin Harmonious Realty after the Disposal.
- (ii) In previous years, Coastal Wuhan raised a loan of RMB1,601,000,000 (equivalent to HK\$1,998,000,000) from a financial institution, of which the right to receive the guaranteed dividend from Tianjin Harmonious Realty is secured. The obligation to repay the outstanding loan balance will be assigned to the Group upon completion of the Disposal. Even if the Group does not receive guaranteed dividend, the Group is still obliged to repay this amount by November 2019, which is the original maturity of the loan.

## 29. 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:

	2018		2017	
	Balance HK\$'000	Percentage	Balance HK\$'000	Percentage
0–30 days	14,480	16	652,308	61
31–60 days	–	N/A	158,587	15
61–90 days	–	N/A	172,467	16
Over 90 days	78,854	84	80,544	8
	<b>93,334</b>	<b>100</b>	1,063,906	100

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

Deposits received from pre-sales of properties amounting to HK\$116,942,000 (2017: HK\$1,002,992,000) are expected to be released to the profit or loss in more than twelve months after the end of the reporting period.

## 31. OTHER PAYABLES AND ACCRUALS

	2018 HK\$'000	2017 HK\$'000
Sales and other taxes payable	<b>83,302</b>	120,590
Other payables (note)	<b>1,698,453</b>	1,965,566
Accrued construction costs	<b>17,401</b>	297,603
Other accrued operating expenses	<b>211,644</b>	38,083
	<b>2,010,800</b>	2,421,842

Note:

Other payables included payables of approximately RMB234,390,000 (equivalent to approximately HK\$292,531,000) by Hengxiang Real Estate. The amount represented loan principal and interest payable to the lender and the legal cost for the litigation according to the judgement by the Liaoning High People's Court dated 28 January 2018. Since the Group is still under negotiation with the minority shareholder for the compensation related to these payables, no receivable has been recorded.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018 HK\$'000	2017 HK\$'000
CURRENT		
Bank borrowings – secured	<b>310,556</b>	671,574
Other borrowings – secured	–	1,745,908
	<b>310,556</b>	2,417,482
NON-CURRENT		
Bank borrowings – secured	<b>56,162</b>	585,724
Other borrowings – secured	–	1,803,354
	<b>56,162</b>	2,389,078
	<b>366,718</b>	4,806,560

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

	2018 HK\$'000	2017 HK\$'000
Analysed into:		
Bank borrowings repayable:		
Within one year	<b>12,480</b>	412,398
In the second year	<b>24,961</b>	574,460
In the third to fifth years inclusive	<b>31,201</b>	11,264
	<b>68,642</b>	998,122
Bank borrowings that is repayable within one year from the end of the reporting period or contain a repayment on demand clause	<b>298,076</b>	259,176
	<b>366,718</b>	1,257,298
Other borrowings repayable:		
Within one year	–	1,745,908
In the second year	–	–
In the third to fifth years inclusive	–	1,803,354
	–	3,549,262
	<b>366,718</b>	4,806,560

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

Notes:

- (a) The Group's other borrowings of HK\$2,535,509,000 and HK\$1,013,753,000 as at 31 March 2017 were borrowed from PRC trust companies and financial institutions respectively which carried interest ranging from 6.67% to 19% per annum and had repayment terms ranging from 3 months to 48 months. They were secured by:
- (i) certain properties under development of the Group with an aggregate carrying value of HK\$2,666,664,000;
  - (ii) the Group's 70% and 100% equity interests respectively in two property-based subsidiaries;
  - (iii) corporate guarantees from the Company and certain of its subsidiaries;
  - (iv) the Group's 30% equity interests in an associate; and
  - (v) the Group's 12% equity interests in a property-based entity which was carried as an available-for-sale investment in the consolidated statement of financial position.

The Group's other borrowings were classified as liabilities held for sale at 31 March 2018.

- (b) Certain of the Group's bank borrowings as at 31 March 2018 and 2017 are secured by:
- (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK\$160,998,000 (2017: HK\$189,234,000);
  - (ii) certain bank deposits of the Group with an aggregate carrying value of approximately HK\$253,491,000 (2017: HK\$261,323,000);
  - (iii) certain properties under development of the Group with an aggregate carrying value of approximately HK\$175,666,000 (2017: HK\$956,050,000);
  - (iv) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$33,504,000 (2017: HK\$90,391,000); and
  - (v) corporate guarantee from a subsidiary.
- (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:

	2018		2017	
	Borrowings HK\$'000	Interest rate	Borrowings HK\$'000	Interest rate
Effective interest rate:				
Fixed-rate borrowings	-	-	4,540,594	2.47% to 19.00%
Variable-rate borrowings	<b>366,718</b>	<b>2.62% to 6.18%</b>	265,966	2.55% to 7.2%

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

Notes: (Continued)

(c) (Continued)

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

	2018 HK\$'000	2017 HK\$'000
United States dollar	213,950	175,050
Hong Kong dollar	84,125	158,605
	<b>298,075</b>	333,655

## 33. SHARE CAPITAL

### Shares

	Number of ordinary shares	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 1 April 2016, 31 March 2017 and 31 March 2018	7,000,000,000	700,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 1 April 2016, 31 March 2017 and 31 March 2018	4,185,874,285	418,587

### Share options

Details of the Company's share option scheme and the share options granted under the scheme are included in note 35.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 34. DEFERRED TAX LIABILITIES

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

	Business combinations (note a) HK\$'000	Fair value adjustments of investment properties HK\$'000	Unrealised profit HK\$'000	Undistributed profits of PRC subsidiaries (note b) HK\$'000	Others (note c) HK\$'000	Total HK\$'000
At 1 April 2016	101,485	1,300	(59,774)	153,727	35,075	231,813
Exchange realignment	(5,943)	(67)	3,672	(9,387)	955	(10,770)
(Credited) debited to profit or loss during the year	(12,413)	–	–	(2,441)	26,722	11,868
At 31 March 2017	83,129	1,233	(56,102)	141,899	62,752	232,911
Exchange realignment	19,988	111	(6,059)	15,120	8,623	37,783
(Credited) debited to profit or loss during the year	(15,644)	–	–	(3,496)	77,601	58,461
Debited to other comprehensive income during the year	–	–	–	–	19,616	19,616
Acquisition of subsidiaries (note 37)	111,264	–	–	–	–	111,264
Transfer to liabilities held for sales (note 28)	(88,339)	(1,141)	–	–	(106,616)	(196,096)
At 31 March 2018	110,398	203	(62,161)	153,523	61,976	263,939

Notes:

- (a) This represents the tax effect of the temporary differences arising from the fair value adjustments to the carrying amounts of properties under development upon acquisition of subsidiaries under business combination.
- (b) Pursuant to the Detailed Implementation Regulations for implementation of the New Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. Deferred tax liabilities have been recognised for withholding taxes that would be payable on the planned unremitted earnings that are subject to withholding taxes of the Group's subsidiary established in the PRC. The Group's policy on recognising deferred tax liabilities arising from the withholding taxes was 5% of the subsidiaries' entire earnings.

