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

**UNAUDITED INTERIM RESULTS FOR  
THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

**FINANCIAL HIGHLIGHTS:**

1. Revenue for the period amounted to about HK\$34.8 million, an increase of about 60% from the last corresponding period.
2. Loss for the period attributable to owners of the Company was about HK\$65.1 million, a decrease of about 51% from the last corresponding period's loss of about HK\$133.6 million.
3. As at 30 September 2020, net debt to total equity ratio was about 37%, maintaining at a manageable level.

The board (the "Board") of directors (the "Director(s)") of Coastal Greenland Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2020 (the "Reporting Period" or the "Period"), together with comparative unaudited figures for the corresponding period in 2019. The interim results have been reviewed by the audit committee of the Company (the "Audit Committee") and approved by the Board. The following financial information is extracted from the unaudited condensed consolidated financial statements as set out in the 2020 interim report to be published by the Group.

\* For identification purpose only

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

*For the six months ended 30 September 2020*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2020</b>	2019
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	4	<b>34,787</b>	21,783
Cost of sales		<u><b>(7,206)</b></u>	<u>(19,547)</u>
Gross profit		<b>27,581</b>	2,236
Other income and gains	5	<b>69,558</b>	2,254
Marketing and selling expenses		<b>(1,246)</b>	(1,641)
Administrative expenses		<b>(74,451)</b>	(88,045)
Other expenses		<b>(13,993)</b>	(98,925)
Finance costs	6	<b>(70,328)</b>	(20,508)
Share of loss of joint ventures		<u><b>(3,145)</b></u>	<u>(1,561)</u>
Loss before taxation		<b>(66,024)</b>	(206,190)
Taxation	7	<u><b>980</b></u>	<u>64,953</u>
Loss for the period	8	<u><b>(65,044)</b></u>	<u>(141,237)</u>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		<b>138,149</b>	(285,710)
Surplus (deficit) on revaluation of buildings		<b>1,030</b>	(3,409)
Deferred tax credit arising on revaluation of buildings		–	852
Deferred tax credit arising on disposal of property, plant and equipment		<u><b>1,825</b></u>	<u>–</u>
<b>Other comprehensive income for the period</b>		<u><b>141,004</b></u>	<u>(288,267)</u>
<b>Total comprehensive income for the period</b>		<u><b>75,960</b></u>	<u>(429,504)</u>

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2020</b>	2019
		<b>(unaudited)</b>	(unaudited)
<i>Notes</i>		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Loss for the period attributable to:			
	Owners of the Company	<b>(65,056)</b>	(133,566)
	Non-controlling interests	<b>12</b>	(7,671)
		<b><u>(65,044)</u></b>	<b><u>(141,237)</u></b>
Total comprehensive income for the period attributable to:			
	Owners of the Company	<b>71,124</b>	(413,925)
	Non-controlling interests	<b>4,836</b>	(15,579)
		<b><u>75,960</u></b>	<b><u>(429,504)</u></b>
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
<b>Loss per share</b>			
	Basic and diluted	<b><u>(1.57)</u></b>	<b><u>(3.22)</u></b>

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<b>30 September</b>	31 March
	<b>2020</b>	2020
	<b>(unaudited)</b>	(audited)
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>270,965</b>	290,633
Investment properties	<b>74,752</b>	71,890
Right-of-use assets	<b>17,848</b>	18,197
Interests in a joint venture	<b>153,517</b>	150,747
Amount due from a joint venture	<b>113,802</b>	109,445
Financial assets at FVTOCI	<b>108,532</b>	66,871
	<hr/>	<hr/>
Total non-current assets	<b>739,416</b>	707,783
<b>CURRENT ASSETS</b>		
Properties under development	<b>1,602,341</b>	1,523,550
Completed properties for sale	<b>153,234</b>	154,189
Prepayments, deposits and other receivables	<b>5,900,526</b>	5,769,142
Amounts due from an associate and a joint venture	<b>237,442</b>	228,011
Financial assets at fair value through profit or loss (“FVTPL”)	<b>34,141</b>	4,378
Pledged bank deposits	<b>252,042</b>	755,646
Cash and bank balances	<b>78,028</b>	83,359
	<hr/>	<hr/>
Total current assets	<b>8,257,754</b>	8,518,275

