

# COASTAL 沿海

COASTAL GREENLAND LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 01124



INTERIM REPORT 2020

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## DEFINITIONS

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

“Board”	the board of Directors of the Company
“Bye-laws”	the bye-laws of the Company
“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“CIH”	Coastal International Holdings Limited, the controlling Shareholder
“Company”	Coastal Greenland Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1124)
“Director(s)”	the director(s) of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK\$” and “HK cent(s)”	Hong Kong dollar(s) and cent(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Period/Reporting Period”	the six months ended 30 September 2020

## DEFINITIONS

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

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

## CORPORATE INFORMATION

### Registered Office

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### Principal Place of Business in the PRC

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

### Principal Place of Business in Hong Kong

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

### Principal Share Registrar and Transfer Office

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

### Hong Kong Branch Share Registrar and Transfer Office

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

### Executive Directors

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

### Non-executive Directors

Mr. ZHU Guoqiang  
Mr. QIU Guizhong

### Independent Non-executive Directors

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

### Company Secretary

Mr. CHENG Wing Bor FCCA, CPA

### Auditor

BDO Limited  
Certified Public Accountants

### Websites

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

### Investor Relations Contact

Tel: (852) 2877 9772  
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### Stock Code

1124

## 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>	<b>2019</b>
	Notes	<b>(unaudited)</b>	<b>(unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	4	<b>34,787</b>	21,783
Cost of sales		<b>(7,206)</b>	(19,547)
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 a joint venture		<b>(3,145)</b>	(1,561)
Loss before taxation		<b>(66,024)</b>	(206,190)
Taxation	7	<b>980</b>	64,953
Loss for the period	8	<b>(65,044)</b>	(141,237)
Other comprehensive income			
<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		<b>–</b>	852
Deferred tax credit arising on disposal of property, plant and equipment		<b>1,825</b>	–
Other comprehensive income for the period		<b>141,004</b>	(288,267)
Total comprehensive income for the period		<b>75,960</b>	(429,504)