At the end of the reporting period, deferred tax credit of HK\$3,496,000 (2017: deferred tax credit of HK\$2,441,000) has been recognised on the undistributed profits of PRC subsidiaries during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 34. DEFERRED TAX LIABILITIES *(Continued)*

Notes: *(Continued)*

- (c) This represents the tax effect of the temporary differences arising from determining the accounting profit and taxable profit in respect of sale of certain properties, as well as capitalisation of interest expenses and other property development costs.
- (d) At the end of the reporting period, the Group has unused tax losses of HK\$1,235,986,000 (2017: HK\$1,015,317,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$1,128,829,000 (2017: HK\$898,185,000) that will gradually expire in five years. Other losses will be carried forward indefinitely.

## 35. SHARE OPTION SCHEME

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

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

- (i) Subject to the Listing Rules, the overall limit on the number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme 2011 and any other scheme of the Company must not, in aggregate, exceed 30% of the shares in issue from time to time (the "Overall Limit"). No options shall be granted under any share option schemes of the Company (including the Scheme 2011) if this will result in the Overall Limit being exceeded.
- (ii) Subject to the Overall Limit, the total number of shares which may be issued upon exercise of all options to be granted under the Scheme 2011 and any other share option schemes of the Company adopted by the Group must not, in aggregate, exceed 10% of the shares in issue as at the date of the approval of the Scheme 2011 (the "Scheme Mandate Limit"), unless shareholders' approval has been obtained. Options lapsed in accordance with the terms of the Scheme 2011 will not be counted for the purpose of calculating the Scheme Mandate Limit.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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

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

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

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

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

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

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

No options were granted, exercised, cancelled nor lapsed during the years ended 31 March 2018 and 31 March 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 35. SHARE OPTION SCHEME (Continued)

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

### Scheme 2011

Name or category of Participant	Number of share options				Date of grant of share options (note 1)	Vesting period	Exercise period of share options (note 2)	Exercise price of share options HK\$ (note 3)
	Outstanding and exercisable at 1 April 2016 and 31 March 2017	Reclassified from other employees and participants to Directors	Granted/ exercised/ cancelled/ lapsed during the year	Outstanding and exercisable at 31 March 2018				
<b>Directors</b>								
Tao Lin	27,000,000	-	-	27,000,000	17 March 2014	17 March 2014 to 16 April 2014	17 April 2014 to 16 March 2019	0.345
Yang Jiangang	2,000,000	-	-	2,000,000	17 March 2014	17 March 2014 to 16 April 2014	17 April 2014 to 16 March 2019	0.345
Wong Kai Cheong	2,000,000	-	-	2,000,000	17 March 2014	17 March 2014 to 16 April 2014	17 April 2014 to 16 March 2019	0.345
Li Ting	16,500,000	-	-	16,500,000	17 March 2014	17 March 2014 to 16 April 2014	17 April 2014 to 16 March 2019	0.345
Xia Xianglong	16,500,000	-	-	16,500,000	17 March 2014	17 March 2014 to 16 April 2014	17 April 2014 to 16 March 2019	0.345
<b>Other employees and participants</b>								
In aggregate	126,000,000	-	-	126,000,000	17 March 2014	17 March 2014 to 16 April 2014	17 April 2014 to 16 March 2019	0.345
	190,000,000	-	-	190,000,000				

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The share options are exercisable during the period from 17 April 2014 to 16 March 2019, as specified in the share option certificates.
- (3) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 36. DISPOSAL OF SUBSIDIARIES

- (a) As detailed in the announcement issued by the Company dated 22 June 2017, the Group entered into a disposal agreement with an independent third party, pursuant to which the Group agreed to sell and the independent third party agreed to purchase 80% equity interests in Guangzhou Haicong (or “Subsidiary A”) at a total consideration of RMB80,000,000 (equivalent to approximately HK\$94,732,000). The transaction was completed on 25 September 2017 and Guangzhou Haicong become an associate of the Company.
- (b) In December 2016, the Group disposed of the entire equity interests in Kunshan Fuzhi (or “Subsidiary B”), a wholly-owned subsidiary of the Company holding 97.63% equity interests in a PRC property based company, to an independent third party for a consideration of RMB1,400,000,000 (equivalent to approximately HK\$1,621,928,000). The disposal was completed in December 2017.
- (c) On 29 March 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interests in a subsidiary for a consideration of HK\$23,000. The disposal was completed in March 2017.
- (d) During the year ended 31 March 2017, the Group disposed of the entire equity interests in a subsidiary to an independent third party for a consideration of HK\$68,934,000. The disposal was completed in October 2016.
- (e) 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, a wholly-owned subsidiary of the Company engaged in property development with a primary land development project as its major asset, to the independent third party for a total consideration of RMB875,000,000 (equivalent to approximately HK\$1,029,400,000). The disposal was completed during the year ended 31 March 2017 and Tianjin Harmonious Realty has become an associate of the Company upon the completion of the disposal.
- (f) An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries was as follows:

	2018 HK\$'000	2017 HK\$'000
Cash consideration	<b>1,621,928</b>	1,053,817
Cash and bank balances disposed of	<b>(5,139)</b>	(59,767)
Net inflow of cash and cash equivalents in respect of the disposals of subsidiaries/property-based subsidiaries	<b>1,616,789</b>	994,050

