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ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS:

- Revenue for the year amounted to approximately HK\$211.4 million, compared to HK\$6.7 million for last year.
- Loss for the year attributable to owners of the Company was approximately HK\$426.5 million, compared to a loss of approximately HK\$942.6 million for last year.
- As at 31 March 2023, net debt to total equity ratio was 44%, maintaining at a manageable level.

The board (the “**Board**”) of directors (the “**Director(s)**”) of Coastal Greenland Limited (the “**Company**”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2023 (the “**Year**” or “**FY2023**”), together with comparative audited figures for the year ended 31 March 2022. The following financial information is extracted from the audited consolidated financial statements as contained in the Group’s 2022/23 annual report which is to be published by the Group.

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	211,406	6,741
Cost of sales		<u>(261,403)</u>	<u>(2,610)</u>
Gross (loss) profit		(49,997)	4,131
Other income and gains	5	17,297	96,700
Marketing and selling expenses		(3,589)	(621)
Administrative expenses		(76,318)	(116,599)
Impairment loss recognised on other receivables, net	8	(319,856)	(414)
Impairment loss recognised on properties under development	8	(11,451)	(494,060)
Loss on surrender of lands	8	–	(408,224)
Other expenses		(12,572)	(65,390)
Finance costs	6	(22,741)	(99,320)
Share of loss of a joint venture		–	(989)
Share of loss of an associate		–	(832)
Loss before taxation	8	(479,227)	(1,085,618)
Taxation	7	60,281	4,131
Loss for the year		<u>(418,946)</u>	<u>(1,081,487)</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		(299,614)	161,443
Deficit on revaluation of buildings		(6,700)	(1,711)
Deferred tax credit arising on revaluation of buildings		1,675	428
Deferred tax credit arising on disposal of property, plant and equipment		–	11,407
Other comprehensive income for the year		<u>(304,639)</u>	<u>171,567</u>
Total comprehensive income for the year		<u>(723,585)</u>	<u>(909,920)</u>

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(426,485)	(942,595)
Non-controlling interests		<u>7,539</u>	<u>(138,892)</u>
		<u>(418,946)</u>	<u>(1,081,487)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(732,884)	(774,294)
Non-controlling interests		<u>9,299</u>	<u>(135,626)</u>
		<u>(723,585)</u>	<u>(909,920)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	<i>10</i>		
Basic and diluted		<u>(10.29)</u>	<u>(22.73)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		193,071	205,101
Investment properties		72,989	78,785
Right-of-use assets		10,970	13,733
Interest in a joint venture		139,929	151,041
Amounts due from associates and a joint venture		331,353	123,303
Financial assets at fair value through other comprehensive income (“FVTOCI”)		63,613	68,429
Deferred tax assets		51,034	–
		<hr/>	<hr/>
Total non-current assets		862,959	640,392
CURRENT ASSETS			
Properties under development		196,479	484,730
Completed properties for sale		268,489	305,212
Prepayments, deposits and other receivables	<i>11</i>	5,284,847	5,949,827
Amounts due from associates and a joint venture		–	240,513
Financial assets at fair value through profit or loss		207	224
Pledged bank deposits		904	99,617
Cash and bank balances		156,669	251,158
		<hr/>	<hr/>
Total current assets		5,907,595	7,331,281
CURRENT LIABILITIES			
Trade payables	<i>12</i>	85,566	95,111
Contract liabilities		2,303	190,387
Other payables and accruals	<i>13</i>	2,136,430	2,140,003
Amount due to a substantial shareholder of the Company		169,428	180,883
Lease liabilities		–	1,056
Tax payable		154,933	175,729
Interest-bearing bank and other borrowings		282,498	281,283
		<hr/>	<hr/>
Total current liabilities		2,831,158	3,064,452

	2023	2022
	HK\$'000	HK\$'000
NET CURRENT ASSETS	<u>3,076,437</u>	<u>4,266,829</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>3,939,396</u>	<u>4,907,221</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,113,718	1,350,612
Deferred tax liabilities	<u>22,972</u>	<u>30,318</u>
Total non-current liabilities	<u>1,136,690</u>	<u>1,380,930</u>
NET ASSETS	<u><u>2,802,706</u></u>	<u><u>3,526,291</u></u>
CAPITAL AND RESERVES		
Share capital	414,602	414,602
Reserves	<u>2,441,463</u>	<u>3,174,347</u>
Equity attributable to owners of the Company	2,856,065	3,588,949
Non-controlling interests	<u>(53,359)</u>	<u>(62,658)</u>
Total equity	<u><u>2,802,706</u></u>	<u><u>3,526,291</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain property, plant and equipment, investment properties and financial assets which are stated at revalued amounts or fair values, as appropriate.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is different from functional currency of the Company, Renminbi (“**RMB**”), as the Directors consider that HK\$ is the appropriate presentation currency in view of its place of listing.