		<b>30 September</b>	31 March
		<b>2020</b>	2020
		<b>(unaudited)</b>	(audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>11</i>	<b>65,488</b>	79,866
Contract liabilities		<b>258,701</b>	224,834
Other payables and accruals		<b>1,689,313</b>	2,139,705
Amount due to a substantial shareholder of the Company		<b>247,677</b>	143,727
Lease liabilities		<b>2,750</b>	2,552
Tax payable		<b>164,642</b>	159,372
Interest-bearing bank and other borrowings		<b>436,617</b>	340,799
Total current liabilities		<b>2,865,188</b>	3,090,855
<b>NET CURRENT ASSETS</b>		<b>5,392,566</b>	5,427,420
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,131,982</b>	6,135,203
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>1,571,604</b>	1,647,149
Lease liabilities		<b>2,320</b>	2,923
Deferred tax liabilities		<b>52,984</b>	56,017
Total non-current liabilities		<b>1,626,908</b>	1,706,089
<b>NET ASSETS</b>		<b>4,505,074</b>	4,429,114
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>414,602</b>	414,602
Reserves		<b>4,019,905</b>	3,948,781
Equity attributable to owners of the Company		<b>4,434,507</b>	4,363,383
Non-controlling interests		<b>70,567</b>	65,731
Total equity		<b>4,505,074</b>	4,429,114

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2020.

## 3. SEGMENT INFORMATION

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

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

## Segment revenue and results

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

	Property development		Property investment		Project management services		Project investment services		Consolidated	
	Six months ended 30 September 2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	Six months ended 30 September 2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	Six months ended 30 September 2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	Six months ended 30 September 2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	Six months ended 30 September 2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	32,529	21,250	2,258	156	-	377	-	-	34,787	21,783
<b>Disaggregation of revenue:</b>										
Primary geographical markets										
Dalian	778	-	-	-	-	-	-	-	778	-
Shanghai	31,751	-	37	-	-	-	-	-	31,788	-
Others	-	21,250	2,221	156	-	377	-	-	2,221	21,783
<b>Total</b>	<b>32,529</b>	<b>21,250</b>	<b>2,258</b>	<b>156</b>	<b>-</b>	<b>377</b>	<b>-</b>	<b>-</b>	<b>34,787</b>	<b>21,783</b>
Time of revenue recognition										
At a point in time	32,529	21,250	-	-	-	-	-	-	32,529	21,250
Transferred over time	-	-	2,258	156	-	377	-	-	2,258	533
<b>Total</b>	<b>32,529</b>	<b>21,250</b>	<b>2,258</b>	<b>156</b>	<b>-</b>	<b>377</b>	<b>-</b>	<b>-</b>	<b>34,787</b>	<b>21,783</b>
Segment (loss) profit	(36,912)	(191,345)	963	(2,799)	(4,662)	(1,670)	-	-	(40,611)	(195,814)
Amortisation of prepaid land lease payments										
Finance costs									-	(808)
Interest income									(70,328)	(20,508)
Net foreign exchange gain (loss)									8,192	1,520
Share of loss of joint ventures									12	(28)
Other net unallocated expenses									(3,145)	(1,561)
									39,856	11,009
Loss before taxation									(66,024)	(206,190)

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

## Segment assets and liabilities

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

## 4. REVENUE

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

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Revenue from contracts with customers</b>		
Sale of properties	32,529	21,250
Project management services income	–	377
<b>Revenue from other sources</b>		
Rental income	2,258	156
	<u>34,787</u>	<u>21,783</u>

## 5. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Bank interest income	8,192	914
Gain on disposal of property, plant and equipment	725	234
Income from investment	211	–
Interest expense recharged ( <i>note 10(a)(i)</i> )	57,351	–
Reversal of impairment loss recognised on trade receivables	–	327
Subsidies from the local government	111	–
Waiver of trade payables	182	–
Write-back of accruals and other payables	2,154	–
Other interest income	–	606
Others	632	173
	<u>69,558</u>	<u>2,254</u>