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 36. DISPOSAL OF SUBSIDIARIES (Continued)

The net assets of the subsidiaries at the date of disposal were as follows:

	Subsidiary A HK\$'000	Subsidiary B HK\$'000	2018 HK\$'000	2017 HK\$'000
Net assets disposed of:				
Property, plant and equipment	–	–	–	268
Interests in an associate	–	588,527	<b>588,527</b>	–
Completed properties for sale	–	–	–	79,644
Properties under development	–	–	–	4,963,656
Prepayments, deposits and other receivables	–	337,301	<b>337,301</b>	369,248
Amounts due from joint ventures	–	–	–	281
Cash and bank balances	2	5,137	<b>5,139</b>	59,767
Amounts due from(to) the Group	118,372	–	<b>118,372</b>	(310,601)
Other payables and accruals	–	(191,148)	<b>(191,148)</b>	(328,255)
Interest-bearing bank and other borrowings	–	–	–	(3,461,235)
	118,374	739,817	<b>858,191</b>	1,372,773
Gain on disposal is calculated as follows:				
Consideration	94,732	1,621,928	<b>1,716,660</b>	1,053,817
Fair value of 20% retained interest in an associate	23,675	–	<b>23,675</b>	–
Other receivable	–	–	–	23
Net assets of subsidiaries disposed of	(118,374)	(739,817)	<b>(858,191)</b>	(1,372,773)
Fair value of 30% retained interest in an associate	–	–	–	2,263,604
Tax imposed on gain on disposal	–	(220,528)	<b>(220,528)</b>	(98,771)
Net gain on disposal	33	661,583	<b>661,616</b>	1,845,900
Satisfied by:				
Cash	–	1,621,928	<b>1,621,928</b>	1,053,817
Other receivable	–	–	–	23
Offset against amount due to Subsidiary A by the Group	94,732	–	<b>94,732</b>	–
	94,732	1,621,928	<b>1,716,660</b>	1,053,840

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 36. DISPOSAL OF SUBSIDIARIES *(Continued)*

During the year ended 31 March 2018, loss after taxation of HK\$1,003,000 (2017: HK\$318,000) attributed by the disposed subsidiaries have been included in the Group's consolidated statement of profit or loss and other comprehensive income.

Other than the consideration received from the disposal of the interest in the subsidiaries, the disposed subsidiaries had no significant contribution to the Group's operating, investing and financing cash flows for the years ended 31 March 2018 and 2017.

## 37. ACQUISITION OF SUBSIDIARIES

As detailed in the announcement and circular issued by the Company dated 14 April 2015 and 30 June 2015 respectively, the Group acquired 81% additional equity interests of a 4%-owned joint venture of the Group, the Hengxiang Group, from independent third parties for an aggregate consideration of RMB602,700,000 (equivalent to approximately HK\$679,351,000), whereby control was passed to the Group upon the approval by the relevant government authority on 12 April 2017, the completion date. This transaction has been accounted for as acquisition of business using acquisition accounting. The Hengxiang Group is engaged in property development with its development project located in the southeastern of Heilongjiang province, the PRC. The Hengxiang Group was acquired in the normal course of business of the Group's property development operation.

Non-controlling interest recognised at the acquisition date were measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. In addition, the difference between the fair value of the existing interests in a joint venture and the carrying amount of interests in joint venture amounting to HK\$17,544,000 was recognised in profit or loss during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 37. ACQUISITION OF SUBSIDIARIES (Continued)

The fair value of the consideration, assets acquired and liabilities assumed of the Hengxiang Group at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment	46
Property under development	1,163,249
Prepayments, deposits and other receivables	175,287
Cash and bank balance	158
Trade payables	(48,823)
Deposits received from pre-sales of properties	(81,379)
Other payables and accruals	(289,416)
Tax payables	(80,878)
Amount due to a shareholder	(119,849)
Amounts due to related parties	(3,101)
Deferred tax liabilities	(111,264)
Less: Non-controlling interests	(90,604)
<b>Net assets acquired</b>	<b>513,426</b>
Cash consideration paid	621,579
Cash consideration outstanding and included in other payables	57,773
Fair value of interests in joint ventures held before the acquisition date	24,161
Less: Fair value of net assets acquired	(513,426)
<b>Goodwill on acquisition</b>	<b>190,087</b>
Impairment losses in respect of goodwill	(190,087)
	-
Cash consideration paid	621,579
Cash and cash equivalents acquired	(158)
<b>Net cash outflow on acquisition of the Hengxiang Group</b>	<b>621,421</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 37. ACQUISITION OF SUBSIDIARIES *(Continued)*

As a result of the above acquisition, goodwill of HK\$190,087,000, being the difference between the consideration and the fair values of identifiable net assets acquired arose. However, it was considered that such goodwill is not expected to generate any economic benefit or cash inflow in the future. Impairment losses on the entire goodwill were recognised in the consolidated financial statements immediately upon the completion of the above acquisitions.

Hengxiang Group contributed revenue of HK\$3,000 and net loss of HK\$37,657,000 to the Group for the period from the acquisition date to 31 March 2018.

## 38. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had given guarantees to the extent of approximately HK\$3,892,220,000 (2017: HK\$2,828,414,000) to banks in respect of mortgage loan facilities granted to the property purchasers. The Group had also given guarantees amounting to approximately HK\$420,291,000 (2017: nil) and HK\$1,144,587,000 (2017: nil) to certain PRC banks and a PRC trust company respectively in connection with loan facilities granted to an associate.

The directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition are insignificant. At the end of the reporting period, the directors of the Company consider that the possibility of default is low due to the basis of short maturity periods and low default rates.