## 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)
	Notes	<b>HK\$'000</b>	HK\$'000
Loss for the period attributable to:			
Owners of the Company		<b>(65,056)</b>	(133,566)
Non-controlling interests		<b>12</b>	(7,671)
		<u><b>(65,044)</b></u>	<u>(141,237)</u>
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)
		<u><b>75,960</b></u>	<u>(429,504)</u>
		<b>HK cents</b>	HK cents
Loss per share	9		
Basic and diluted		<u><b>(1.57)</b></u>	<u>(3.22)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	270,965	290,633
Investment properties	11	74,752	71,890
Right-of-use assets		17,848	18,197
Interest in a joint venture		153,517	150,747
Amount due from a joint venture	17(b)(iii)	113,802	109,445
Financial assets at fair value through other comprehensive income ("FVOCI")		<u>108,532</u>	<u>66,871</u>
Total non-current assets		<u>739,416</u>	<u>707,783</u>
<b>CURRENT ASSETS</b>			
Properties under development		1,602,341	1,523,550
Completed properties for sale		153,234	154,189
Prepayments, deposits and other receivables	12	5,900,526	5,769,142
Amounts due from an associate and a joint venture	17(b)(ii)	237,442	228,011
Financial assets at fair value through profit or loss ("FVTPL")		34,141	4,378
Pledged bank deposits		252,042	755,646
Cash and bank balances		<u>78,028</u>	<u>83,359</u>
Total current assets		<u>8,257,754</u>	<u>8,518,275</u>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		<b>30 September 2020 (unaudited) HK\$'000</b>	31 March 2020 (audited) HK\$'000
	Notes		
<b>CURRENT LIABILITIES</b>			
Trade payables	13	<b>65,488</b>	79,866
Contract liabilities		<b>258,701</b>	224,834
Other payables and accruals	14	<b>1,689,313</b>	2,139,705
Amount due to a substantial shareholder of the Company	17(b)(i)	<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	15	<b>436,617</b>	340,799
Total current liabilities		<b><u>2,865,188</u></b>	<u>3,090,855</u>
<b>NET CURRENT ASSETS</b>		<b><u>5,392,566</u></b>	<u>5,427,420</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>6,131,982</u></b>	<u>6,135,203</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		<b>30 September 2020 (unaudited) HK\$'000</b>	31 March 2020 (audited) HK\$'000
	Notes		
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	15	<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
		<hr/>	<hr/>
Total non-current liabilities		<b>1,626,908</b>	1,706,089
		<hr/>	<hr/>
<b>NET ASSETS</b>			
		<b>4,505,074</b>	4,429,114
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital	16	<b>414,602</b>	414,602
Reserves		<b>4,019,905</b>	3,948,781
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>4,434,507</b>	4,363,383
Non-controlling interests		<b>70,567</b>	65,731
		<hr/>	<hr/>
Total equity		<b>4,505,074</b>	4,429,114
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company												
	Share capital	Share premium	Share contributed surplus	Capital reserve	Leasehold property revaluation	FVOCI reserve	Exchange fluctuation	PRC reserve funds	Share options	Retained profits	Total	Non-controlling interests	Total equity
	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
At 1 April 2019	414,602	1,330,168	37,560	22,114	151,139	(17,487)	503,448	9,697	-	2,540,589	4,991,830	107,725	5,099,555
Exchange differences arising on translation to presentation currency	-	-	-	-	-	-	(277,802)	-	-	-	(277,802)	(7,908)	(285,710)
Deficit on revaluation of buildings	-	-	-	-	(3,409)	-	-	-	-	-	(3,409)	-	(3,409)
Deferred tax credit arising on revaluation of buildings	-	-	-	-	852	-	-	-	-	-	852	-	852
Other comprehensive income for the period	-	-	-	-	(2,557)	-	(277,802)	-	-	-	(280,359)	(7,908)	(288,267)
Loss for the period	-	-	-	-	-	-	-	-	-	(133,566)	(133,566)	(7,671)	(141,237)
Total comprehensive income for the period	-	-	-	-	(2,557)	-	(277,802)	-	-	(133,566)	(413,925)	(15,579)	(429,504)
At 30 September 2019 (unaudited)	414,602	1,330,168	37,560	22,114	148,582	(17,487)	225,646	9,697	-	2,407,023	4,577,905	92,146	4,670,051

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Share contributed surplus HK\$'000	Capital reserve HK\$'000	Leasehold property revaluation reserve HK\$'000	FVOCI reserve HK\$'000	Exchange fluctuation reserve HK\$'000	PRC reserve funds HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2020	414,602	1,330,168	37,560	22,114	177,906	-	166,500	9,697	-	2,202,836	4,363,383	65,731	4,429,114
Exchange differences arising on translation to presentation currency	-	-	-	-	-	-	133,325	-	-	-	133,325	4,824	138,149
Transfer to retained profits upon disposal of property, plant and equipment	-	-	-	-	(7,351)	-	-	-	-	7,351	-	-	-
Deferred tax credit arising on disposal of property, plant and equipment	-	-	-	-	1,825	-	-	-	-	-	1,825	-	1,825
Surplus on revaluation of buildings	-	-	-	-	1,030	-	-	-	-	-	1,030	-	1,030
Other comprehensive income for the period	-	-	-	-	(4,696)	-	133,325	-	-	7,551	136,180	4,824	141,004
Loss for the period	-	-	-	-	-	-	-	-	-	(65,056)	(65,056)	12	(65,044)
Total comprehensive income for the period	-	-	-	-	(4,696)	-	133,325	-	-	(57,505)	71,124	4,836	75,960
At 30 September 2020 (unaudited)	414,602	1,330,168	37,560	22,114	173,210	-	301,825	9,697	-	2,145,331	4,434,507	70,567	4,505,074