## 6. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank borrowings	13,290	21,765
Interest on lease liabilities	137	163
Interest on other borrowings ( <i>note 10(a)(i)</i> )	<u>57,351</u>	<u>–</u>
	<b>70,778</b>	21,928
Less: Amounts capitalised in properties under development	<u>(450)</u>	<u>(1,420)</u>
	<b><u>70,328</u></b>	<b><u>20,508</u></b>

Borrowing costs capitalised during the period arose on the funds borrowed specifically for the purpose of obtaining qualifying assets and are calculated by applying a capitalisation rate of 4.88% (2019: 6.10%) per annum.

## 7. TAXATION

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax:		
PRC Enterprise Income Tax (“EIT”)	–	66
PRC Land Appreciation Tax (“LAT”)	<u>16</u>	<u>1,133</u>
	<b>16</b>	1,199
Deferred tax*	<u>(996)</u>	<u>(66,152)</u>
Total tax credit for the period	<b><u>(980)</u></b>	<b><u>(64,953)</u></b>

\* The deferred tax credit recognised during the six months ended 30 September 2020 and 2019 mainly resulted from the combined effects relating to (i) reversal of deferred tax on undistributable profit upon disposal of the respective subsidiaries; and (ii) reversal of over-provided dividend withholding tax.

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

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

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

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

## 8. LOSS FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<b>1,699</b>	3,124
Less: Amounts capitalised in properties under development	<u>(17)</u>	<u>(53)</u>
	<b>1,682</b>	3,071
Compensation in respect of a land development project disposed of**	–	73,159
Cost of completed properties sold	<b>7,206</b>	19,547
Depreciation of right-of-use assets	<b>1,045</b>	604
Impairment loss recognised on prepayment, deposits and other receivables*	<b>2,681</b>	257
Net foreign exchange (gain) loss	<b>(721)</b>	28
Rental expenses on short-term leases	<b><u>586</u></b>	<b><u>225</u></b>

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

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

## 9. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of HK\$65,056,000 (2019: HK\$133,566,000) and the number of 4,146,020,285 ordinary shares in issue during the six months ended 30 September 2020 and 2019.

### (b) Diluted loss per share

Diluted loss per share for the six months ended 30 September 2020 and 2019 are not presented as there were no dilutive potential ordinary shares in issue during the respective period.

## 10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 September</b>	31 March
	<b>2020</b>	2020
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Other receivables ( <i>note a</i> )	<b>3,283,136</b>	3,298,509
Deposits for future acquisition of land use rights ( <i>note b</i> )	<b>2,530,533</b>	2,386,657
Prepaid operating expenses and other deposits	<b>86,857</b>	83,976
	<b>5,900,526</b>	5,769,142

*Notes:*

(a) As at 30 September 2020, included in other receivables are mainly:

- (i) an amount of HK\$1,745,721,000 (31 March 2020: HK\$1,678,888,000) in relation to the guarantee dividend (“Guaranteed Dividend”) distributable to Coastal Greenland Development (Wuhan) Ltd. (“Coastal Wuhan”), a formerly subsidiary of the Group, by Tianjin Harmonious Realty Development Co., Limited (“Tianjin Harmonious”), an associate of Coastal Wuhan.

Tianjin Harmonious has a property development project in Tianjin. Pursuant to the disposal agreement between Coastal Wuhan and shareholders of Tianjin Harmonious, Coastal Wuhan is entitled to receive Guaranteed Dividend from Tianjin Harmonious amounting to RMB1,834,000,000 (equivalent to HK\$2,087,127,000). Pursuant to the disposal agreement in respect of the disposal of the entire equity interests in the Century East Group Limited (the “Disposal”) completed in previous years, the Group is still entitled to receive the Guaranteed Dividend from Tianjin Harmonious after the Disposal. As at the end of the reporting period, part of the Guaranteed Dividend of RMB300,000,000 has been received. The balance of the Guaranteed Dividend receivable amounted to RMB1,534,000,000 (equivalent to HK\$1,745,721,000) as at 30 September 2020.