## 39. OPERATING LEASE ARRANGEMENTS

### *(a) As lessor*

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from 1 month to over 5 years at fixed rentals. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 39. OPERATING LEASE ARRANGEMENTS (Continued)

### (a) As lessor (Continued)

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2018 HK\$'000	2017 HK\$'000
Within one year	127	375
In the second to fifth year inclusive	15	35
Over five years	66	65
	<b>208</b>	475

### (b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to over 5 years with fixed rentals.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	14,791	7,740
In the second to fifth years inclusive	59,428	43,339
	<b>74,219</b>	51,079

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 40. CAPITAL COMMITMENTS

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

	2018 HK\$'000	2017 HK\$'000
Contracted but not provided for:		
Acquisition of property-based subsidiaries	-	34,308

## 41. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2018 HK\$'000	2017 HK\$'000
Cash and bank balances	<b>1,342,744</b>	942,778
Cash and bank balances included in assets classified as held for sale (note 28)	<b>317,501</b>	5,137
Less: restricted bank balances (note 23)	<b>(17,325)</b>	(348,124)
	<b>1,642,920</b>	599,791

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 42. NON-CONTROLLING INTERESTS

Hengxiang Real Estate, a 85% owned subsidiary of the Company, has material non-controlling interests.

Summarised financial information in relation to non-controlling interests of Hengxiang Real Estate, before intra-group eliminations, is presented below:

	2018 HK\$'000	2017 HK\$'000
For the year ended 31 March		
Revenue	3	1,193
Loss for the year	37,657	145
Total comprehensive income for the year	37,657	145
Loss for the year allocated to non-controlling interests	5,649	N/A
Net cash flows used in operating activities	(63,772)	(35,483)
Net cash flows used in investing activities	(1,200)	–
Net cash flows generated from financing activities	65,128	33,688
Net increase/(decrease) in cash and cash equivalents	191	(1,926)

	2018 HK\$'000	2017 HK\$'000
As at 31 March		
Current assets	1,501,665	812,195
Non-current assets	1,317	46
Current liabilities	(750,859)	(299,439)
Non-current liabilities	(123,194)	–
Net assets	628,929	512,802
Accumulated non-controlling interests	94,339	N/A

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	<b>Interest- bearing bank and other borrowings</b> (note 32) HK\$'000	<b>Amount due to a substantial shareholder of the Company</b> (note 46(b)(i)) HK\$'000	<b>Total</b> HK\$'000
At 1 April 2017	4,806,560	27,041	4,833,601
Changes from cash flows:			
Additional of bank and other borrowings	1,711,610	–	1,711,610
Repayments of bank and other borrowings	(3,263,571)	–	(3,263,571)
Repayment to a substantial shareholder of the Company	–	(3,218)	(3,218)
Total changes from financing cash flows	(1,551,961)	(3,218)	(1,555,179)
Exchange adjustments	483,101	–	483,101
Non-cash changes:			
Transfer to liabilities classified as held for sale (note 28)	(3,370,982)	–	(3,370,982)
As 31 March 2018	366,718	23,823	390,541

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 44. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 32, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

## 45. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including pledged bank deposits, cash and bank balances)	<b>2,608,405</b>	2,918,462
Available-for-sale investments	<b>195,409</b>	163,133
<b>Financial liabilities</b>		
Amortised cost	<b>2,187,344</b>	7,863,073

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 45. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, pledged deposits for other borrowing, amounts due from associates and joint ventures, pledged bank deposits, cash and bank balances, trade and bills payables, other payables, amount due to a substantial shareholder of the Company and interest-bearing bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### (i) Market risk

#### Currency risk

The Group has other receivables, amounts due from associates and joint ventures, cash and bank balances, other payables, amount due to a substantial shareholder of the Company and borrowings denominated in Hong Kong dollar and United States dollar, which are different from the functional currency of the respective group entity and accordingly expose the Group to foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its foreign currency risk by monitoring the movement of the foreign currency rate and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are as follows:

	Assets		Liabilities	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Hong Kong dollar	257,811	159,383	302,488	263,025
United States dollar	40,325	6,730	215,087	176,187

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 45. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### (i) Market risk (Continued)

##### Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2017: 5%) increase in RMB against Hong Kong dollar and United States dollar. 5% (2017: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rates. A positive number below indicates a decrease in profit for the year where RMB strengthens against the relevant foreign currencies. For a 5% (2017: 5%) weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the loss for the year.

	2018 HK\$'000	2017 HK\$'000
<b>Hong Kong dollar</b>		
Decrease in profit for the year	<b>2,110</b>	3,980
<b>United States dollar</b>		
Decrease in profit for the year	<b>8,324</b>	6,500

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 45. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### (i) Market risk (Continued)

##### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings. The Group is also exposed to cash flow interest rate primarily in relation to variable-rate bank and other borrowings. The Group's cash flow interest rate is mainly concentrated on the fluctuation of LIBOR prescribed interest rate arising from the Group's Hong Kong dollar and RMB denominated borrowings. The management considers the exposure to interest rate risk in relation to pledged bank deposits and bank balances is insignificant due to the low level of bank interest rate. During the year, the Group has not entered into any derivative contracts to hedge against its cash flow and fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

##### Sensitivity analysis

The following table details the Group's sensitivity to a 100 basis points (2017: 100 basis points) increase and decrease in LIBOR prescribed interest rate. 100 basis points are the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The sensitivity analysis includes only variable-rate bank and other borrowings assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A positive number below indicates a decrease in profit where the interest rate increases. If the interest rate decreases, there would be an equal and opposite impact on the profit for the year.

In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

	2018 HK\$'000	2017 HK\$'000
<b>LIBOR</b>		
Decrease in profit for the year	<b>686</b>	744

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 45. FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Financial risk management objectives and policies (Continued)*

#### *(ii) Credit risk*

As at 31 March 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee contracts issued by the Group as disclosed in note 38.

The Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. With respect to financial guarantee provided to a bank to secure the banking facility granted to an associate by the Group, the directors consider the credit risk is limited because the associate has a strong financial position. The management considers the credit risk exposure to financial guarantee provided to banks to secure the banking facilities granted to property purchasers is also limited. Upon default in mortgage payments by property purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted property purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 March 2018 and 2017, the Group has concentration of credit risk in respect of the amounts due from associates and joint ventures. The management closely monitors the financial position and repayment status of the debtors, and considers that the credit risk is low. The Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by credit-ratings agencies.

#### *(iii) Liquidity risk*

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate working capital and continuously monitoring forecast and actual cash flows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 45. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### (iii) Liquidity risk (Continued)

The Group relies on bank and other borrowings as a significant source of liquidity. The Group manages the maturities profile of its bank and other borrowings by designating a team to closely monitor the funding requirement with lending covenants and its compliance and early negotiate with lenders for refinancing arrangement or seek for new sources of financing prior to maturity.

#### Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate	On demand or less than 1 month HK\$'000	1 - 3 months HK\$'000	3 months to 1 year HK\$'000	1 - 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2018 HK\$'000
As at 31 March 2018							
Trade and other payables	-	1,791,787	-	-	-	1,791,787	1,791,787
Amount due to a substantial shareholder of the Company	-	23,823	-	-	-	23,823	23,823
Amounts due to associates and joint ventures	-	5,016	-	-	-	5,016	5,016
Interest-bearing bank and other borrowings - variable rate	6.18%	94,439	2,153	9,671	273,949	380,212	366,718
Financial guarantee contracts	-	5,457,098	-	-	-	5,457,098	-
		7,372,163	2,153	9,671	273,949	7,657,936	2,187,344

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 45. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### (iii) Liquidity risk (Continued)

##### Liquidity tables (Continued)

	Weighted average effective interest rate	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2017 HK\$'000
As at 31 March 2017							
Trade, bills and other payables	-	3,029,472	-	-	-	3,029,472	3,029,472
Amount due to a substantial shareholder of the Company	-	27,041	-	-	-	27,041	27,041
Interest-bearing bank and other borrowings							
– fixed rate	10.78%	319,099	943,727	488,629	3,000,410	4,751,865	4,540,594
– variable rate	6.38%	1,270	2,583	109,003	176,625	289,481	265,966
Financial guarantee contracts	-	2,828,414	-	-	-	2,828,414	-
		6,205,296	946,310	597,632	3,177,035	10,926,273	7,863,073

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 March 2018, the undiscounted principal amount of such bank loans amounted to HK\$298,076,000 (2017: HK\$259,176,000). Taking into account the Group’s financial position, the directors do not believe that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid during the “3 months to 1 year” (2017: “3 months to 1 year”) time band after the reporting date in accordance with the scheduled repayment dates set out in the loan agreement. At that time, the aggregate principal and interest cash outflows in relation to this loan will amount to HK\$308,183,000 (2017: HK\$281,302,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 45. FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Financial risk management objectives and policies (Continued)*

#### *(iii) Liquidity risk (Continued)*

##### *Liquidity tables (Continued)*

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if the amount is claimed by the counterparty to the guarantee. Based on expectation at the end of the reporting period, the Group considers that it is more likely than not that amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change, if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

### *(c) Fair values of financial instruments*

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices and rates from observable current market transactions as input.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 46. RELATED PARTY TRANSACTIONS

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

- (a) During the year ended 31 March 2018, the Group received the project management service income of HK\$41,787,000 (2017: HK\$64,570,000) from joint ventures and available-for-sales investments.
- (b) *Outstanding balances with related parties*
- (i) The amount due to a substantial shareholder of the Company represents amount due to Coastal International Holdings Limited, which holds 36.58% interests in the Company. The amount is unsecured, interest-free and repayable on demand.
  - (ii) The amounts due from/(to) associates and joint ventures of HK\$490,313,000 (2017: HK\$736,767,000) are non-trade, unsecured, interest-free and repayable on demand.
  - (iii) The amount due from an associate of HK\$219,456,000 at 31 March 2017 represents amount due from Huizhou Shum Yip which is part of the consideration received by the Group in exchange for the Group's entire equity interests in Suzhou New Investment Development Co., Ltd in previous years. The amount is unsecured and carries interest at PBOC interest rate. The amount has been fully settled during the year ended 31 March 2018.
  - (iv) The amount due from a joint venture of HK\$124,805,000 (2017: HK\$112,639,000) represents an amount due from Beijing Huichao. The amount is non-trade, interest-free, repayable on demand and secured by 11% equity interests in Beijing Huichao. In the opinion of the directors of the Company, the amount is not expected to be repaid within twelve months after the end of the reporting period and according it is presented as non-current asset as at 31 March 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 46. RELATED PARTY TRANSACTIONS (Continued)

(c) *Compensation of key management personnel of the Group who are the executive directors of the Company*

	2018 HK\$'000	2017 HK\$'000
Short term benefits	<b>10,829</b>	10,689
Post-employment benefits	<b>268</b>	168
Total compensation paid to key management personnel	<b>11,097</b>	10,857

Further details of directors' emoluments are included in note 12.

The remuneration of directors of the Company and senior management is determined by the remuneration committee having regard to the performance of individuals and market trend.

## 47. MATERIAL INTEREST OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in note 46, no transactions, arrangements or contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, were entered into or subsisted during the financial year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 48. FINANCIAL INFORMATION OF THE COMPANY

Financial information of the financial position of the Company:

	Notes	2018 HK\$'000	2017 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Interests in subsidiaries	a	<b>3,926,743</b>	3,926,908
Available-for-sale investments		<b>2,400</b>	2,400
Total non-current assets		<b>3,929,143</b>	3,929,308
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables		<b>116,236</b>	92,890
Bank balances		<b>123,677</b>	2,387
Total current assets		<b>239,913</b>	95,277
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		<b>120,439</b>	2,260
Interest-bearing bank borrowings		<b>213,950</b>	175,050
Amounts due to subsidiaries		<b>971,091</b>	963,312
Total current liabilities		<b>1,305,480</b>	1,140,622
<b>NET CURRENT LIABILITIES</b>		<b>(1,065,567)</b>	(1,045,345)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,863,576</b>	2,883,963
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>418,587</b>	418,587
Reserves	49	<b>2,444,989</b>	2,465,376
<b>Total equity</b>		<b>2,863,576</b>	2,883,963

On behalf of the board of directors

**Jiang Ming**  
DIRECTOR

**Xia Xianglong**  
DIRECTOR

Notes:

- (a) Interests in subsidiaries are included in the Company's statement of financial position at cost less identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 49. RESERVES

### *The Group*

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 74 to 75 of the consolidated financial statements.

#### *(i) Contributed surplus*

The contributed surplus represents the surpluses arising from the issue of shares by Coastal Realty (BVI) Limited, the intermediate holding company of the Company, (i) in the acquisition of Coastal Realty Development Co. Limited, the former holding company of the Company in 1995; and (ii) at a premium to third parties in 1997, less dividends paid to shareholders in previous years.