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September 2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Net cash generated from (used in) operating activities		
(Increase) decrease in properties under development	(78,324)	53,319
Decrease in completed properties for sales	6,690	21,405
Decrease in trade receivables	–	327
Decrease (increase) in prepayments, deposits and other receivables	276,126	(446,597)
Increase (decrease) in contract liabilities	14,558	(3,229)
(Decrease) increase in trade payables	(17,135)	4,372
(Decrease) increase in other payables and accruals	(804,217)	1,100,467
Tax paid	(684)	(1,611)
Other operating cash flows	12,132	(157,914)
	<u>(590,854)</u>	<u>570,539</u>
Net cash (used in) from investing activities		
Purchases of property, plant and equipment	(23)	(961)
(Advances to) Repayment from a joint venture and an associate	(346)	12,345
Withdrawal (Placement) of pledged bank deposits	503,604	(504,881)
Decrease (Increase) in restricted bank deposits	927	(2,315)
Proceeds from disposal of property, plant and equipment	21,390	1,943
Acquisition of interests in financial assets at FVOCI	(34,141)	(33,259)
Acquisition of interests in financial assets at FVTPL	(132,920)	(66,518)
Proceeds from disposal of interests in financial assets at FVOCI	2,359	–
Proceeds from disposal of interests in financial assets at FVTPL	100,798	33,259
	<u>461,648</u>	<u>(560,387)</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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)
	<b>HK\$'000</b>	HK\$'000
Net cash from financing activities		
New bank and other borrowings raised	–	88,691
Repayment of bank and other borrowings	<b>(46,900)</b>	(33,259)
Repayment of principal amount of the lease liabilities	<b>(744)</b>	(756)
Interest paid	<b>(70,641)</b>	(21,765)
Other financing cash flows	<b>103,950</b>	2,841
	<b>(14,335)</b>	35,752
Net (decrease) increase in cash and cash equivalents	<b>(143,541)</b>	45,904
Cash and cash equivalents at the beginning of period	<b>79,012</b>	31,769
Effect of foreign exchange rate changes	<b>139,137</b>	(2,611)
Cash and cash equivalents at the end of period	<b>74,608</b>	75,062
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<b>78,028</b>	80,881
<i>Less: restricted bank balances (note)</i>	<b>(3,420)</b>	(5,819)
	<b>74,608</b>	75,062

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 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 Listing Rules.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 3. SEGMENT INFORMATION (continued)

### Segment revenue and results

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

	Property development		Property investment		Project management services		Project investment services		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 September	2019	30 September	2019	30 September	2019	30 September	2019	30 September	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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									-	(808)
Finance costs									(70,328)	(20,508)
Interest income									8,192	1,520
Net foreign exchange (loss) gain									12	(28)
Share of loss of a joint venture									(3,145)	(1,561)
Other net unallocated (income) expenses									39,856	11,009
Loss before taxation									(66,024)	(206,190)

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 3. 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.

### 4. REVENUE

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

	Six months ended 30 September	
	2020 (unaudited) HK\$'000	2019 (unaudited) 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>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 5. OTHER INCOME AND GAINS

	Six months ended 30 September 2020 (unaudited) HK\$'000	2019 (unaudited) 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 (note 12 (a)(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
	<b>69,558</b>	<b>2,254</b>

### 6. FINANCE COSTS

	Six months ended 30 September 2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Interest on bank borrowings	13,290	21,765
Interest on lease liabilities	137	163
Interest on other borrowings (note 12 (a)(i))	57,351	–
	<b>70,778</b>	<b>21,928</b>
<i>Less: Amounts capitalised in properties under development</i>	<b>(450)</b>	<b>(1,420)</b>
	<b>70,328</b>	<b>20,508</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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 7. TAXATION

	<b>Six months ended 30 September 2020 (unaudited) HK\$'000</b>	2019 (unaudited) 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	<u><b>(980)</b></u>	<u>(64,953)</u>

\* 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 8. LOSS FOR THE PERIOD

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 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: loss attributable to owners of the Company of 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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired property, plant and equipment at a cost of HK\$23,000 (2019: HK\$961,000). In addition, during the period the Group disposed of certain property, plant and equipment with a carrying value of HK\$13,364,000 (2019: HK\$1,709,000).