The Group incurred a net loss of approximately HK\$418,946,000 during the year ended 31 March 2023, this condition may cast significant doubt about the Group’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

For assessing the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements, the Directors prepared a cash flow projection for a fifteen month period from 31 March 2023. The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least 12 months from 31 March 2023, after taking into consideration a number of plans and measures:

- As at 31 March 2023, a substantial shareholder of the Company to whom the Group owed HK\$169,428,000 has undertaken not to demand repayment of debts due from the Group in next twelve months from the reporting date; in addition, the substantial shareholder further advanced HK\$4,569,000 in April 2023 to the Group with the same terms as with the HK\$169,428,000 as stated above to strength the Group’s liquidity position;

- The Group is endeavoring to complete the settlement of other payables and accruals of HK\$338,475,000 as disclosed in note 13; and
- In respect of the advances of HK\$1,553,863,000 from a third-party for a redevelopment project (note 13) which is located in Zhuhai City of the People’s Republic of China (the “**PRC**”), the Group is progressing its contemplated disposal of the related project to the creditor who has entered the relevant agreement to acquire that redevelopment project in which the disposal has not been completed as at the date of approval of the consolidated financial statements. Based on the assessment made by the Directors, the value of the redevelopment project is sufficient for the settlement of this advance.

Based on the above plans and measures, the Directors are of the view that the Group would have sufficient working capital to finance its operation and meet its financial obligations as and when they fall due over the period of the cash flow projection. Accordingly, the Directors considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 1, First-time Adoption of International Financial Reporting Standards, HKFRS 9, Financial Instruments, HKFRS 16, Lease and HKAS 41, Agriculture

The application of the above amendments to HKFRSs that are effective from 1 April 2022 did not have any significant impact on the Group’s accounting policies. The Group has not early applied any amended HKFRSs that is not yet effective for the current accounting period.

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	207,110	2,117	4,296	4,624	-	-	-	-	211,406	6,741
Disaggregation of revenue:										
Primary geographical markets										
Anshan	2,862	1,305	-	-	-	-	-	-	2,862	1,305
Dalian	108	812	-	-	-	-	-	-	108	812
Dongguan	-	-	357	245	-	-	-	-	357	245
Jixi	203,690	-	-	-	-	-	-	-	203,690	-
Shanghai	450	-	113	199	-	-	-	-	563	199
ShenZhen	-	-	3,826	4,180	-	-	-	-	3,826	4,180
Total	207,110	2,117	4,296	4,624	-	-	-	-	211,406	6,741
Time of revenue recognition										
At a point in time	207,110	2,117	-	-	-	-	-	-	207,110	2,117
Transferred over time	-	-	4,296	4,624	-	-	-	-	4,296	4,624
Total	207,110	2,117	4,296	4,624	-	-	-	-	211,406	6,741
Segment results:										
Segment loss	(418,083)	(1,001,688)	(14,867)	(19,495)	(817)	(2,316)	-	-	(433,767)	(1,023,499)
Finance costs										
Interest income									(22,741)	(99,320)
Interest expense recharged									2,445	23,318
Net foreign exchange (loss) gain									-	72,570
Share of loss of a joint venture									(799)	1,270
Share of loss of an associate									-	(989)
Other net unallocated expenses									-	(832)
									(24,365)	(58,136)
Loss before taxation									(479,227)	(1,085,618)

Segment results represent the loss before taxation made by each reportable segment without allocation of income and expenses of the Group's head office, finance costs, interest income, interest expense recharged, 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 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 year is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers		
Sale of properties	207,110	2,117
Revenue from other sources		
Rental income – fixed payment	<u>4,296</u>	<u>4,624</u>
	<u>211,406</u>	<u>6,741</u>