#### *(ii) Leasehold property revaluation reserve*

The leasehold property revaluation reserve comprises the cumulative net changes in the fair value of leasehold property held by the Group as at year-end dates, net of deferred tax.

#### *(iii) Exchange fluctuation reserve*

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations which are dealt with in accordance with the accounting policies as set out in note 4(v).

#### *(iv) PRC reserve funds*

PRC reserve funds are reserves required by the relevant laws in the PRC applicable to the Company's PRC subsidiaries for staff welfare and expansion of working capital.

#### *(v) Share options reserve*

The share options reserve comprises the portion of the grant date fair value of unexercised share options granted to the grantees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 4(t).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 49. RESERVES (Continued)

### *The Company*

#### *Movement of reserves of the Company*

	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2016	1,336,094	2,315,240	169,737	22,689	(1,019,257)	2,824,503
Exchange differences arising on translation to presentation currency	-	-	(330,094)	-	-	(330,094)
Forfeiture of share options	-	-	-	(7,238)	-	(7,238)
Loss for the year	-	-	-	-	(21,795)	(21,795)
At 31 March 2017	1,336,094	2,315,240	(160,357)	15,451	(1,041,052)	2,465,376
Loss for the year	-	-	-	-	(20,387)	(20,387)
At 31 March 2018	1,336,094	2,315,240	(160,357)	15,451	(1,061,439)	2,444,989

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share capital/ registered capital  (Note i)	Percentage of equity attributable to the Company		Principal activities
			2018 %	2017 %	
<b>Directly held subsidiaries:</b>					
Coastal Green Investment Management Limited	Hong Kong	HK\$1 Ordinary	100	100	Investment holding
Coastal Realty (BVI) Limited	British Virgin Islands/ Hong Kong	US\$200 Ordinary	100	100	Investment holding
Coastal Realty Investment (China) Limited #	PRC	US\$100,000,000	100	100	Investment holding
<b>Indirectly held subsidiaries:</b>					
Beijing Gaosheng Real Estate Company Limited *	PRC	RMB466,800,000	100	100	Property development and investment and investment holding
Beijing Xing Gang Real Estate Co., Ltd. *	PRC	US\$13,500,000	100	100	Property development and investment holding
Capital Top Trading Limited	Hong Kong	US\$96,000,000	100	100	Loan financing
Coastal Development (Anshan) Ltd. *	PRC	RMB50,000,000	100	100	Property development
Century East Group Limited	British Virgin Island/ Hong Kong	US\$50,000	100	100	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share capital/ registered capital  (Note i)	Percentage of equity attributable to the Company		Principal activities
			2018 %	2017 %	
<b>Indirectly held subsidiaries: (Continued)</b>					
Coastal Greenland Development (Jiangxi) Limited #	PRC	US\$12,000,000	100	100	Property development
Coastal Greenland Development (Shenyang) Ltd. *	PRC	US\$20,000,000	100	100	Investment holding
Coastal Greenland Development (Shenzhen) Ltd. #	PRC	US\$12,000,000	100	100	Property development
Coastal Greenland Development (Wuhan) Ltd. #	PRC	RMB250,000,000	100	100	Property development
Coastal Realty Development Co. Limited	Hong Kong	HK\$10 Ordinary HK\$20,000,000 Non-voting deferred shares (note ii)	100	100	Investment holding
Coastal Realty Development (Shanghai) Co., Ltd. #	PRC	US\$12,000,000	100	100	Investment holding
Coastal Realty Management Company Limited	Hong Kong	HK\$500,000 Ordinary	100	100	Investment holding
Coastal Riviera Garden (Anshan) Development Co., Ltd. #	PRC	RMB42,000,000	100	100	Investment holding
Dongguan Riviera Garden Development Co., Ltd. *	PRC	RMB10,000,000	100	100	Property development

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share capital/ registered capital  (Note i)	Percentage of equity attributable to the Company		Principal activities
			2018 %	2017 %	
<b>Indirectly held subsidiaries: (Continued)</b>					
Dragon Gain Investment Limited	Hong Kong	HK\$1,000 Ordinary	100	100	Investment holding
Fenhall Development Limited	Hong Kong/PRC	HK\$10,000 Ordinary	100	100	Property investment
Fenson Development Limited	Hong Kong/PRC	HK\$10,000 Ordinary	100	100	Property investment
Frenwick Development Limited	Hong Kong/PRC	HK\$10,000 Ordinary	100	100	Property investment
Globe Gain Limited	Hong Kong	HK\$3 Ordinary	100	100	Investment holding
Goldwide Group Limited	British Virgin Islands/ Hong Kong	US\$10	100	100	Investment holding
Hengxiang Real Estate (note iii)	PRC	RMB500,000,000	85	4	Property development
Innovative Marketing and Strategy (Shenzhen) Ltd. #	PRC	HK\$1,000,000	100	100	Provision of management services
Joinwell Investment Limited	Hong Kong	HK\$2 Ordinary	100	100	Investment holding
Kings Crown Holdings Ltd.	British Virgin Islands/ Hong Kong	US\$50,000 Ordinary	100	100	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share capital/ registered capital  (Note i)	Percentage of equity attributable to the Company		Principal activities
			2018 %	2017 %	
<b>Indirectly held subsidiaries: (Continued)</b>					
North Coastal Real Estate Development (Dalian) Co., Ltd. #	PRC	US\$15,000,000	100	100	Property development
Pearl Square Enterprises Limited	Hong Kong	HK\$2 Ordinary	100	100	Investment holding
Shanghai Coastal Commercial Investment Management Co., Ltd. *	PRC	RMB10,000,000	100	100	Investment holding
Shanghai Coastal Greenland Real Estate Ltd. ^	PRC	RMB136,200,000	100	100	Investment holding
Shanghai Xinhongda Real Estate Ltd. *	PRC	RMB248,292,951	100	100	Property development
Shenyang Coastal Rongtian Real Estate Co., Ltd. #	PRC	US\$18,000,000	100	100	Property development
Shenyang Market Real Estate Development Co., Ltd. *	PRC	RMB12,000,000	100	100	Property investment
Shenyang Rongtian Real Estate Development Co., Ltd. #	PRC	US\$32,000,000	100	100	Property development
Shenyang Zhong Guang Bei Fang Ying Shi Cheng Co., Ltd. *	PRC	RMB200,000,000	100	100	Property development
Shenzhen Coastal Property Investment Limited #	PRC	US\$11,000,000	100	100	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share capital/ registered capital  (Note i)	Percentage of equity attributable to the Company		Principal activities
			2018 %	2017 %	
<b>Indirectly held subsidiaries: (Continued)</b>					
Shenzhen Tongzhe Culture Limited*	PRC	RMB1,000,000	100	100	Provision of management services
Smooth Land Limited	Hong Kong	HK\$1 Ordinary	100	100	Investment holding
Suzhou Gaotong Information Services and Consultation Ltd. #	PRC	US\$45,000,000	100	100	Investment holding
Tacklemate Investment Limited	Hong Kong	HK\$2 Ordinary	100	100	Property investment
Zhuhai Coastal Greenland Real Estate Co., Ltd. (note iv)	PRC	RMB150,000,000	67	100	Property development