The Group's land and buildings were revalued individually at 30 September 2020 and 31 March 2020 by Cushman & Wakefield Limited, independent professional valuer not connected with the Group, by reference to market evidence of recent transaction prices for similar properties.

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Leasehold land and buildings held by the Group in the condensed consolidated statement of financial position	Fair value hierarchy	Valuation technique	Unobservable input	Range of unobservable input	Relationship of unobservable input to fair value
Leasehold land and buildings in Hong Kong of HK\$153,974,000 (31 March 2020: HK\$163,949,000)	Level 3	Direct comparison method	Price per square meter	HK\$328,001 – HK\$380,514 (31 March 2020: HK\$365,973 – HK\$380,515)	The higher the price per square meter, the higher the fair value
Leasehold land and buildings in the PRC of HK\$124,954,000 (31 March 2020: HK\$118,017,000)	Level 3	Direct comparison method	Price per square meter	HK\$12,302 – HK\$69,545 (31 March 2020: HK\$12,891 – HK\$73,749)	The higher the price per square meter, the higher the fair value

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

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 30 September 2020 would have been HK\$110,657,000 (2019: HK\$47,821,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 11. INVESTMENT PROPERTIES

The fair values of the Group's investment properties at 30 September 2020 and 31 March 2020 have been arrived at on the basis of valuations carried out on the respective dates by Cushman & Wakefield Limited, independent professional valuer not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations respectively.

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

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

Investment properties held by the Group in the condensed consolidated statement of financial position

Valuation technique	Unobservable input	Weighted average of unobservable input	Range or weighted average of unobservable input
Income approach	Reversionary yield	5% – 6% (31 March 2020: 5% – 6%)	The higher the reversionary yield, the lower the fair value

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

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided in the table above. No changes in fair value in RMB for investment properties held at end of the period (31 March 2020: no change in fair value in RMB).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes: (continued)

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

(i) (continued)

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 interim report, 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 13. 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 2020 (unaudited) HK\$'000</b>	31 March 2020 (audited) HK\$'000
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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 14. OTHER PAYABLES AND ACCRUALS

	<b>30 September 2020 (unaudited) HK\$'000</b>	31 March 2020 (audited) HK\$'000
Sales and other taxes payable	<b>29,356</b>	28,335
Other payables (note)	<b>244,901</b>	268,237
Advances from third parties for a re-development project	<b>1,151,484</b>	1,589,013
Accrued construction costs	<b>15,866</b>	15,259
Other accrued operating expenses (note)	<b>247,706</b>	238,861
	<b><u>1,689,313</u></b>	<u>2,139,705</u>

Note: Other payables and other accrued operating expenses included payables of approximately RMB283,623,000 (31 March 2020: RMB273,997,000) (equivalent to approximately HK\$322,768,000 (31 March 2020: HK\$299,877,000)) by Hengxiang Real Estate Development Company Limited. 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 payment has been recorded.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
CURRENT		
Bank borrowings repayable within one year – secured	144,983	40,276
Bank borrowings repayable after one year and contain a repayment on demand clause – secured	<u>291,634</u>	<u>300,523</u>
	436,617	340,799
NON-CURRENT		
Bank borrowings – secured	91,041	223,268
Other borrowings – secured	<u>1,480,563</u>	<u>1,423,881</u>
	<u>1,571,604</u>	<u>1,647,149</u>
	<u>2,008,221</u>	<u>1,987,948</u>

At the end of the reporting period, the Group's bank and other borrowings were repayable as follows:

	30 September 2020 (unaudited) HK\$'000	31 March 2020 (audited) HK\$'000
On demand or within one year	436,617	340,799
More than one year, but not exceeding two years	1,571,604	1,559,593
More than two years, but not exceeding five years	<u>–</u>	<u>87,556</u>
	<u>2,008,221</u>	<u>1,987,948</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 15. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