5. OTHER INCOME AND GAINS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank interest income	2,216	6,229
Interest expense recharged (<i>note 6(b)</i>)	–	72,570
Other interest income	229	17,089
Write-back of other payables	14,517	–
Others	<u>335</u>	<u>812</u>
	<u>17,297</u>	<u>96,700</u>

6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank borrowings	81,636	107,106
Interest on other borrowings (<i>note b</i>)	9,254	72,570
Interest on lease liabilities	<u>10</u>	<u>170</u>
	90,900	179,846
Less: Amounts capitalised on qualifying assets	<u>(68,159)</u>	<u>(80,526)</u>
	<u><u>22,741</u></u>	<u><u>99,320</u></u>

Notes:

- (a) For the year ended 31 March 2023, borrowing costs were capitalised at a rate of approximately 5.81% (2022: 6.18%) per annum arose on the funds borrowed specifically for the purpose of obtaining qualifying assets.
- (b) The interest expenses for the year ended 31 March 2022 were charged on the loan granted to Coastal Greenland Development (Wuhan) Limited (“**Coastal Wuhan**”), a former subsidiary of the Group, which was secured by the Group’s right to receive the Guaranteed Dividend (as defined in note 11(a)(i)) from Tianjin Harmonious Realty Development Company Limited (“**Tianjin Harmonious**”), an associate of Coastal Wuhan, and the Group was obliged to pay the interest pursuant to the loan agreement. All interest paid were than recharged to Tianjin Harmonious. The relevant loan was fully settled during the year ended 31 March 2022.

7. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
– PRC Land Appreciation Tax (“ LAT ”)	–	4,683
Deferred tax	<u>(60,281)</u>	<u>(8,814)</u>
Total tax credit for the year	<u><u>(60,281)</u></u>	<u><u>(4,131)</u></u>

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

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

Under the Law of the PRC on Enterprise Income Tax ("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 BEFORE TAXATION

Loss before taxation is arrived at after charging (crediting):

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Depreciation of property, plant and equipment	907	2,388
Less: Amounts capitalised on qualifying assets	<u>(118)</u>	<u>(259)</u>
	<u>789</u>	<u>2,129</u>
Cost of completed properties sold	261,403	2,610
Depreciation of right-of-use assets	1,188	2,869
Impairment loss recognised on completed properties for sale*	8,532	19,962
Impairment loss recognised on other receivables, net^	319,856	414
Impairment loss recognised on properties under development^	11,451	494,060
Loss on deemed disposal of a subsidiary*	–	208
Loss on disposal of a subsidiary*	–	9,870
Loss on disposal of property, plant and equipment*	322	11,977
Loss on surrender of lands#	–	408,224
Loss on termination of a lease	46	–
Loss on write-off of assets and liabilities upon deregistration of subsidiaries*	3,643	9,963
Net foreign exchange loss (gain)	799	(1,270)
Rental expenses on short-term leases	1,040	814
Write-off of other receivables*	<u>–</u>	<u>11,547</u>

- * These items are included in “other expenses” of the consolidated statement of profit or loss and other comprehensive income.
- ^ The amount for the year ended 31 March 2023 mainly represented impairment losses recognised under the expected credit losses (“ECL”) model for the Consideration Receivable as noted in note 11(a)(ii).
- + The amount for the year ended 31 March 2022 mainly represented impairment loss recognised on development project namely Jixi Silo City of HK\$493,618,000. Resulting from the surrender of lands completed on 18 August 2021, the only interests in the development project remained to the Group are restricted to affordable houses which are for resettlement of local residents and can only be sold at lower amount than the original estimated amount.
- # On 9 August 2021, the Group entered into an agreement with the Jixi Municipal People’s Government of Heilongjiang Province (the “**Jixi Municipal People’s Government**”) and an independent third party in which the Group agreed to surrender four parcels of land located at Jixi City, Heilongjiang, the PRC, to the Jixi Municipal People’s Government with a compensation amount of RMB224,000,000 (equivalent to approximately HK\$268,888,000). Resulting from the surrender of lands completed on 18 August 2021, an amount of HK\$408,224,000 of the book value of the lands surrendered in excess of the waiver of payables was recognised as a loss in profit or loss for the year ended 31 March 2022. Details of the surrender of lands are set out in the announcement and circular of the Company dated 15 November 2021 and 25 February 2022 respectively.

9. DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 March 2023 (2022: nil).

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of HK\$426,485,000 (2022: HK\$942,595,000) and the number of 4,146,020,285 ordinary shares in issue for the years ended 31 March 2023 and 2022.

(b) Diluted loss per share

Diluted loss per share for the years ended 31 March 2023 and 2022 are not presented as there were no dilutive potential ordinary shares in issue during the respective year.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other receivables (<i>note a</i>)	1,587,375	2,072,664
Deposits for future acquisition of land use rights (<i>note b</i>)	3,640,905	3,799,283
Prepaid operating expenses and other deposits	<u>56,567</u>	<u>77,880</u>
	<u><u>5,284,847</u></u>	<u><u>5,949,827</u></u>

Notes:

(a) As at 31 March 2023, included in other receivables are mainly:

- (i) an amount of HK\$266,161,000 (2022: HK\$287,296,000) in relation to the guarantee dividend (the “**Guaranteed Dividend**”) distributable to Coastal Wuhan by Tianjin Harmonious.

Tianjin Harmonious has a property development project in Tianjin. Pursuant to the disposal agreement between Coastal Wuhan and new shareholders of Tianjin Harmonious, Coastal Wuhan is entitled to receive the Guaranteed Dividend from Tianjin Harmonious amounting to RMB1,834,000,000 (equivalent to HK\$2,095,018,000). Pursuant to the disposal agreement in respect of the disposal of the entire equity interests in Century East Group Limited, a former subsidiary of the Group and holding company of Coastal Wuhan, (the “**Disposal**”) completed in previous years, the Group is still entitled to receive the Guaranteed Dividend from Tianjin Harmonious after the Disposal.

- (ii) an amount of HK\$760,241,000 (2022: HK\$1,180,923,000), net of expected credit losses of HK\$277,078,000 (2022: nil), due from a purchaser regarding the balance of the consideration receivable (the “**Consideration Receivable**”) under the Disposal as set out above.

(b) The amount comprises of payments for the acquisition of land use rights of a project in relation to redevelopment of old villages in the city located at Shangchong Village, Xiangzhou District, Zhuhai City, the PRC (the “**Shangchong Project**”), including land costs, construction costs, professional fees and finance costs. The payments were paid to counterparties of the Shangchong Project, who are third parties independent to the Company, including constructors, government departments, engineering firms, construction design firms and other consultants, in accordance with their respective contractual terms.

The Zhuhai Xiangzhou District Housing and Urban Renewal Authority has authorised Zhuhai Coastal Greenland Real Estate Company Limited (“**Zhuhai Coastal**”), a 66.67% owned subsidiary of the Group, as the major party responsible for the implementation of the Shangchong Project.

On 2 December 2022, the Group entered into a supplemental agreement (the “**Supplemental Agreement**”) with an independent third party, pursuant to which the Group has conditionally agreed to sell and the independent third party has conditionally agreed to acquire 66.67% equity interest in Zhuhai Coastal, at a consideration of RMB120,000,000 (equivalent to approximately HK\$137,079,000) and procure the assignment of a shareholder’s loan at a consideration of RMB760,000,000 (equivalent to approximately HK\$868,165,000). The aggregate consideration of RMB880,000,000 (equivalent to approximately HK\$1,005,243,000) shall be satisfied by the independent third party by way of transferring the entire equity interests in two project companies at a total consideration of RMB710,000,000 (equivalent to approximately HK\$811,049,000) and a payment in cash in the amount of RMB170,000,000 (equivalent to approximately HK\$194,195,000). As part of the transactions contemplated under the Supplemental Agreement, the outstanding balance of the Consideration Receivable would be waived by the Group. Details of which are set out in the announcement of the Company dated 23 December 2022. In the opinion of the Directors, as the substantial shareholders’ approval had not been obtained before the end of the reporting date, the assets and liabilities of Zhuhai Coastal were not classified as held for sale as at 31 March 2023.