In previous years, Coastal Wuhan raised a loan of RMB1,601,000,000 (equivalent to HK\$1,821,968,000) from a financial institution, for which the right to receive the Guaranteed Dividend from Tianjin Harmonious is secured. The obligation to repay the outstanding loan balance has been assigned to the Group upon completion of the Disposal. Even if the Group does not receive the Guaranteed Dividend, the Group is still obliged to repay this amount by November 2019, which is the original maturity of the loan. As at the date of this announcement, the maturity date of the said loan has been extended to November 2021. As at the end of the reporting period, the Group has made a repayment of RMB300,000,000. The outstanding loan balance was RMB1,301,000,000 (equivalent to HK\$1,480,563,000) as at 30 September 2020.

The loan interest is payable by the Group. However, Tianjin Harmonious agreed to pay to the Group the same amount of the loan interest as the interest for the outstanding Guaranteed Dividend. During the period, the loan interest payable on the loan and the interest expense recharged on the outstanding Guaranteed Dividend is HK\$57,351,000.

- (ii) an amount of HK\$1,243,230,000 (31 March 2020: HK\$1,195,635,000) due from a purchaser regarding the balance of the consideration payable by the purchaser under the Disposal as set out above.
  
- (b) The amounts represent payments made for the acquisitions of land use rights in the PRC which will be developed for sale purpose. These deposits will be wholly refundable if the acquisitions are terminated subsequently.

## 11. TRADE PAYABLES

An aged analysis of trade payables as at the end of the reporting period based on invoice date is as follows:

	<b>30 September</b>	31 March
	<b>2020</b>	2020
	<b>(unaudited)</b>	(audited)
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
0 – 30 days	<b>2,309</b>	6,631
31 – 60 days	–	2,698
61 – 90 days	<b>1,500</b>	1,645
Over 90 days	<b>61,679</b>	68,892
	<b>65,488</b>	79,866

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATIONAL REVIEW

### Property Development

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

During the Period, the Group recorded contracted sales in the amount of HK\$11 million (2019: HK\$56 million) which corresponds to a total GFA of about 2,000 sq.m. (2019: 8,000 sq.m.). Included in the amount was HK\$2.6 million (2019: HK\$13 million) related to contracted sales attributable to a development project in which the Group has equity interests of 35% (2019: 35%) and of which the Group is the project manager. Such development project accounted for a corresponding GFA of about 530 sq.m. (2019: 4,000 sq.m.).

### Property Investment

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

### Project Management Services

The Group did not generate any service fee from the operation of this segment during the Period (2019: HK\$0.38 million) as the Group is phasing out from the business in this segment.

### Project Investment Services

The Group did not generate any profit from the operations of this segment for both periods. The Group will continue to look for opportunities in relation to investment in and sale of property development/land development project in the PRC.

## **FINANCIAL REVIEW**

### **Overall Performance**

For the first half of the financial year, the Group generated revenue of HK\$34.8 million, representing an increase of about 60% as compared to HK\$21.8 million for the last corresponding period. During the Period, the Group incurred a loss before taxation of HK\$66 million, compared to a loss of HK\$206.2 million for the last corresponding period. Loss for the period attributable to owners of the Company was HK\$65.1 million, compared to a loss of HK\$133.6 million for the last corresponding period.

### **Revenue**

The revenue of the Group was primarily derived from sale of properties and property rental income. During the Period, revenue increased by about 60% to about HK\$34.8 million from about HK\$21.8 million in the last corresponding period. The increase was mainly attributable to the increase in the amount of the sale of properties during the Period. Approximately 94% (2019: 98%) of the Group's revenue was generated from sale of properties and approximately 6% (2019: 2%) from property rental income.

### **Sales of Properties**

During the Period, the recognised sales revenue from sale of properties was HK\$33 million, representing an increase of about 55% from the last corresponding period's HK\$21.3 million. The property sales revenue for the Period came from the sale of Shanghai Golden Bridge Mansion and Dalian Jianzhu Project which respectively accounted for approximately 98% and 2% of the total property sales revenue.