Notes:

- (i) For those companies incorporated in Hong Kong and the British Virgin Islands, the amounts stated represent the nominal value of the issued share capital. For those companies registered in the PRC, the amounts stated represent the registered capital.
- (ii) Non-voting deferred shares do not entitle the holders to receive any profit, or to receive notice of or to attend or vote at any general meeting of the company. On a return of assets on a winding-up or otherwise, the assets of the company available for distribution among the members shall be distributed as regards the first HK\$100,000,000,000,000 thereof among the holders of ordinary shares in proportion to the amounts paid up on the ordinary shares held by them, respectively, and the balance (if any) of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the holders of the ordinary shares *pari passu* among themselves in each case in proportion to the amounts paid up on the shares held by them, respectively.
- (iii) During the year ended 31 March 2018, the Group acquired of 81% equity interests in Hengxiang Real Estate. Hengxiang Real Estate is accounted for as a subsidiary of the Company upon completion of the acquisition.

- # wholly foreign owned enterprise  
 ^ sino-foreign joint venture  
 \* wholly domestic owned enterprise

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Notes: *(Continued)*

- (iv) During the year ended 31 March 2018, the Group entered into an agreement with an independent third party pursuant to which the independent third party agreed to inject RMB50,000,000 by cash for 33.33% of the registered capital of Zhuhai Coastal Greenland Real Estate Co., Ltd., previously a wholly-owned subsidiary of the Group, as enlarged after such capital injection. The capital injection was completed on 11 August 2017, whereby a gain on deemed disposal of partial equity interests in a subsidiary of approximately HK\$20,478,000 was credited in capital reserve.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

## 51. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (a) Saved as disclosed in note 28, the proposed disposal of Century East Group has been approved by shareholders in a special general meeting of the Company held on 17 May 2018. However, as several conditions precedent have yet to be fulfilled, the proposed disposal has not been completed as at the date of this annual report.
- (b) On 10 January 2018, the Company made an announcement on “Exercise of the Put Option by the Project Partner concerning the Foshan Project”. As stated in the announcement, the buy-out-price for the 80% equity interests was RMB272,000,000. The Foshan Project was carried out by Foshan Harmonious Realty. The transaction was completed on 2 May 2018 and Foshan Harmonious Realty will become a wholly owned subsidiary of the Company upon the completion.

Foshan Harmonious Realty was included in the disposal group held for sale as disclosed in note 28(a).

- (c) On 18 April 2018, the Company made an announcement on “Exercise of the Put Option by the JV Partner concerning the Wuhan Lingjiao Hu Project”. As stated in the announcement, the buy-out-price for the 60% equity interests was RMB366,000,000. The Wuhan Lingjiao Hu Project was carried out by Wuhan Zhisheng. The transaction was completed on 24 May 2018 and Wuhan Zhisheng will become a 90% owned subsidiary of the Company upon the completion.

Wuhan Zhisheng was included in the disposal group held for sale as disclosed in note 28(a).

# SCHEDULE OF MAJOR PROPERTIES

## Properties Held for Sale and Investment

Property description	Address	Type of development	GFA of the development (sq.m.)	GFA held at 31 March 2018 (sq.m.)	Interest in the development attributable to the Group	Completion/delivery time
<b>Developments in which the Group has the controlling interests:</b>						
<b>The PRC</b>						
Anshan Wisdom New City Phase I Phase II Phase III	275 North Shengli Road Lishan District Anshan	Residential	215,900	5,019	100%	Dec 2009/Dec 2009 Oct 2011/Oct 2011 Dec 2012/Dec 2012
Beijing Silo City Phase I Phase II Phase III Phase IV the Loft Phase IV East Phase IV West A3 Phase IV West A1A2 Phase V Phase VI Phase VII North Phase VII South	5 Baizi Bay Chaoyang District Beijing	Residential/ commercial	862,700	3,252	100%	Mar 2007/Mar 2007 Mar 2007/Jun 2007 Sep 2007/Oct 2007 Dec 2010/Dec 2010 Dec 2010/Dec 2010 Jun 2011/Sep 2011 Dec 2013/Dec 2013 Mar 2008/Jun 2008 Sep 2009/Sep 2009 Mar 2009/Jun 2009 Aug 2009/Aug 2009
Dalian Coastal International Centre Phase I	Zone A, Xinghai Bay Shahekou District Dalian	Residential/ commercial	217,200	9,415	100%	Jan 2012/Jan 2012
Dalian Jianzhu Project Phase I Phase II B1 Phase II B2	South of Huabei Road and West of Huadong Road Ganjingzi District Dalian	Residential	168,900	7,480	100%	Oct 2011/Oct 2011 Jul 2013/Aug 2013 Oct 2013/Mar 2014
Shanghai Golden Bridge Mansion	2077 Yanan West Road Changning District Shanghai	Commercial	35,768	1,250	100%	August 1993 (Note)
Shenyang Coastal International Centre Section A1 & A4 Section A2 & A5	8 Tiantan South Street Hunnan New Street Shenyang	Residential/ Commercial	126,044	41,190	100%	Dec 2016/Dec 2016 Dec 2017/Dec 2017
Shenzhen Dragon Court Phase I Phase II	Junction of Dongmen Central Road and Wenjin Central Road Luohu District Shenzhen	Residential	45,582	3,381	100%	Mar 2000/Mar 2000 May 2003/May 2003