12. TRADE PAYABLES

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

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
0 – 30 days	1,996	2,577
61 – 90 days	–	10
Over 90 days	<u>83,570</u>	<u>92,524</u>
	<u><u>85,566</u></u>	<u><u>95,111</u></u>

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

13. OTHER PAYABLES AND ACCRUALS

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Sales and other taxes payable	34,248	31,361
Other payables (<i>note a</i>)	266,529	235,069
Advances from third parties for a re-development project (<i>note b</i>)	1,553,863	1,569,124
Accrued construction costs	15,927	17,191
Other accrued operating expenses (<i>note a</i>)	265,863	287,258
	<u>2,136,430</u>	<u>2,140,003</u>

Notes:

- (a) Included in other payables and other accrued operating expenses was an indemnity against a legal case of approximately RMB296,304,000 (equivalent to approximately HK\$338,475,000 (2022: HK\$365,352,000)) by Hengxiang Real Estate Development Company Limited (“**Hengxiang Real Estate**”). The amount represented loan principal and interest payable to a lender and the associated legal cost of the litigation according to the judgement by The High People’s Court of Liaoning Province dated 28 January 2018.

On 17 September 2020, The Intermediate People’s Court of Liaoning Province concluded that the final indemnity, as agreed by Hengxiang Real Estate and the lender, was amounted to RMB296,304,000 (equivalent to approximately HK\$338,475,000) and to be settled with the completed properties for sale of the Group and an associate with carrying amount of RMB138,784,000 (equivalent to approximately HK\$158,536,000) (2022: RMB149,525,000 (equivalent to approximately HK\$184,369,000)) and RMB26,991,000 (equivalent to approximately HK\$30,832,000) (2022: RMB27,017,000 (equivalent to approximately HK\$33,313,000)) respectively as at 31 March 2023. The management expected that the indemnity would be settled within one year from the end of the reporting period.

- (b) The amount comprises of advances from third parties for the Shangchong Project by Zhuhai Coastal. On 2 December 2022, the Group entered into the Supplemental Agreement with an independent third party, pursuant to which the Group has conditionally agreed to sell and the independent third party has conditionally agreed to acquire 66.67% equity interest in Zhuhai Coastal. Details are set out in note 11(b).

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 Year, the Group recorded contracted sales in the amount of HK\$19.5 million (2022: HK\$17.3 million) which corresponds to a total GFA of approximately 6,000 sq.m. (2022: 6,100 sq.m.). Included in the amount was HK\$1.5 million (2022: HK\$14.1 million) related to contracted sales attributable to a development project in which the Group has equity interests of 35% (2022: 35%) and of which the Group is the project manager. Such development project accounted for a corresponding GFA of approximately 400 sq.m. (2022: 5,600 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 investment property portfolio, the Group takes into account the long-term growth potential and overall market conditions of the properties. The Group may sell some of its investment properties when it is in its interests to do so. Rental income for the Year mainly derived from properties in Shenzhen.

Project Management Services

During the Year, the Group was engaged as the project managers of two (2022: two) development projects namely Beijing Bay Project Phase II and Chongqing Silo City, both of the project's constructions have been completed.

Project Investment Services

During the years ended 31 March 2023 and 2022, the Group did not generate any profit from the operations of this segment. The Group will continue to look for opportunities in relation to investment in and sale of property development/land development projects in the PRC.

FINANCIAL REVIEW

Overall performance

During the Year, the Group generated revenue of HK\$211.4 million as compared to HK\$6.7 million for last year. The Group's net loss for the year was HK\$418.9 million (2022: HK\$1,081.5 million). The loss attributable to owners of the Company for the year was HK\$426.5 million (2022: HK\$942.6 million). The basic loss per share for the year was HK10.29 cents (2022: HK22.73 cents).

Revenue

The revenue of the Group was primarily derived from sales of properties and property rental income. For the FY2023, approximately 98% (2022: 31%) of the Group's revenue was generated from the sales of properties and approximately 2% (2022: 69%) from property rental income.

Sales of Properties

During the Year, the recognised sales revenue from sales of properties was HK\$207.1 million as compared to HK\$2.1 million for last year, which corresponds to a total GFA delivered by the Group of 176,000 sq.m. (2022: 520 sq.m.). The property sales revenue for the FY2023 mainly came from the sale of inventory in Jixi Silo City completed in prior years, which accounted for approximately 98% of the total property sales revenue.

Rental Income

Revenue from property rental slightly decreased to HK\$4.3 million from last year's HK\$4.6 million. The decrease was primarily attributable to the rent reduction and rent free period provided to certain tenants. The property investment segment for the Year recorded a loss of HK\$14.9 million, comparing to HK\$19.5 million for last year.