### **Rental income**

Revenue from property rental increased to HK\$2.3 million from HK\$0.2 million for the last corresponding period. The increase was primarily attributable to the reallocation of certain office GFA in the Noble Centre for rental purpose during the Period. The property investment segment for the Period recorded a profit of HK\$1 million comparing to a loss of HK\$2.8 million for the last corresponding period.

## **Gross Profit Margin**

The gross profit margin for the Period was about 79% as compared to 10% for the last corresponding period. A significant increase in the gross profit margin was primarily attributable to sale of higher value properties in Shanghai Golden Bridge Mansion during the Period.

## **Other Income and Gains**

Other income and gains for the Period was HK\$69.6 million as compared to HK\$2.3 million for the last corresponding period. Other income and gains for the Period mainly represented interest expense recharged of HK\$57 million (2019: nil) (see note 10(a)(i) to the condensed consolidated financial statements) and bank interest income of HK\$8.2 million (2019: HK\$0.9 million).

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

Marketing and selling costs decreased by about 25% to HK\$1.2 million from the last corresponding period's HK\$1.6 million as a result of the decrease in the Group's selling activities during the Period.

Administrative expenses decreased by about 15% to HK\$74.5 million from the last corresponding period's HK\$88.0 million. The Group will continue to implement cost control measures so as to enhance its operational efficiency.

## **Other Expenses**

Other expenses for the period was HK\$14 million as compared to the last corresponding period's HK\$98.9 million. Other expenses mainly represented an indemnity against a legal case of HK\$11million (2019: HK\$0.1 million) and impairment loss provided for prepayment, deposits and other receivables of HK\$2.7 million (2019: HK\$0.3 million). Apart from the above, included in the last corresponding period's other expenses were mainly compensation in respect of a land development project disposed of in the previous years of HK\$73.2 million in relation to the delay in the construction progress which give rise to an additional cost to the purchaser and losses on write-off of assets and liabilities upon de-registration of subsidiaries of HK\$22.6 million.

## Finance Costs

During the Period, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings) of HK\$70.8 million, representing a significant increase of about 223% as compared to HK\$21.9 million incurred for the last corresponding period. The increase was mainly attributable to an interest charge on other borrowings as set out in note 10(a)(i) to the condensed consolidated financial statements.

Interest expenses charged to profit or loss for the Period was HK\$70.3 million as compared to the last corresponding period's HK\$20.5 million. The increase was mainly due to the reason as mentioned above.

## Financial Resources and Liquidity

The Group's principal source of fund is the cashflow generated from property sales and leasings supplemented by bank and other borrowings.

As at 30 September 2020, the Group's cash and bank balances amounted to approximately HK\$330.0 million (31 March 2020: HK\$839.0 million). An analysis by currency denomination of the cash and bank balances is as follows:

	<b>30 September 2020 HK\$'000</b>	31 March 2020 HK\$'000
Renminbi	<b>322,087</b>	823,280
Hong Kong dollar	<b>5,251</b>	13,032
United States dollar	<b>2,732</b>	2,693
	<b><u>330,070</u></b>	<b><u>839,005</u></b>

As at 30 September 2020, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to approximately HK\$1,678.1 million (31 March 2020: HK\$1,148.9 million). Net debt to total equity ratio, which is expressed as a percentage of net borrowings over total equity of the Group, increased by about 11% to 37% from 26% as at 31 March 2020.

## **Borrowings and Charges**

As at 30 September 2020, the Group's total bank and other borrowings amounted to HK\$2,008.2 million (31 March 2020: HK\$1,987.9 million), of which HK\$436.6 million (31 March 2020: HK\$476.5 million) were variable-rate borrowings and the remaining were fixed rate borrowings. Long-term borrowings amounted to HK\$1,571.6 million (31 March 2020: HK\$1,647.1 million), representing approximately 78% (31 March 2020: 83%) of the total borrowings, and short-term borrowings were HK\$436.6 million (31 March 2020: HK\$340.8 million) representing approximately 22% (31 March 2020: 17%) of the total borrowings. During the Period, the ranges of effective interest rate per annum of the Group in respect of its fixed and variable rate borrowings were 6.67% to 10.8% (31 March 2020: 6.67% to 10.80%) and 2.22% to 6% (31 March 2020: 2.95% to 9.90%) respectively.