# SCHEDULE OF MAJOR PROPERTIES

## Properties Held for Sale and Investment (Continued)

Property description	Address	Type of development	GFA of the development (sq.m.)	GFA held at 31 March 2018 (sq.m.)	Interest in the development attributable to the Group	Completion/delivery time
<b>Developments in which the Group has the controlling interests: (Continued)</b>						
<b>The PRC (Continued)</b>						
Wuhan Silo City	West of Zhangbo	Residential/	1,579,811	414,851	100%	Sep 2007/Nov 2007
Phase IA	Freeway and north	commercial				Mar 2008/Aug 2008
Phase IB	of Jinshan Avenue					Mar 2009/Aug 2009
Phase II A, B and C	Dongxihu District					Jul 2009/Dec 2009
Phase II D	Wuhan					Jul 2011/Sep 2011
Phase III A						Sep 2010/Sep 2010
Phase III B						Nov 2011/Jan 2012
Phase IV						Jul 2013/Sep 2013
Phase V AB						Mar 2018/Mar 2018
Phase V CD						Jan 2014/Jan 2014
Phase VI A1						Nov 2014/Dec 2014
Phase VI A2						Dec 2017/Dec 2017
Phase VI B						Jun 2016/Sep 2017
Phase VII						
<b>Subtotal</b>				485,838		
<b>Developments in which the Group has minority interests:</b>						
<b>The PRC</b>						
Chongqing Silo City	Beipei Town Chongqing	Residential	266,149	52,745	35%	Dec 2016/Dec 2016
Foshan Coastal Garden	16 Kangko Road Chan Cheng District Foshan	Residential	179,100	13,465	20%	Nov 2014/Dec 2014
Shanghai Shui Du South Crest	Kangyuan Road Zhujiajiao Town	Residential	189,300	11,565	12%	May 2008/May 2008
Phase I	Qingpu District					Sep 2015/Dec 2015
Phase II	Shanghai					
Wuhan Lingjiao Hu Project	Tangjiadun Street Huanzihu Village Jiangnan District Wuhan	Commercial	172,300	55,219	30%	Feb 2017/Feb 2017
<b>Subtotal</b>				132,994		
<b>Total</b>				618,832		

Note: The properties were developed by other PRC developers and the marketing and sales of which were underwritten by the Group.

# SCHEDULE OF MAJOR PROPERTIES

## Properties Held for Sale and Investment *(Continued)*

Property description	Address	Type of development	GFA of the development (sq.m.)	GFA held by the Group at 31 March 2018 (sq.m.)	Interest in the development attributable to the Group	Completion/delivery time
<b>Properties in which the Group has the controlling interests:</b>						
<b>HONG KONG</b>						
Shun Tak Centre	Suite 1712-16, 17th Floor China Merchants Tower Shun Tak Centre 200 Connaught Road Central Hong Kong	Commercial – office	N/A	578	100%	1986 (Notes 1 & 3)
Vienna Mansion	Flat B, 10th Floor 55 Paterson Street Causeway Bay Hong Kong	Residential	N/A	113	100%	1958 (Notes 2 & 3)
<b>Subtotal</b>				691		
<b>The PRC</b>						
Shenzhen Noble Center	38/F., Noble Center No.1006, 3 Fuzhong Road Futian District Shenzhen	Commercial – offices	N/A	1,957	100%	2006 (Notes 1 & 4)
<b>Subtotal</b>				1,957		
<b>Total</b>				2,648		

Note 1: The property is occupied by the Group as its office.

Note 2: This residential property is occupied by the Group as staff quarter.

Note 3: The Group's properties in Hong Kong were developed by other independent developers.

Note 4: The property was developed by other PRC independent developer.

# SCHEDULE OF MAJOR PROPERTIES

## Properties under Development

Property description	Address	Type of development	Estimated GFA of the development (sq.m.)	Interest in the development attributable to the Group (Note)	Estimated completion/delivery time
<b>Developments in which the Group has the controlling interests:</b>					
<b>The PRC</b>					
Anshan Coastal Xintiandi Project	268 Qianshan Road Gaoxin District Anshan	Commercial	28,943	100%	2018
Beijing Jian Guo Men Wai Project	North of 1A Jian Guo Men Wai Avenue Chaoyang District Beijing	Commercial	44,900	65%	To be determined
Jixi Silo City	North of Xingguo West Road, South of Limin Road, Jiguan District, Jixi	Residential	679,489	85%	2019
Shenyang Coastal International Centre Section A3	8 Tiantan South Street Hunnan New District Shenyang	Commercial	60,479	100%	2018
Shenyang Sujiatun Project	Sujiatun District Shenyang	Residential/ commercial	1,914,900	100%	To be determined
<b>Subtotal</b>			2,728,711		

# SCHEDULE OF MAJOR PROPERTIES

## Properties under Development *(Continued)*

Property description	Address	Type of development	Estimated GFA of the development (sq.m.)	Interest in the development attributable to the Group <i>(Note)</i>	Estimated completion/delivery time
<b>Developments in which the Group has minority interests:</b>					
<b>The PRC</b>					
Beijing Bay Project Phase III	Chang Ping District, Beijing	Residential	266,934	40%	2019
Shanghai Shui Du South Crest Phase III	Kangyuan Road Zhujiatao Town Qingpu District Shanghai	Residential	133,060	12%	To be determined
Tianjin Project	Beicang Town Beichen District Tianjin	Primary land development	4,300,000	30%	To be determined
<b>Subtotal</b>			4,699,994		
<b>Total</b>			7,428,705		

Note: For projects to be completed and delivered in phases, the year given refers to the estimated year of completion/delivery of the first mentioned phase. The estimated year of completion is the estimation of the directors of the Company based on existing market conditions and assuming no unforeseen circumstances.

Please see further discussion on the properties and development projects of the Group in the “Major Development Projects” section on pages 15 to 20 of this annual report.