Project Management Services Income

During the years ended 31 March 2023 and 2022, the Group did not generate any revenue from project management services as the Group is phasing out from the business in this segment. The project management services segment recorded a loss of approximately HK\$0.8 million for the Year comparing to HK\$2.3 million for last year.

Gross (Loss) Profit

The negative gross profit margin for the Year was approximately 24% which was in contrast to gross profit margin of 61% for last year. The negative gross profit margin was primarily attributable to the recognition of sales revenue from affordable houses of Jixi Silo City during the Year which are for resettlement of local residents and can only be sold at a lower amount than the original estimated amount.

Other Income and Gains

Other income and gains for the Year was HK\$17.3 million as compared to HK\$96.7 million for last year. Other income and gains for the Year mainly represented write-back of other payables of HK\$14.5 million (2022: nil), bank interest income of HK\$2.2 million (2022: HK\$6.2 million) and other interest income of HK\$0.2 million (2022: HK\$17.1 million).

Marketing, Selling and Administrative Expenses

Marketing and selling expenses increased to HK\$3.6 million from last year's HK\$0.6 million as a result of the Group's increased level of selling activities for promoting its sales during the Year.

Administrative expenses decreased by approximately 35% to HK\$76.3 million from last year's HK\$116.6 million. The Group will continue to implement cost control measures so as to enhance its operational efficiency.

Other Expenses

Other expenses for the Year was HK\$12.6 million as compared to last year's HK\$65.4 million. Other expenses mainly comprised of impairment loss recognised on completed properties for sale of HK\$8.5 million (2022: HK\$20.0 million), loss on write-off of assets and liabilities upon deregistration of subsidiaries of HK\$3.6 million (2022: HK\$10.0 million) and loss on disposal of property, plant and equipment of HK\$0.3 million (2022: HK\$12.0 million).

Impairment Loss Recognised on Other Receivables, Net/Impairment Loss Recognised on Properties Under Development/Loss on Surrender of Lands

For the impairment loss recognised on other receivables, net in the amount of HK\$319.9 million (2022: HK\$0.4 million), the impairment loss recognised on properties under development of HK\$11.5 million (2022: HK\$494.1 million) and the loss on surrender of lands of HK\$408.2 million in last year, please refer to note 8 to the consolidated financial statements for details.

Finance Costs

During the Year, the Group incurred finance costs before capitalisation (mainly interest for bank and other borrowings) of HK\$90.9 million, representing a decrease of approximately 49% as compared to HK\$179.8 million incurred for last year. Interest expenses charged to profit or loss for the Year was HK\$22.7 million as compared to last year's HK\$99.3 million. The decrease was mainly attributable to a decrease in outstanding balance of bank and other borrowings as noted in note 6(b) to the consolidated financial statements.

Financial Resources and Liquidity

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

As at 31 March 2023, the Group's cash and bank balances amounted to approximately HK\$157.6 million (2022: HK\$350.8 million). An analysis by currency denomination of the cash and bank balances is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
RMB	147,207	344,692
HK\$	7,767	3,190
United States dollar ("US\$")	2,599	2,893
	<u>157,573</u>	<u>350,775</u>

As at 31 March 2023, 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\$1,238.6 million (2022: HK\$1,281.1 million). Net debt to total equity ratio, which is expressed as a percentage of net borrowings over total equity of the Group, slightly increased by approximately 8% to 44% from last year's 36%, maintaining at a manageable level.

Borrowings and Charges

As at 31 March 2023, the Group's total bank and other borrowings amounted to HK\$1,396.2 million (2022: HK\$1,631.9 million), of which HK\$1,316.3 million (2022: HK\$1,533.3 million) were variable-rate borrowings and the remaining were fixed rate borrowings. Long-term borrowings amounted to HK\$1,113.7 million (2022: HK\$1,350.6 million), representing approximately 80% (2022: 83%) of the total borrowings, and short-term borrowings were HK\$282.5 million (2022: HK\$281.3 million) representing approximately 20% (2022: 17%) of the total borrowings. As at 31 March 2023, the ranges of effective interest rate per annum of the Group in respect of its fixed and variable rate borrowings were 12.00% (2022: 10.80%) and 2.83% to 7.92% (2022: 2.32% to 7.00%) respectively.

As at 31 March 2023, total facilities granted to the Group amounting to HK\$5,483.1 million (2022: HK\$5,918.5 million) of which HK\$1,113.7 million (2022: HK\$1,202.2 million) were utilised. The facilities are restricted to be used for the Shangchong Project.