As at 30 September 2020, certain assets of the Group including land and buildings, investment properties, bank deposits, properties under development and completed properties for sale with aggregate carrying value of HK\$554.2 million (31 March 2020: HK\$766.1 million), corporate guarantee given by the Company and certain subsidiaries, personal guarantee given by a substantial shareholder of the Company and the Guarantee Dividend (see note 10(a)(i) to the condensed consolidated financial statements) were pledged to secure the bank and other borrowings.

## **Material acquisitions and disposals**

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

## **Contingent Liabilities**

As at 30 September 2020, the Group had not given any guarantees (31 March 2020: nil) to banks in respect of mortgage loan facilities granted to the property purchasers.

## **Exposure to Fluctuation in Exchange Rates**

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

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2020, the Group had about 110 employees (2019: about 153 employees) in the PRC and Hong Kong. The related employees' cost (including the Directors' remuneration) for the six months ended 30 September 2020 amounted to approximately HK\$28.3 million (2019: HK\$19.9 million). The increase was mainly attributable to the redundancy costs incurred for staff retrenchment during the Period. Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage and housing allowances.

## **PROSPECTS**

During the Period, the PRC economy is under the pressure from the outbreak of the Coronavirus Disease 2019 (the "COVID-19 outbreak"), the trade war tensions between the United States and the PRC and the unstable geopolitical risks around the region.

The COVID-19 outbreak occurred last year has caused disruptions to many industries which have inevitably posed a significant threat to the PRC as well as the global economy. To tackle with the crisis, the central government has implemented a series of stringent measures to contain the epidemic. With signs of stabilisation, we believe consumer confidence will be gradually recovered and potentially housing demand will also be resuming gradually. However the construction and sales progress of the Group may be exposed to short-term volatility because of the COVID-19 outbreak. The Group remains cautiously optimistic on the outlook and the prospects for the real estate market.

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

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

## **CORPORATE GOVERNANCE PRACTICES**

The Company acknowledges the importance of good corporate governance practices and is committed to maintaining sound internal control, transparency and accountability to all Shareholders. The Company has continued to apply and comply with the code provisions contained in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules during the Period, except for below deviations:

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

Code provision A.6.7 of the CG Code stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings. One non-executive Director was unable to attend the annual general meeting of the Company held on 17 September 2020 (the “2020 AGM”) due to other important engagements.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the AGM. Mr. Jiang Ming, the Chairman of the Board, was unable to attend the 2020 AGM due to other business commitment. However, Mr. Lin Chen Hsin, an executive Director, had taken the chair of the 2020 AGM in accordance with the bye-laws of the Company. Mr. Lin was of sufficient calibre and knowledge for communication with the shareholders at the 2020 AGM.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as the Company’s code of conduct regarding Directors’ securities transactions. Having made specific enquiry, all Directors confirmed that they have complied with the requirements as set out in the Model Code during the six months ended 30 September 2020. 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.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2020.

## **REVIEW OF INTERIM RESULTS**

The Audit Committee has reviewed with the management of the Company the accounting policies and practices adopted by the Group and discussed, among other things, internal controls, risk management and financial reporting matters including a review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2020.

## **PUBLICATION OF INTERIM REPORT**

The interim report of the Group for the six months ended 30 September 2020 containing all the information required by the Listing Rules will be despatched to the shareholders and published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.coastal.com.cn>) in due course.

By Order of the Board

**Jiang Ming**

*Chairman*

Hong Kong, 27 November 2020

*As at the date of this announcement, the Board comprises Mr. Jiang Ming, Mr. Xia Xianglong, Dr. Li Ting and Mr. Lin Chen Hsin as executive Directors, Mr. Zhu Guoqiang and Mr. Qiu Guizhong as non-executive Directors and Mr. Wong Kai Cheong, Mr. Yang Jiangang and Mr. Huang Xihua as independent non-executive Directors.*