At the end of the reporting period, the Group's bank and other borrowings, based on scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause, were repayable as follows:

	<b>30 September 2020 (unaudited) HK\$'000</b>	31 March 2020 (audited) HK\$'000
On demand or within one year	<b>224,109</b>	124,402
More than one year, but not exceeding two years	<b>1,784,112</b>	1,775,990
More than two years, but not exceeding five years	–	87,556
	<b><u>2,008,221</u></b>	<u>1,987,948</u>

Notes:

- (a) As at 30 September 2020 and 31 March 2020, the Group's other borrowing is secured by the Guaranteed Dividend from Tianjin Harmonious (see note 12 (a)(i)).
- (b) Certain of the Group's bank borrowings as at 30 September 2020 and 31 March 2020 are secured by:
  - (i) certain land and buildings of the Group with an aggregate carrying value of approximately HK\$236,480,000 (31 March 2020: HK\$227,427,000);
  - (ii) certain bank deposits of the Group with an aggregate carrying value of approximately HK\$248,316,000 (31 March 2020: HK\$238,809,000);
  - (iii) certain properties under development of the Group with an aggregate carrying value of approximately HK\$Nil (31 March 2020: HK\$226,620,000);
  - (iv) certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$Nil (31 March 2020: HK\$6,016,000);

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 15. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

- (b) Certain of the Group's bank borrowings as at 30 September 2020 and 31 March 2020 are secured by: (continued)
- (v) certain investment properties of the Group with an aggregate carrying value of approximately HK\$69,419,000 (31 March 2020: HK\$67,199,000);
- (vi) corporate guarantees from the Company and certain subsidiaries; and
- (vii) personal guarantee from a substantial shareholder.
- (c) The ranges of effective interest rates per annum (which also approximate to contracted interest rates) on the Group's interest-bearing bank and other borrowings are as follows:

	30 September 2020		31 March 2020	
	Borrowings HK\$'000 (unaudited)	Interest rate (unaudited)	Borrowings HK\$'000 (audited)	Interest rate (audited)
Bank borrowings				
Fixed-rate borrowings	<b>91,041</b>	<b>10.80%</b>	87,556	10.80%
Variable-rate borrowings	<b>436,617</b>	<b>2.2% to 6%</b>	476,511	2.95% to 9.90%
Other borrowings				
Fixed-rate borrowings	<b>1,480,563</b>	<b>7.52%</b>	1,423,881	6.67% to 7.52%

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 15. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

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

	<b>30 September 2020 (unaudited) HK\$'000</b>	31 March 2020 (audited) HK\$'000
US\$	<b>212,508</b>	216,397
HK\$	<b>79,126</b>	84,126
	<b><u>291,634</u></b>	<u>300,523</u>

### 16. SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>Nominal value HK\$'000</b>
Authorised:		
Ordinary shares of HK\$0.10 each at 1 April 2019, 30 September 2019, 31 March 2020 and 30 September 2020	<b><u>7,000,000,000</u></b>	<u>700,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each At 1 April 2019 and 30 September 2019, 31 March 2020 and 30 September 2020	<b><u>4,146,020,285</u></b>	<u>414,602</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 17. RELATED PARTY TRANSACTIONS