As at 31 March 2023, certain assets of the Group including land and buildings, investment properties, right-of-use assets, deposits for future acquisition of land use rights and financial assets at FVTOCI with aggregate carrying value of HK\$3,910.0 million (2022: HK\$4,152.2 million), personal guarantee and assets given by a substantial shareholder of the Company and corporate guarantees given by the Company, certain subsidiaries and third parties were pledged to secure the bank and other borrowings.

Material Acquisitions and Disposals

On 2 December 2022, the Group entered into the Supplemental Agreement with an independent third party, pursuant to which the Group has conditionally agreed to sell and the independent third party has conditionally agreed to acquire 66.67% equity interest in Zhuhai Coastal, at a consideration of RMB120,000,000 and procure the assignment of a shareholder's loan at a consideration of RMB760,000,000. The aggregate consideration of RMB880,000,000 shall be satisfied by the independent third party by way of transferring the entire equity interests in two project companies at a total consideration of RMB710,000,000 and a payment in cash in the amount of RMB170,000,000. As part of the transactions contemplated under the Supplemental Agreement, the outstanding balance of the Consideration Receivable would be waived by the Group. Details of which are set out in the announcement of the Company dated 23 December 2022.

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

Contingent Liabilities

As at 31 March 2023, the Group had no contingent liabilities (2022: nil).

Exposure to Fluctuations in Exchange Rates

The Group's operations are principally in the PRC and accordingly a majority part of its income and expenditure is denominated in RMB. The exchange rates of RMB against HK\$ and US\$ have been quite stable over the past years despite a steady depreciation in RMB has occurred during the Year. 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 HK\$ which account for less than 10% of the Group's total borrowings, 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 31 March 2023, the Group had approximately 41 employees (2022: 70 employees) in the PRC and Hong Kong. The related employees' cost (including the Directors' remuneration and certain retrenchment costs) for the Year amounted to approximately HK\$36.9 million (2022: HK\$48.0 million). Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage and housing allowances.

PROSPECTS

The COVID-19 outbreak occurred over the past years 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. Despite gradual approach has been taken to ease pandemic policy, with the complex environment fraught with multifaceted challenges, the real estate industry situation still remains in its down cycle. In addition, the credit crisis emerged from certain big names of the PRC property developers during the past years has casted an uncertain atmosphere over the PRC property sector. Therefore, the sales progress of the Group has been exposed to short-term volatilities and challenges. However, 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, 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules throughout the Year, except for below deviations:

Code provision C.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.

Further information on the Company’s other corporate governance practices is set out in the Corporate Governance Report included in the annual report for the year ended 31 March 2023 which will be despatched to the Shareholders of the Company in due course.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Company’s code of conduct regarding Directors’ securities transactions. Having made specific enquiry, all Directors confirmed that they have complied with the requirements as set out in the Model Code during the Year or (where appropriate) during his/her tenure as a Director in the FY2023. 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company during the Year.

SCOPE OF WORK OF THE AUDITORS

The figures set out in this announcement in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereon for the year ended 31 March 2023 have been agreed by the Group's auditor, BDO Limited ("**BDO**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2023. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO on this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting policies and practices adopted by the Group and discussed and reviewed the audit objectives, the scopes and the report of the internal audit department of the Group. The annual results of the Group for the year ended 31 March 2023 have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**2023 AGM**") is proposed to be held on Tuesday, 19 September 2023. A notice convening the 2023 AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 March 2023 (2022: nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Thursday, 14 September 2023 to Tuesday, 19 September 2023 (both days inclusive). In order to be eligible to attend and vote at the 2023 AGM, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, not later than 4:30 p.m. on Wednesday, 13 September 2023.

PUBLICATION OF ANNUAL REPORT

The annual report of the Group for the year ended 31 March 2023 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
Coastal Greenland Limited
Jiang Ming
Chairman

Hong Kong, 29 June 2023

As at the date of this announcement, the Board comprises Mr. Jiang Ming, Dr. Li Ting, Mr. Lin Chen Hsin and Ms. Tong Xinhua as executive Directors, Mr. Qiu Guizhong and Mr. Zhou Xiya as non-executive Directors and Mr. Wong Kai Cheong, Mr. Yang Jiangang and Mr. Huang Xihua as independent non-executive Directors.