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

- (a) During the six months ended 30 September 2020, the Group received project management services income of HK\$Nil (2019: HK\$377,000) from a joint venture and a property-based entity which is carried as an investment in financial assets at FVOCI in the condensed consolidated statement of financial position.
- (b) **Outstanding balances with related parties:**
- (i) The amount due to a substantial shareholder of the Company represents amount due to CIH, which holds 36.93% (31 March 2020: 36.93%) interests in the Company. The amount is unsecured, interest-free and repayable on demand.
- (ii) The amounts due from an associate and a joint venture of HK\$237,442,000 (31 March 2020: HK\$228,011,000) are non-trade, unsecured, interest-free and repayable on demand.
- (iii) The amount due from a joint venture of HK\$113,802,000 (31 March 2020: HK\$109,445,000) represents an amount due from Beijing Huichao Real Estate Development Co., Ltd (“Beijing Huichao”). The amount is non-trade, interest-free, repayable on demand and secured by 11% equity interests in Beijing Huichao beneficially owned by a third party partner in the joint venture. In the opinion of the directors of the Company, the amount is not expected to be repaid within twelve months after the end of the reporting period and accordingly it is presented as non-current asset as at 30 September 2020 and 31 March 2020.
- (c) **Compensation of key management personnel of the Group who are the executive directors of the Company**

	Six months ended 30 September 2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Short term benefits	2,113	3,311
Post-employment benefits	72	114
Total compensation paid to key management personnel	<u>2,185</u>	<u>3,425</u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 18. FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

	Level 1 HK\$'000	Level 2 HK\$'000 (note i)	Level 3 HK\$'000 (note ii)	Total HK\$'000
<b>As at 30 September 2020</b>				
Financial assets at FVOCI	–	–	108,532	108,532
Financial assets at FVTPL	–	34,140	–	34,140
	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 31 March 2020</b>				
Financial assets at FVOCI	–	–	66,871	66,871
Financial assets at FVTPL	–	4,378	–	4,378
	<hr/>	<hr/>	<hr/>	<hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 18. FAIR VALUE MEASUREMENT (continued)

Notes:

- (i) The fair values of the wealth management products in Level 2 have been determined based on the quoted prices from the relevant financial institution.
- (ii) The fair values of the unlisted equity securities in Level 3 have been determined with reference to the fair values of underlying assets and liabilities of the investee as at 30 September 2020 and 31 March 2020.

The movements of fair values measurements in Level 3 during the period are as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Financial assets at FVOCI</b>		
At beginning of period	<b>66,871</b>	34,894
Addition	<b>41,661</b>	99,777
Disposal	–	(33,259)
Exchange alignments	–	(686)
	<hr/>	<hr/>
At end of period	<b>108,532</b>	100,726

The fair value of the unlisted equity securities are Level 3 recurring fair value measurement. During the six months ended 30 September 2020 and 2019, there have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

### Sale 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 12(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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 12(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
RMB	<b>322,087</b>	823,280
HK\$	<b>5,251</b>	13,032
US\$	<b>2,732</b>	2,693
	<b><u>330,070</u></b>	<u>839,005</u>

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 12(a)(i) to the condensed consolidated financial statements) were pledged to secure the bank and other borrowings.

### Material Acquisitions and Disposals

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

### Contingent Liabilities

As at 30 September 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

## DISCLOSURE OF INTERESTS

### DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2020, the interests and short positions of the Directors in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

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

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

#### (ii) Long positions in the Shares and underlying Shares of CIH

Name of Director	Number of Shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mr. Jiang Ming	3,758	Directly beneficially owned	37.58%
	2,142	Interest of controlled corporation	21.42%
Mr. Lin Chen Hsin	330	Directly beneficially owned	3.30%

Save as disclosed above, as at 30 September 2020, none of the Directors had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any other associated corporations.

## DISCLOSURE OF INTERESTS

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES

Apart from the interests of CIH as disclosed under the heading "Directors' interests in securities" above, the register of substantial Shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 30 September 2020, 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 <sup>2</sup>	1,531,261,978	36.93%
Shenzhen Investment Limited	Corporate	631,092,857	15.22%

Notes:

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

Save as disclosed above, as at 30 September 2020, to the best of the Directors' knowledge, no persons had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or otherwise notified to the Company and the Stock Exchange.

## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE PRACTICES

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

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

Code provision A.6.7 of the CG Code stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings. One 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 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.

## **OTHER INFORMATION**

### **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.

By Order of the Board  
**Jiang Ming**  
*Chairman*

Hong Kong, 27 November 2020